COMPANY REGISTRATION NUMBER 00203531

# GATES WORLDWIDE LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE PERIOD ENDED 31 DECEMBER 2022

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**DIRECTORS**

N.A. Rogers

M.G. Swanson

C.C. Bracken

**SECRETARY**

Intertrust (UK) Limited
1 Bartholomew Lane
London
EC2N 2AX

**AUDITORS**

Armstrong Watson Audit Limited
51 Rae Street
Dumfries
DG1 1JD

**BANKERS**

CITIBANK NA
Citigroup Centre
Canada Square
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E14 5LB

**REGISTERED OFFICE**

1 Bartholomew Lane
London
EC2N 2AX

The directors, in preparing the Strategic report have complied with s414C of the Companies Act 2006.

In this annual report, the term 'the Group' refers to Gates Industrial Corporation plc and its subsidiaries.
The Company's ultimate parent undertaking is Gates Industrial Corporation plc, a public company registered in England and Wales and listed on the New York Stock Exchange.

## PRINCIPAL ACTIVITIES

The principal activity of the Company during the period continued to be that of a financing, investment and pension administration company.

## BUSINESS REVIEW

The Company's results for the period and its financial position at the end of the period are shown in the financial statements on pages 9 to 21.

Management fees charged to Group companies to recover the cost of administrative services provided to them by the Company was $0.4 million (2021: $0.4 million).

Administrative expenses were $nil compared with $nil in 2021.

In 2022, the Company recognised net other operating expenses of $1.0 million, compared with $0.7 million in 2021, caused by the impact of foreign currency translation converting invoices and balance sheet balances from GBP to USD.

The net pension deficit of $0.4 million at 1 January 2022 has reduced to $0.3 million at 31 December 2022.

## KEY PERFORMANCE INDICATORS

| | **2022**<br>**$ million** | 2021<br>$ million | |
|---|---|---|---|
| Management fee income | **0.4** | 0.4 | Management fees charged to Group companies to recover the cost of administrative services provided to them by the Company |
| Net assets | **2,273.5** | 2,274.0 | Total assets after all creditors. |

## FINANCIAL OVERVIEW

**Management fee income** has remained the same. This was primarily due to the expenses incurred for the group that are recharged remaining similar to year on year.

**Net assets** have reduced by $0.5 million in the year primarily due to the results for the year and associated balance sheet movements. The vast majority of the net assets are made up of the company's investments in subsidiaries. A detailed review of the investment valuations has been undertaken and no impairments were deemed necessary.

Management are satisfied with the results for the year and the movements noted above are in line with expectations.

## GREENHOUSE GAS EMMISSIONS, ENERGY CONSUMPTION AND ENERGY EFFICIENCY ACTION

The Company has not disclosed information in respect of greenhouse gas emissions, energy consumption and energy efficiency action as its energy consumption in the United Kingdom for the year is 40,000kWh or lower.

## SECTION 172 STATEMENT

Section 172(1) of the Companies Act 2006 ("section 172") requires our directors to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of our shareholders. As part of the Board's decision-making process, the directors consider the potential impact of decisions on relevant stakeholders whilst also having regard to several broader factors, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term.

Engaging with stakeholders takes a variety of forms, from day-to-day business interactions to specific outreach initiatives. As authority for the day-to-day management of the Company is delegated by the Board to executive management, subject to defined limits and monitoring by the Board, most of this engagement takes places at an operational level or at a global basis by the executive management of Gates Industrial Corporation plc, the ultimate parent company of Gates Worldwide Limited. Please therefore also refer to the Section 172 statement that has been made in the annual report of Gates Industrial Corporation plc.

As a non-trading company within the group that holds investments and loan balances with other group companies there are no employees and minimal transactions outside of the Gates group of companies. The key stakeholders for Gates Worldwide Limited are therefore aligned with those of Gates Industrial Corporation plc.

The most critical decisions made by the Group during 2022 were to suspend operations in Russia, capital allocation strategy including debt repayment and refinance considerations, and cybersecurity risk management. Routine annual decisions such as budget approval, employee compensation setting and key employee/director changes were also made. Please refer to the Section 172 statement in Gates Industrial Corporation PLC for further detail on the decisions made in each of these areas.

The Directors are supported in the discharge of their duties by the Treasury team in the Denver head office and the local management in Dumfries in the United Kingdom.

## PRINCIPAL RISKS AND UNCERTAINTIES

As an intermediate holding company, the process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls developed at a Group level. All policies are subject to Group Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is a high priority. The Group compliance team and Group finance department take on an important oversight role in this regard. The Group Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively.

The principal risk and exposure related to the company is the impact of foreign currency translation and consequently the company may be adversely impacted by exchange rate movements.

Additionally, the valuation of the Company's investments may be impacted by risks associated with their operations, associated with operating in numerous countries within a global economy, including:

- Worldwide and regional economic conditions;
- Economic, political and associated risks of operating in different geographic regions around the world;
- Pricing pressures from competitors, suppliers, raw material and workforce availability; and
- Customer or supplier failure or manufacturing difficulties.

Approved by the board of directors on 9/26/2023 2023 and signed on their behalf by:

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Nathan Rogers

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N.A. Rogers
Director

The directors present their annual report and the audited financial statements of Gates Worldwide Limited (the 'Company') for the period ended 31 December 2022.

**DIRECTORS**

The directors of the Company who were in office throughout the period and in the subsequent period, except where noted, are as follows:

N.A. Rogers
M.G. Swanson
C.C.Bracken

**FINANCIAL INSTRUMENTS**

Derivative financial instruments are held from time to time by the Company in relation to the Group's financial risk management policy which is described in the consolidated financial statements of Gates Industrial Corporation plc. It is the Company's policy not to hold or issue derivative financial instruments for speculative purposes.

The Company is exposed to credit risk in relation to its financial assets, which consist mostly of loans to other Group undertakings.

**DIVIDENDS**

During 2022 no dividends were paid (2021: nil).

**GOING CONCERN**

Based on internal forecasts and projections that consider reasonably possible changes in the Company's trading performance, the directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the Company's financial statements.

**DISCLOSURE OF INFORMATION TO THE AUDITOR**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as he or she is aware, there is no relevant audit information of which the Company's auditor is not aware; and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

**STATUTORY DISPENSATION**

The Company has in force an election dispensing with the laying of accounts and reports before the Company in General Meeting, the holding of Annual General Meetings and the obligation to appoint auditors annually.

**DIRECTORS INDEMNITY**

The company has provided indemnities to each of the directors, these indemnities relate to certain losses and liabilities which they may incur during their duties and are in force as at the date of this report. Similar indemnities will be offered to any new directors joining the board. Insurance cover also remains in place to protect all directors and senior management in the event of a claim being brought against them in their capacity as directors or officers of the Company.

Approved by the board of directors on 9/26/2023 2023 and signed on their behalf by:

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Nathan Rogers
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N.A. Rogers
Director

The directors are responsible for preparing their report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. The directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), 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 at the end of the financial period and of its profit or loss for the financial period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

## OPINION

We have audited the financial statements of Gates Worldwide Limited ('the Company') for the period ended 31 December 2022, which comprise the statement of comprehensive income, balance sheet, the statement of changes in equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Company's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Accounting (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 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.

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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether the other information is materially consistent with the financial statements or our knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact.

We have nothing to report in this regard.

**REPORTING ON IRREGULARITIES, INCLUDING FRAUD**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management and from our commercial knowledge;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence;
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.
- we assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- reviewing the key areas of the financial statements most susceptible to fraud whilst tailoring our audit plans.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates (such as the valuation of the defined benefit pension scheme and the investments) were indicative of potential bias.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the available minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims;

**OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion, based on the work undertaken during the audit:

- the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with those 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 light of our knowledge and understanding of the 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's financial statements 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.

## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement on page 5 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 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 company or cease operations, or have no realistic alternative but to do so.

## AUDITORS' 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 Auditors' 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 based on these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilites. This description forms part of our Auditor's Report.

## 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 Auditors' 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 the opinions we have formed.

Armstrong Watson Audit Limited

Douglas Russell CA (Senior Statutory Auditor)
for and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants and Statutory Auditors
Dumfries, United Kingdom
28 September 2023

**Gates Worldwide Limited**
**Statement of comprehensive income**
**Period ended 31 December 2022**

| | Note | Period ended 31 December 2022 $ million | Period ended 1 January 2022 $ million |
|---|---|---|---|
| **TURNOVER** | | | |
| Management fees | | **0.4** | 0.4 |
| **OTHER OPERATING ITEMS** | | | |
| Other operating expenses | 4 | **(1.0)** | (0.7) |
| **OPERATING LOSS** | 5 | **(0.6)** | (0.3) |
| Finance costs | 6 | **(0.1)** | (0.1) |
| **LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION** | | **(0.7)** | (0.4) |
| Tax on loss on ordinary activities | 7 | **0.1** | 0.1 |
| **LOSS FOR THE FINANCIAL PERIOD** | | **(0.6)** | (0.3) |
| **OTHER COMPREHENSIVE INCOME/(EXPENSES)** | | | |
| Defined benefit plan: | | | |
| - re-measurement of pension plans | 11 | **0.1** | (0.2) |
| **TOTAL COMPREHENSIVE LOSS** | | **(0.5)** | (0.5) |

All of the activities of the Company are classed as continuing.

**Gates Worldwide Limited**
**Balance sheet**
**As at 31 December 2022**

| | Note | As at 31 December 2022 $ million | As at 1 January 2022 $ million |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Investments | 8 | **2,276.3** | 2,276.3 |
| **CURRENT ASSETS** | | | |
| Debtors due within one year | 9 | **1.5** | 0.6 |
| | | **1.5** | 0.6 |
| **CREDITORS:** Amounts falling due within one year | 10 | **(0.6)** | (0.6) |
| **NET CURRENT ASSETS** | | **0.9** | - |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,277.2** | 2,276.3 |
| **CREDITORS:** Amounts falling due after more than one year | 10 | **(3.4)** | (1.9) |
| **NET ASSETS BEFORE NET PENSION DEFICIT** | | **2,273.8** | 2,274.4 |
| Net pension deficit | 11 | **(0.3)** | (0.4) |
| **NET ASSETS** | | **2,273.5** | 2,274.0 |
| **CAPITAL AND RESERVES** | | | |
| Ordinary share capital | 13 | **4.7** | 4.7 |
| Profit and loss account reserve | | **2,268.8** | 2,269.3 |
| **SHAREHOLDER'S FUNDS** | | **2,273.5** | 2,274.0 |

The financial statements of Gates Worldwide Limited (registered number 00203531) were approved by the board of directors and authorised for issue on 9/26/2023 2023. They were signed on its behalf by:

DocuSigned by:

Nathan Rogers

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N.A. Rogers
Director

**EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY**

| | Ordinary share capital $ million | Share premium $ million | Profit and loss account reserve $ million | Total shareholder's funds $ million |
|---|---|---|---|---|
| **As at 2 January 2021** | **4.7** | **-** | **2,145.1** | **2,149.8** |
| Loss for the financial period | - | - | (0.3) | (0.3) |
| Re-measurement of pension plans | - | - | (0.2) | (0.2) |
| **Total comprehensive loss** | - | - | (0.5) | (0.5) |
| Share Issue | - | 124.7 | - | 124.7 |
| Share premium cancelation | - | (124.7) | 124.7 | - |
| **As at 1 January 2022** | **4.7** | **-** | **2,269.3** | **2,274.0** |
| Loss for the financial period | - | - | (0.6) | (0.6) |
| Re-measurement of pension plans | - | - | 0.1 | 0.1 |
| **Total comprehensive loss** | - | - | (0.5) | (0.5) |
| **As at 31 December 2022** | **4.7** | **-** | **2,268.8** | **2,273.5** |

## 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and to the preceding period.

**General information and basis of preparation**

Gates Worldwide Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act. The registered office is 1 Bartholomew Lane, London, EC2N 2AX. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The Company's financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council as it applies to the financial statements for the period ended 31 December 2022.

The financial statements are prepared in US Dollar which is considered the functional currency of Gates Worldwide Limited and rounded to the nearest million. The Group's business is largely located overseas, principally in the US. While the legal form of the shareholders' investment in the Group and in Gates Worldwide is in Sterling, its economic substance is in a basket of currencies, principally the US dollar.

Gates Worldwide Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in relation to share based payments, financial instruments, presentation of a cash-flow statement, intra-group transactions and remuneration of key management personnel.

As permitted by section 400 of the Companies Act 2006, the Company has not prepared consolidated financial statements because the Company is a wholly owned subsidiary of Gates Industrial Corporation plc, a company incorporated in England and Wales. Gates Industrial Corporation plc prepares consolidated financial statements in accordance with IFRS that are available on the Companies House website.

**Going concern**

The company's business activities, together with factors likely to affect its future development, performance and position are set out in the Business Review, which forms part of the strategic report. The strategic report also describes the financial position of the company, its cash-flows, liquidity position and borrowing facilities; the company's objectives, policies for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Company meets its day to day working capital requirements through access to funds from its subsidiaries and parent entities which will continue to support the operations of the company.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level support available to it.

The directors have a reasonable expectation that the company has adequate resources and support to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Accounting period**

These financial statements cover the period from 2 January 2022 to 31 December 2022 ('2022') with comparative figures for the period from 3 January 2021 to 1 January 2022 ('2021').

**Management fees**

Management fees are charged to Group companies to recover the cost of administrative services provided to them by the Company. Management fees are recognised on an accruals basis in the period in which the administrative services are provided by the Company.

**Investments in subsidiaries**

A subsidiary is an entity controlled, either directly or indirectly, by the Company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. Investments in subsidiaries represent interests in the Company's subsidiaries that are directly owned by the Company and are stated at cost less any provision for impairment.

## 1. ACCOUNTING POLICIES (continued)

### Foreign currency translation

Transactions denominated in foreign currencies are translated into the Company's functional currency at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the balance sheet date. Currency translation differences are recognised in the statement of comprehensive income.

### Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

*(i) Derivative financial instruments*

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

*(ii) Financial guarantee contracts*

Financial guarantees issued by the Company to third parties for a specified amount in respect of the obligations of certain of its subsidiaries are measured at fair value on initial recognition. Over the term of the guarantee, the initial fair value is recognised as income in the statement of comprehensive income. Subsequent to initial recognition, guarantees are measured at the higher of their initial fair value less amounts recognised as income and the best estimate of the amount that the Company will be required to pay to settle the obligation.

### Retirement benefits

Retirement benefits comprise pension benefits provided to employees in the UK.

For defined benefit plans, the pension cost is determined based on actuarial valuations of each of the plans that are carried out annually at the Company's balance sheet date by independent qualified actuaries. Plan assets are measured at their fair value at the balance sheet date. Benefit obligations are measured on an actuarial basis using the projected unit credit method.

The cost of defined benefit plans recognised in the statement of comprehensive income comprises the net total of the current service cost, the past service cost, the expected return on plan assets, the interest cost and the effect of curtailments or settlements. The current service cost represents the increase in the present value of the plan liabilities expected to arise from employee service in the current period. The past service cost is the change in the benefit obligation that results from changes in the benefits payable in respect of employee service in prior periods.

The past service cost may be either positive or negative and is recognised in the statement of comprehensive income on a straight-line basis over the vesting period, or immediately if the benefits have vested. The expected return on plan assets is based on market expectations, at the beginning of the period, of future returns over the life of the benefit obligation. The interest cost represents the increase in the benefit obligation due to the passage of time. The discount rate used is determined at the balance sheet date by reference to market yields on high-quality corporate bonds. Gains or losses on curtailments or settlements are recognised in the statement of comprehensive income in the period in which the curtailment or settlement occurs.

Actuarial gains and losses, which represent differences between the expected and actual returns on the plan assets and the effect of changes in actuarial assumptions, are included in other comprehensive income in the period in which they occur.

The net pension liability or asset recognised in the balance sheet comprises the net total for each plan of the present value of the benefit obligation at the balance sheet date, minus any past service costs not yet recognised, minus the fair value of the plan assets, at the balance sheet date and is stated net of deferred tax. Where a plan is in surplus, the asset recognised is limited to the present value of any amounts that the Company expects to recover by way of refunds or a reduction in future contributions.

## 1. ACCOUNTING POLICIES (continued)

### Share-based incentives

Share-based incentives have historically been provided to certain of our employees under share option, bonus and other share award schemes. All share-award schemes are equity settled.

As described in note 12, the awards granted have been made under plans that are operated now by Gates Industrial Corporation plc, the ultimate parent undertaking of the Company, and represent rights over its ordinary shares. The Company recognises a compensation expense in respect of these plans that is based on the fair value of the awards, measured using either the Black-Scholes option-pricing formula or a Monte-Carlo valuation model.

For equity-settled awards, fair value is determined at the date of grant and reflects market performance conditions and all non-vesting conditions. Fair value is not subsequently re-measured unless the conditions on which the award was granted are modified.

Generally, the compensation expense for each separately vesting portion of the award is recognised on a straight-line basis over the vesting period for that portion of the award. A compensation expense is recognised for awards containing performance conditions only to the extent that it is probable that those performance conditions will be met.

Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or performance conditions.

The amount corresponding to the compensation expense, less any amounts recharged to the Company, is recognised in equity as a capital contribution from Gates Industrial Corporation plc.

A description of the plans in operation during the periods and the costs recognized by the Company in respect of those plans is presented in note 12.

### Tax

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period. Taxable profit differs from accounting profit because it excludes items of income or expense that are recognised in the period for accounting purposes but are either not taxable or deductible for tax purposes or are taxable or deductible in other periods. Current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on a full provision basis on timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. Deferred tax assets are recognised only to the extent that it is considered more likely than not that future taxable profits will be available against which the asset can be utilised. Deferred tax is determined using the tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

In accordance with the requirements of the ultimate parent undertaking, the Company makes or receives payment in respect of Group relief surrendered at 100% of the value of the relief given.

### Dividends received and dividends paid on ordinary shares

Dividend income is recognised when the payment is received.

Dividends payable on ordinary shares are recognised in the financial statements when they have been appropriately authorised and are no longer at the Company's discretion. Dividends on ordinary shares are recognised as an appropriation of shareholder's funds.

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

**Taxation**

The company's tax charge on ordinary activities is the sum of the total current tax and deferred tax charges and credits. The calculation of the total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be readily determined until resolution has been reached with the relevant tax authority.

**Impairment reviews**

Management are required to undertake an annual test for impairment to the value of investment in subsidiaries and loans to subsidiaries, where indicators of impairment are identified at the reporting date.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of an asset can be supported by the net present value of cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA
- timing and quantum of future capital expenditure
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

Changes in the assumptions selected by management, in particular to the discount and growth rate assumptions used in the cash flow projections could significantly affect the impairment evaluation and hence results.

## 3. DIRECTORS' EMOLUMENTS

All of the directors are remunerated by other Group companies in respect of their services to the Group as a whole or by the shareholders in the Company's ultimate parent undertaking, Gates Industrial Corporation plc, in respect of their services to the shareholders and none of their remuneration is specifically attributed to their services to the Company.

No options were exercised by the directors during the current or prior period.

## 4. OTHER OPERATING EXPENSES

| | **2022** **$ million** | 2021 $ million |
|---|---|---|
| Foreign currency translation loss | **(1.0)** | (0.7) |
| | **(1.0)** | (0.7) |

Foreign currency translation gains and losses are recognised on the translation into US dollars of monetary assets and liabilities that are denominated in foreign currencies, principally the pound sterling.

## 5. OPERATING LOSS

Fees payable to the Company's auditor, Armstrong Watson Audit Limited, in respect of the audit of the Company's accounts were $16,100 (2021: $17,211). Fees of $2,406 (2021: $nil) were paid for non-audit services in the period.

## 6. FINANCE COSTS

| | **2022** **$ million** | 2021 $ million |
|---|---|---|
| Defined benefit pension scheme: | | |
| - Plan introductions, charges, curtailments and settlements | **(0.1)** | (0.1) |
| | **(0.1)** | (0.1) |

## 7. TAX ON LOSS ON ORDINARY ACTIVITIES

### (a) Analysis of income tax credit in the period

| | **2022 $ million** | 2021 $ million |
|---|---|---|
| UK current tax: | | |
| - UK Corporation tax on the results for the year | **0.1** | 0.1 |
| Total current tax credit | **0.1** | 0.1 |
| | | |
| Deferred tax: | | |
| - Timing differences arising in the year | **0.6** | 0.6 |
| - Movement in deferred tax assets not recognised | **(0.6)** | (0.6) |
| Total movement in deferred tax | **-** | - |
| Tax credit on loss on ordinary activities | **0.1** | 0.1 |

The main rate of UK corporation tax will increase to 25% from 1 April 2023.

### (b) Factors affecting the current tax credit

The difference between the total current tax credit shown above and the amount calculated by applying the standard rate of UK Corporation tax to the profit on ordinary activities before taxation may be analysed as follows:

| | **2022 $ million** | 2021 $ million |
|---|---|---|
| Loss on ordinary activities before taxation | **(0.7)** | (0.4) |
| | | |
| Tax at the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%) | **0.1** | 0.1 |
| **Total current tax credit** | **0.1** | 0.1 |

## 8. INVESTMENTS

| | Subsidiary undertakings $ million |
|---|---|
| **Cost** | |
| As at 2 January 2022 | 2,276.3 |
| **As at 31 December 2022** | **2,276.3** |
| | |
| **Net book value** | |
| As at 2 January 2022 | 2,276.3 |
| **As at 31 December 2022** | **2,276.3** |

Details of the Company's subsidiaries as at 31 December 2022, all of which, apart from Gates Finance Limited, are held indirectly by the Company, are set out below:

## 8. INVESTMENTS (continued)

| Name of company | Country of incorporation | Effective interest |
|---|---|---|
| Gates Australia Pty, Limited | Australia | 50% |
| Gates E&S Bahrain WLL | Bahrain | 49%* |
| Gates Fleximak Ltd (BVI) | British Virgin Islands | 100% |
| Gates Industrial Canada Limited | Canada | 100% |
| Gates Auto Parts (Suzhou) Co., Ltd | China | 100% |
| Gates Fluid Power Technologies (Changzhou) Co., Ltd | China | 100% |
| Gates Trading (Shanghai) Co., Ltd. | China | 100% |
| Gates Winhere Automotive Pump Products (Yantai) Co. Ltd | China | 100% |
| Gates Hydraulics SRO | Czech Republic | 100% |
| Gates France S.a.r.l. | France | 60% |
| Gates SAS | France | 100% |
| Gates Service Center S.A.S. | France | 100% |
| Gates Tube Fitting GmbH | Germany | 100% |
| Gates GmbH | Germany | 70% |
| Gates TPU GmbH | Germany | 100% |
| Gates Holding GmbH | Germany | 100% |
| Gates S.r.l. | Italy | 100% |
| Gates Japan KK | Japan | 100% |
| Gates Investments SARL | Luxembourg | 100% |
| Gates Holdings Luxembourg SARL | Luxembourg | 100% |
| Gates Industrial Europe SARL | Luxembourg | 100% |
| Gates Industrial & Automotive (Malaysia) SDN. BHD. | Malaysia | 100% |
| Gates E&S Mexico, S.A. de C.V. | Mexico | 100% |
| Tomkins Poly Belt Mexicana SA de CV | Mexico | 100% |
| Gates Engineering & Services (Muscat) LLC | Oman | 70% |
| Gates Polska S.p.z o.o | Poland | 32.3% |
| Gates Business Services Europe S.p.z o.o | Poland | 100% |
| Gates CIS LLC | Russian Federation | 100% |
| Gates Engineering & Services Closed Joint Stock Company | Saudi Arabia | 75% |
| Gates (U.K.) Limited | United Kingdom | 100% |
| Gates Engineering & Services PTE Limited | Singapore | 100% |
| Gates Industrial Singapore PTE. LTD. | Singapore | 100% |
| Gates Rubber Company (S) Pte Limited | Singapore | 60% |
| Gates PT Spain S.L. | Spain | 60% |
| Gates Güç Aktarim Sistemleri Dagitim Sanayi Ve Ticaret Limited Sirketi | Turkey | 100% |
| Gates Hortum Sanayi ve Ticaret Limited Şirketi | Turkey | 100% |
| Gates Endustiyel Metal Kaucuk Sanayi ve Ticaret Anonnim Sirketi | Turkey | 100% |
| Rapro Kimya Turizm Bilişim Sanayi ve Ticaret Anonim Şirketi | Turkey | 100% |
| Rapro Kauçuk ve Plastik Ürünleri Ithalat Ihracat Mümessillik Pazarlama Ticaret Limited Şirketi | Turkey | 100% |
| Gates Engineering & Services FZCO (UAE) | UAE | 100% |
| Gates Auto Parts Holdings China Limited | United Kingdom | 100% |
| Gates Engineering & Services Global Limited | United Kingdom | 100% |
| Gates Finance Limited | United Kingdom | 100% |
| Gates Fluid Power Technologies Investments Ltd | United Kingdom | 100% |
| Gates Holdings Limited | United Kingdom | 100% |
| Tomkins Engineering Limited | United Kingdom | 100% |
| Tomkins Insurance Limited | Isle of Man | 100% |
| Tomkins Investments Limited | United Kingdom | 100% |
| Tomkins Overseas Investments Limited | United Kingdom | 100% |
| Gates Treasury (Canadian Dollar) Company | United Kingdom | 100% |
| Gates Treasury (Dollar) Company | United Kingdom | 100% |
| Gates Treasury (Euro) Company | United Kingdom | 100% |
| Gates Winhere LLC (US) | United States | 60% |
| Philips Holding Corporation | United States | 100% |
| Tomkins BP US Holding Corporation | United States | 100% |

## 8. INVESTMENTS (continued)

| | | |
|---|---|---|
| Gates Treasury (Brazilian Real) Limited | United Kingdom | 100% |
| Gates E&S North America, Inc. | United States | 100% |
| Atlas Hydraulics Inc (Canada) | Canada | 100% |
| Industrias Atlas Hydraulics, S de RL de CV | Mexico | 100% |
| Servicios IAHS, S de RL de CV | Mexico | 100% |
| Gates (Thailand) Co., Ltd | Thailand | 100% |
| PT Gates Industrial Indonesia | Indonesia | 100% |
| Gates Engineering and Services UK Holdings Limited | United Kingdom | 100% |
| Gates Engineering and Services UK Limited | United Kingdom | 100% |
| Gates UK Finance Limited | United Kingdom | 100% |
| Tomkins BP UK Holdings Limited | United Kingdom | 100% |
| Gates Treasury (TRY) Limited | United Kingdom | 100% |
| Gates Fleximak Oilfield Services Establishment | UAE | 0%* |
| Gates Industrial Africa (Pty) Ltd | South Africa | 100% |

* These entities are subsidiary undertakings and are consolidated by the Company on the basis that it has the right to exercise a dominant influence over the undertaking by virtue of a control contract whereby the Company exercises control over the undertaking.

## 9. DEBTORS

| | As at 31 December 2022 $ million | As at 1 January 2022 $ million |
|---|---|---|
| **Due within one year** | | |
| Amounts owed by Group undertakings | **1.1** | 0.3 |
| Other taxes and social security | **0.4** | 0.3 |
| | **1.5** | 0.6 |

Amounts owed by Group undertakings are classified as falling due after more than one year where there is a formal loan agreement in place with an expiry date falling due more than one year from the reporting date. Where the loan agreement has expired, or no loan agreement is in place the amounts are classified as repayable on demand and are shown as falling due within less than one year.

## 10. CREDITORS

| | As at 31 December 2022 $ million | As at 1 January 2022 $ million |
|---|---|---|
| **Due within one year** | | |
| Accruals and deferred income | **0.4** | - |
| Trade creditors | **0.2** | 0.6 |
| | **0.6** | 0.6 |
| **Due after more than one year** | | |
| Amounts due to group undertakings | **3.4** | 1.9 |
| | **4.0** | 2.5 |

Amounts owed to Group undertakings are classified as falling due after more than one year where there is a formal loan agreement in place with an expiry date falling due more than one year from the reporting date. Where the loan agreement has expired, or no loan agreement is in place the amounts are classified as repayable on demand and are shown as falling due within less than one year.

## 11. PENSIONS

### (a) Defined benefit plans

The Company operates a number of funded defined benefit pension plans in the UK that provide benefits based upon final pensionable salary and the period of service of the individual employees. The plan assets are held separately from the Company's assets in funds that are under the control of trustees. Day-to-day management of the plan assets is carried out by independent investment managers who, at the request of the Company, are prohibited by the trustees from investing directly in the Company.

The defined benefit pension plans operated by the Company are closed to new entrants.

Actuarial valuations of the plans are carried out at least every three years. The latest actuarial valuation was carried out as at 31 December 2022. The principal assumptions used in the actuarial valuation carried out at the balance sheet date were as follows:

| | **As at 31 December 2022 % per annum** | As at 1 January 2022 % per annum |
|---|---|---|
| Salary increases | **n/a** | n/a |
| Increase to pensions in payment | **3.100%** | 3.125% |
| Increase to deferred pensions | **3.100%** | 3.125% |
| Long-term rate of return on plan assets | **1.875%** | 1.875% |
| Discount rate | **3.876%** | 1.875% |
| Inflation rate - RPI | **3.100%** | 3.625% |

The current life expectancies underlying the value of accrued liabilities were as follows:

| | | **As at 31 December 2022** | As at 1 January 2022 |
|---|---|---|---|
| Current pensioners (at age 65) | - male | **22.95 years** | 21.96 years |
| | - female | **25.37 years** | 24.48 years |
| Future pensioners (at age 65) | - male | **24.62 years** | 23.51 years |
| | - female | **27.10 years** | 26.12 years |

The actual return on plan assets was (36.4%) (2021: (3.6%)).

The net pension surplus may be analysed as follows:

| | **As at 31 December 2022 $ million** | As at 1 January 2022 $ million |
|---|---|---|
| Present value of plan liabilities: | | |
| - Funded | **245.5** | 396.8 |
| - Unfunded | **0.3** | 0.4 |
| | **245.8** | 397.2 |
| Fair value of plan assets | **(248.8)** | (460.5) |
| Surplus in the plans | **(3.0)** | (63.3) |
| Unrecognised surplus | **3.3** | 63.7 |
| Net pension deficit | **0.3** | 0.4 |

The Company has an unrecognised surplus because the asset ceiling for nearly all of the plans is zero due to most of the Company's plans being completely frozen. Only those plans that have an economic benefit available have an asset ceiling above zero.

The defined benefit pension plans target a mix of growth seeking assets, comprising equities, and income generating assets, such as government and corporate bonds, that are considered by the trustees to be appropriate in the circumstances. Plan assets are balanced periodically to maintain target allocations. During the period ended 31 December 2022 an annuity purchase transaction, commonly known as a "buy-in" was initiated when the pension obligations for the scheme were deemed to be fully covered and funded by the annuities assets. After the buy-in, the fair value of the insurance policy equates to the present value of the pension obligation.

## 11. PENSIONS (CONTINUED)

### (a) Defined benefit plans

Changes in the present value of the benefit obligation were as follows:

| | 2022<br>$ million | 2021<br>$ million |
|---|---|---|
| At the beginning of the period | **397.2** | 438.5 |
| Interest cost | **5.4** | 4.4 |
| Benefits paid | **(14.1)** | (16.6) |
| Foreign currency translation | **(41.9)** | (2.7) |
| Net actuarial gain | **(100.8)** | (26.4) |
| At the end of the period | **245.8** | 397.2 |

Changes in the fair value of plan assets were as follows:

| | 2022<br>$ million | 2021<br>$ million |
|---|---|---|
| At the beginning of the period | **460.5** | 497.7 |
| Return on plan assets | **6.5** | 5.3 |
| Employer's contributions | **-** | 0.2 |
| Benefits paid | **(14.1)** | (16.6) |
| Foreign currency translation | **(47.8)** | (3.3) |
| Net actuarial loss | **(156.3)** | (22.8) |
| At the end of the period | **248.8** | 460.5 |

Plan assets do not include any of the Company's or the Group's own financial instruments, nor any property or other assets used by the Company or the Group.

The return and risk expectations for each asset class incorporate assumptions about historical return relationships, current financial market conditions and the degree of global capital market integration. The assumptions used have been derived from rigorous historical performance analysis combined with forward-looking views of the financial markets as revealed through the yield on long-term bonds and the price earnings ratios of the major stock market indices. The actuaries review analyses of historical risk and the correlation of the return on asset classes and apply subjective judgment based on their knowledge of the Company's plans. The result of this analysis is incorporated into a risk matrix from which expected long-term risk premiums for each asset class are developed. The nominal return expectations are determined by combining the asset class risk premiums with expected inflation and real risk-free rate assumptions. As a final consideration, the nominal return assumptions are blended with current market conditions to develop long-term equilibrium expectations.

Actuarial gains and losses recognised in relation to the defined benefit plans were as follows:

| | Period ended<br>31 December<br>2022<br>$ million | Period ended<br>1 January<br>2022<br>$ million |
|---|---|---|
| **At the end of the period** | | |
| Present value of the benefit obligation | **245.8** | 397.2 |
| Fair value of plan assets | **(248.8)** | (460.5) |
| Surplus in the plan | **(3.0)** | (63.3) |
| **Recognised in the period** | | |
| Net actuarial loss on plan assets | **(100.7)** | (26.6) |
| Net actuarial gain on benefit obligation | **100.8** | 26.4 |
| | **0.1** | (0.2) |

As at 31 December 2022, the cumulative net actuarial loss recognised in the statement of comprehensive income amounted to $94.0 million (1 January 2022: $94.1 million).

## 12. DEFERRED TAX

| Deferred tax assets not recognised: | **As at 31 December 2022 $ million** | As at 1 January 2022 $ million |
|---|---|---|
| Fixed asset timing differences | **0.5** | 0.5 |
| Pensions | **0.1** | 0.1 |
| Valuation allowance | **(0.6)** | (0.6) |
| | **-** | - |

The above deferred tax assets were not recognised on the basis that their future economic benefit was uncertain. These deferred tax assets will be recognised when it is more likely than not that they will be recovered.

## 13. ORDINARY SHARE CAPITAL

| **Allotted, issued and fully paid shares** | Ordinary share capital $ million | Share premium account $ million | Total $ million |
|---|---|---|---|
| **As at 1 January 2022** | | | |
| 4,704,800.688 shares @ $0.001 each | 4.7 | - | 4.7 |
| **As at 31 December 2022** | | | |
| 4,704,800,688 shares @ $0.001 each | **4.7** | - | **4.7** |

The Company has one class of ordinary share, each of which carry equal voting rights but no right to fixed income.

## 14. GUARANTEES

The Company has guaranteed the borrowing facilities of certain of its subsidiaries. As at 31 December 2022, these facilities totalled $1.1 million (1 January 2022: $1.1 million), against which $nil (1 January 2022: $nil) had been drawn.

The Company has also guaranteed certain property leases and performance bonds entered in the ordinary course of business by certain of its subsidiaries.

## 15. ULTIMATE PARENT UNDERTAKING

Gates Acquisitions Ltd which is incorporated in the United Kingdom is the Company's immediate parent undertaking.

Gates Industrial Corporation plc, a company incorporated in England and Wales, is the Company's ultimate parent undertaking. Gates Industrial Corporation plc is a public company listed on the New York Stock Exchange. Consolidated financial statements are prepared and filed with Companies House in the United Kingdom (website, www.companieshouse.gov.uk) and also on the Gates Corporate website (https://investors.gates.com/financials/annual-reports/default.aspx). Gates Industrial Corporation plc prepares consolidated financial statements in accordance with IFRS and is the parent undertaking of the smallest group in which the Company is consolidated.

## 16. RELATED PARTY TRANSACTIONS

These financial statements are part of the consolidated financial statements prepared by Gates Industrial Corporation plc, therefore the Company is exempt under FRS 102 Section 33 'Related Party Disclosures', from disclosing transactions with entities that are part of the group headed by Gates Industrial Corporation plc.

During the current period, there were no transactions or outstanding balances with anyone outside the Gates Group.

# Gates Industrial Corporation plc

# Annual Report and Financial Statements
# December 31, 2022

**Registered Number 10980824**

**Registered Office:**
**1 Bartholomew Lane, London**
**EC2N 2AX**
**United Kingdom**

**Forward-looking Statements**

This Annual Report for the fiscal year ended December 31, 2022 (this "annual report" or "report") contains forward-looking statements that reflect our current views with respect to, among other things, our operations and financial performance. Forward-looking statements include all statements that are not historical facts. In some cases, you can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "predicts," "intends," "trends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. You should not place undue reliance on these forward-looking statements. Although such statements are based on management's current estimates and expectations and/or currently available competitive, financial, and economic data, forward-looking statements are inherently uncertain and are subject to risks and uncertainties that could cause our actual results to differ materially from what may be inferred from such statements. Factors that could cause or contribute to such differences include those described under the "IV. Principal Risks and Uncertainties" section of the Strategic Report. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements included in this annual report and in our other periodic filings. Gates Industrial Corporation plc undertakes no obligation to update or supplement any forward-looking statements as a result of new information, future events or otherwise, except as required by law.

## ABOUT THIS ANNUAL REPORT

**Financial Statement Presentation**

Gates Industrial Corporation plc is a public limited company that was incorporated in the United Kingdom under the Companies Act 2006 on September 25, 2017 and is registered in England and Wales. It is listed on the New York Stock Exchange.

Certain monetary amounts, percentages and other figures included elsewhere in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables or charts may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

All amounts in this annual report are expressed in United States of America ("U.S.") dollars, unless indicated otherwise.

**Certain Definitions**

As used in this annual report, unless otherwise noted or the context requires otherwise:

- "Gates", the "Group", "Company", "we", "us" and "our" refer to Gates Industrial Corporation plc and its consolidated subsidiaries;
- "Fiscal 2022" refers to the fiscal year ended December 31, 2022, "Fiscal 2021" refers to the fiscal year ended January 1, 2022; and
- "Blackstone" or "our Sponsor" refer to investment funds affiliated with Blackstone Inc., which, although no individual fund owns a controlling interest in us, together represent our current majority owners.

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**Gates Industrial Corporation plc**

**STRATEGIC REPORT**

The directors present their Strategic Report for the year ended December 31, 2022. This report is comprised of the following sections:



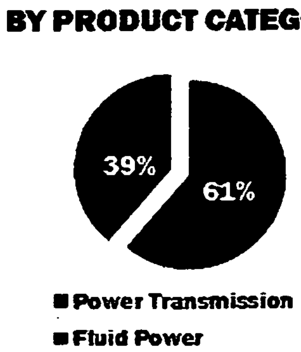
This Strategic Report has been prepared for the Group for the year ended December 31, 2022 consistent with the basis of preparation of the accompanying consolidated financial statements.

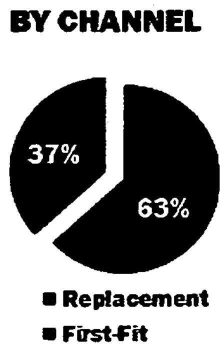
## I. Strategy and Outlook

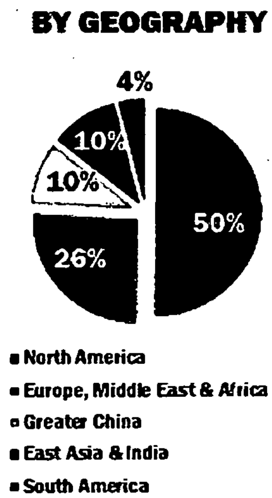
We are a global manufacturer of innovative, highly engineered power transmission and fluid power solutions. We offer a broad portfolio of products to diverse replacement channel customers, and to original equipment ("first-fit") manufacturers as specified components, with the majority of our revenue coming from replacement channels. Our products are used in applications across numerous end markets, including industrial off-highway end markets such as construction and agriculture, industrial on-highway end markets such as transportation, diversified industrial, energy and resources, automotive, and personal mobility. Our net sales have historically been, and remain, highly correlated with industrial activity and utilization, and not with any single end market given the diversification of our business and high exposure to replacement markets. We sell our products globally under the Gates brand, which is recognized by distributors, equipment manufacturers, installers and end users as a premium brand for quality and technological innovation; this reputation has been built over 110 years since Gates' founding in 1911.

Within the diverse end markets we serve, our highly engineered products are often critical components in applications for which the cost of downtime is high relative to the cost of our products, resulting in the willingness of end users to pay a premium for superior performance and availability. These applications subject our products to normal wear and tear, resulting in natural, and often preventative, replacement cycles that drive high-margin, recurring revenue. Our product portfolio represents one of the broadest ranges of power transmission and fluid power products in the markets we serve, and we maintain long-standing relationships with a diversified group of blue-chip customers throughout the world. As a leading designer, manufacturer and marketer of highly engineered, mission-critical products, we have become an industry leader across most of the regions and end markets in which we operate.

Gates' business is well-balanced and diversified across products, channels and geographies, as highlighted in the following charts showing breakdowns of our Fiscal 2022 net sales of $3,554.2 million.




**Business Model**

***Premier Recognized Brand***

We offer our products and services under the widely-recognized Gates brand across our broad end markets and geographies. Since 1911, Gates has been recognized by many distributors, installers, equipment manufacturers and end users as a premier name for power transmission and fluid power products, services and solutions. We are known for our premium quality, reliability, customer service, global footprint, leading technology and breadth of product offerings. In our replacement businesses, we experience strong pull-through demand from end users who specifically request Gates-branded products from our channel partners. We believe that we are a partner of choice when major customers are developing new platforms or upgrading existing ones.

***Global Presence***

Our commercial and manufacturing footprint is global. Our in-region/for-region operating strategy, with over 100 sales, research and development ("R&D"), factory and distribution center locations around the world, places us close to our customers, provides diversification from regional cyclicality, and positions us to capitalize on growth opportunities in every region. Our products are sold in more than 130 countries with approximately 50% of Fiscal 2022 net sales originating from outside of North America, and approximately 36% of our Fiscal 2022 net sales originating from emerging markets.

***Leading Market Positions***

The breadth of our catalog, our market position in many product categories and our share of available content with key customers put us in what we believe is a leading market position in most channels, regions and end markets in which we operate. With $2,173.7 million of Fiscal 2022 net sales in Power Transmission and $1,380.5 million of Fiscal 2022 net sales in Fluid Power, we believe we are among the top global players in power transmission belts, hydraulic hose and couplings, engine system metals and hoses, and oil and gas drilling hose, based on competitive research and internal models of market size and share. These leading market positions combined with our strong brand serve as platforms from which we can extend our solution coverage in underpenetrated segments and generate sales growth in excess of our end markets.

***Channel Breadth and Relationships***

We have a longstanding, global presence in replacement channels that accounted for approximately 63% of our total Fiscal 2022 sales. We maintain a broad portfolio of highly engineered components that wear over time, resulting in natural replacement cycles that provide opportunities for higher-margin, recurring revenue. Our regional commercial teams have established a broad distribution network with over 100,000 distributor locations, across a variety of end market-focused channels. Our distributors range from large corporations with numerous locations to small, individually-owned companies with a single location. Our channel partners provide global coverage and stock inventory of our products in close proximity to end users. They are able to generate demand for our products, as well as offer customer service and product knowledge to end users in their local language. Many of them also have the capability to configure or assemble our products to meet diverse end-user requirements where a suitable off-the-shelf solution is not available. We also have a demonstrated track record of building our presence in replacement channels in emerging markets. These extensive distribution networks give us the ability to access a broad base of end users and to reinforce the Gates brand. We believe that this established channel represents both breadth and depth of distribution, enabling access to a significant addressable market and rapid launches of new products to end users.

***Product and Catalog Coverage of Application-Critical Components***

Our power transmission and fluid power product portfolios in the first-fit and replacement markets are some of the broadest in our industry. We believe our product breadth simplifies our customers' purchasing decisions and creates loyalty to us. In the automotive replacement markets, product coverage of the light vehicles in a region (the "car parc") is essential for the success of our distributors and installers. Within our core synchronous and Micro-V® belt product lines, our products can be used across 98% of the North American, European and Chinese car parcs, while our synchronous belt products can be used across over 90% of these markets. These car parcs comprise over 70% of the global car parc of over 1.5 billion vehicles. We are particularly focused on expanding our catalog coverage in the more-fragmented car parcs in emerging markets. For our industrial markets, we also believe we maintain an industry-leading portfolio of catalogs containing both general purpose and application-specific products for a variety of end markets. We continuously invest in updating our product and catalog coverage to remain at the forefront of our industry and provide end users with convenient access to our comprehensive product portfolio.

Our highly engineered power transmission and fluid power products are often critical to the functioning of the equipment, process or system of which they are components, creating a dynamic where the cost of downtime or potential equipment damage is high relative to the cost of our products. Consequently, our products are typically replaced at regular intervals for preventative maintenance, resulting in high-margin, recurring revenue streams. Our catalog coverage, combined with the mission-critical nature of our products, makes us a valued partner to our customers.

***History of Successful Innovation***

We have a long history of successful innovation, from commercializing the V-belt to pioneering the use of certain synthetic elastomers in serpentine belts. The interplay between materials science and product and process innovation differentiates Gates, enabling us to provide valuable product features to our customers, while ensuring that these products can be made efficiently and with high levels of quality. We believe that our materials science expertise forms the foundation of our innovation capabilities. Our products must withstand extreme temperature, pressure and load conditions, resist wear, maintain flexibility, avoid corrosion and fulfill other critical application requirements, all of which can only be met using the latest advancements in materials science, in combination with product and process technologies. For example, we believe our carbon fiber technologies are best-in-class and continue to support our leadership position in several industrial power transmission product categories.

Our innovation capabilities play a key role in enabling our growth initiatives. We are developing products utilizing new technologies that we believe will, among other things, provide additional market access for our Chain-to-Belt and other initiatives, as well as enable us to capitalize on electrification trends in our end markets. Consistent with our overall focus on the environment, a significant focus of our product innovation is on sustainability and improving the efficiency of our customers' applications, primarily through reduced weight, improved energy consumption, and/or reduced maintenance and lubrication requirements. We are also developing advanced materials that do not rely on chlorinated compounds, products that use less material to provide the same or better performance and efficiency, and manufacturing processes that result in less scrap and energy consumption. In addition, our innovation activities include ongoing programs to develop Internet of Things solutions and other digital tools to improve the overall value proposition we deliver to our customers.

We hold a substantial patent portfolio and employ a large number of engineers globally who are dedicated to materials science, product design and process engineering, and application development. Many of these engineers work closely with our customers to design and develop application-specific solutions that not only solve immediate customer needs, but also feed into our broader innovation development efforts. Our R&D group works closely with our product line management team to ensure that our product and technology development roadmaps are closely tied to our growth initiatives.

***Operating Excellence Driving Continuous Improvement***

The Gates Operating System philosophy is our overarching business system that drives a culture of continuous improvement and consistent application of best practices across all functions of the organization. Within the Gates Operating System, the operations-focused Gates Production System ("GPS") has been deployed throughout our manufacturing facilities to optimize our production efficiency and reduce our environmental footprint. We have made significant improvements in factory productivity which have reduced production costs and freed up manufacturing capacity.

We have also implemented highly effective sourcing programs that leverage the latest e-auction tools and programs to insource selected components. Our innovation and Value Analysis/Value Engineering ("VA/VE") capabilities allow us to optimize select product designs for cost and performance to meet broader market requirements and improve profitability. The Gates Program Management System has also been deployed to improve how we manage customer programs, new product development and advanced technology projects.

***Strong Margins and Cash Flows from Operating Activities***

Our operating model is designed to generate strong profit margins and cash flows from operating activities. Our strong margins are supported by our premier brand, superior product attributes, high service levels, operational scale and efficiency and our relationships with our customers. We have initiated a footprint and cost optimization program focused on improving the efficiency and flexibility of our manufacturing operations and supporting functions. We also have ongoing initiatives to drive productivity in our plants and expand the scope of central procurement, as well as to improve inventory turns through lean manufacturing techniques and common product designs. Our capital expenditures have been strategically deployed to fund innovation and organic growth opportunities. We expect our continued focus on operational excellence and cost discipline to improve profit margins and working capital performance.

***Proven Management Team***

We have an experienced leadership team comprised of high-caliber individuals, each with long tenures at premier industrial companies. Our executive leadership team is led by Chief Executive Officer, Ivo Jurek, who previously served as President of Eaton's Electrical business in Asia Pacific, and Chief Financial Officer, Brooks Mallard, who previously served as CFO of Henniges and Jeld-Wen. The leadership team has transformed the organization from a regional to a global product-line based model, while investing in new talent across all functions of the organization and developing a culture of continuous improvement, innovation and growth.

**Our Growth Strategies**

Our growth strategies are aimed at penetrating the significant markets addressable by our products by leveraging our iconic brand, product portfolio, customer relationships and other competitive strengths. We believe that these initiatives and the investments we have made in the business, in combination with strong secular tailwinds in our diverse end-markets, support our ability to take share, achieve above-market growth and expand margins.

*Further Penetrate Industrial Power Transmission Applications*

Through our Chain to Belt, Belt to Belt and Precision Motion Control & Conveyance initiatives, we are targeting specific opportunities within our existing industrial end markets and product portfolio to further penetrate industrial power transmission applications, particularly those currently driven by competing technologies, including roller chain, direct drive systems, gearboxes and steel cable. Chain and steel cable currently drive most industrial drive systems. This presents a significant and attractive opportunity for us to grow by leveraging our brand and distribution channel presence, and the fundamental value proposition of belt-drive systems. Industrial belt-drive systems often compare favorably to other types of industrial drive systems in terms of their quiet, low maintenance and efficient operation, as well as being relatively light-weight. Materials science-based advances in our product portfolio provide us with opportunities to displace competing drive systems in larger, high-torque applications that belt drives have historically been unable to address. We are also able to utilize our application engineering capabilities to complement our product strength by assisting end users in optimal drive system design.

*Extend Product Line in Fluid Power*

Gates' products typically compete in the premium segment of the market, where customers value quality, portfolio breadth and design capability. Customers in this segment use our products in numerous, demanding applications with a wide range of performance requirements. For example, there can be different product performance requirements for different hydraulic circuits within the same piece of construction equipment. Through materials science-based innovation, VA/VE and process engineering we will continue to broaden our portfolio of fit-for-purpose fluid power products, optimizing their performance for different customer applications. This ongoing investment should substantially increase the size of our addressable market and enable us to capture even more of the premium segment.

*Capitalize on Vehicle Electrification*

Gates has extensive experience in power transmission drives and thermal management solutions across a wide variety of automotive, light commercial and heavy-duty vehicle platforms. As propulsion technologies shift from internal combustion to hybridization and full electrification, we believe Gates is well-positioned to participate in both first-fit and replacement market applications. We believe that the overall available dollar content per vehicle for Gates' product portfolio will increase as propulsion shifts towards electrified platforms due to the significant thermal management requirements of batteries, inverters/chargers and electric motor drive systems. We are actively participating on first-fit manufacturer platforms and developing differentiated thermal management technologies. We will continue to build out our aftermarket catalog coverage for electric vehicles.

*Accelerate Growth in Mobility and Recreation Applications*

The markets for personal mobility and recreation applications, including bicycles, scooters, motorcycles, power sports equipment (such as ATVs, side-by-sides and snowmobiles), as well as fitness equipment (such as stationary cardio and weight training equipment), are experiencing strong growth. Gates power transmission solutions provide attractive benefits in these applications, including lubrication-free, quiet and safe operation, reduced weight, energy-efficiency and reliability. These applications are also experiencing a shift towards electrification with eBikes, eScooters and eMotorcycles becoming popular options for commuting and recreation. The value propositions for belt drives, including improved efficiency and reduced weight, noise and maintenance, are particularly relevant to these applications. We intend to continue to increase our share of these growing markets by leveraging our strong value proposition and global footprint.

*Drive Technical Innovation in Our Markets*

We continue to invest in advanced development programs and our core R&D capabilities to ensure that we remain at the forefront of innovation and product performance in our markets. We have established global centers of excellence that specialize in different functional areas of R&D with special emphasis on materials science, advanced modeling techniques, product design, process engineering and commercialization. We utilize long-standing relationships with our blue-chip customers to design products that meet or exceed their anticipated future performance requirements. Our commitment to continue to invest in these relationships, and our R&D capabilities strengthen our position to serve our core replacement markets with highly innovative and differentiated products to further increase the strength of our brand.

*Continue to Grow and Invest in Emerging Markets*

We have a long-standing presence in key emerging markets and a track record of driving growth from the early stages of a market's development. We have successfully entered these markets by focusing on first-fit partnerships to establish our brand while building our channels to serve the replacement base. Emerging markets continue to exhibit higher growth rates than mature markets due to a number of factors, such as increases in industrial production, mechanization, urbanization, infrastructure development and vehicle ownership. To capitalize on these trends, we plan to continue to increase our catalog coverage, develop regionally appropriate product portfolios, expand our channel coverage and optimize regional manufacturing capacity.

*Pursue Strategic Acquisitions*

We intend to continue to strategically pursue and execute acquisitions to accelerate our growth strategies and we accordingly regularly evaluate potential acquisition opportunities. Our markets are highly fragmented, providing numerous inorganic opportunities for us to expand our reach and capabilities. We plan to maintain a disciplined approach to acquisitions and target strategic opportunities where we can realize synergies by leveraging our brand, channel presence, operating culture, global reach and other core competencies.

**Outlook**

Our investments in materials science, innovation, targeted incremental capacity and our unwavering commitment to service our customers, positioned the Company to grow by winning new business while managing demand during these challenging times. We are accelerating the transition of our revenue towards higher growth end markets, particularly in applications with clear secular tailwinds. While we expect some of the operating environment challenges described below in "V. Business Trends" to persist as we work through the first quarter of 2023, we have experienced improvement in the supply chain challenges in late 2022 and expect these issues will start to abate in the near term. While we are taking a pragmatic view of the operating environment given the ongoing uncertainties, we expect to deliver another strong performance in 2023.

With a stronger balance sheet, capital allocation optionality is high as we continue to evaluate opportunities to supplement our growth and return capital to shareholders. Although we anticipate challenges ahead, our business is on a strong footing, and we believe the investments we have made provide a foundation for substantial opportunity moving forward.

## II. Business Overview

### Our History and Recent Developments

On October 1, 1911, Charles Gates, Sr. purchased the Colorado Tire and Leather Company, a manufacturer of steel-studded bands of leather that attached to tires to extend their mileage. In 1917, the Company commercialized the V-belt, which used rubber and woven threading instead of rope belts, which were more commonly used at that time. In 1963, we built the first of many international facilities in Erembodegem, Belgium, followed by Jacarei, Brazil, in 1973. In 1986, we acquired the Uniroyal Power Transmission Company, which included an interest in the Unitta joint venture that laid the groundwork for Gates' growth in the Asia-Pacific region. We have financial and operational control over the joint venture, and as such, consolidate it in our financial statements.

In 1996, Gates was acquired by a publicly held engineering firm based in the United Kingdom ("U.K."), Tomkins plc, which was itself acquired by Onex Partners and the Canada Pension Plan Investment Board, who proceeded to divest certain of Tomkins plc's businesses under a new parent entity, Pinafore Holdings B.V. Gates was acquired by Blackstone in July 2014 and in 2015 established a new executive leadership team with Ivo Jurek as Chief Executive Officer. In January 2018, Gates completed an initial public offering ("IPO"), listing on the New York Stock Exchange ("NYSE").

### Our Solutions

We operate our business on a product-line basis through our two operating segments - *Power Transmission* and *Fluid Power*. See Note 5 to our audited consolidated financial statements included elsewhere in this report for additional information.

We sell our products under the Gates brand in all of the geographies and end markets we serve, as well as under select customer brands in certain markets. Our power transmission segment includes elastomer drive belts and related components used to efficiently transfer motion in a broad range of applications. Power transmission products represented approximately 61% of our total net sales for Fiscal 2022. Our fluid power segment includes hoses, tubing and fittings designed to convey hydraulic fluid at high pressures in both mobile and stationary applications, and other high-pressure and fluid transfer hoses. Our fluid power products represented approximately 39% of our net sales for Fiscal 2022.

Our power transmission and fluid power products are often critical to the functioning of the equipment, process or system in which they are components, such that the cost of downtime or potential equipment damage is high relative to the cost of our products. Our products are therefore replaced not only as a result of normal wear and tear, but also pre-emptively as part of ongoing, normal maintenance to the broader system.

We have a broad portfolio of both power transmission and fluid power products in the end markets we serve. We have a long history of focusing on customer engagement and training, driving product innovation and providing best-in-class order fulfillment services.

***Power Transmission.*** Our Power Transmission solutions convey power and control motion. They are used in applications in which belts, chains, cables, geared transmissions or direct drives transfer power from an engine or motor to another part or system. Belt-based power transmission drives typically consist of either a synchronous belt or an asynchronous belt (V-belt, CVT belt or Micro-V® belt) and related components (sprockets, pulleys, water pumps, tensioners or other accessories). Within our Power Transmission segment, we offer solutions across the following key application platforms:

- *Stationary drives:* fixed drive systems such as those used in a factory driving a machine or pump, on a grain elevator driving the lift auger or in a distribution center driving automated equipment such as conveyor lines or robotic picking machines;
- *Mobile drives:* drives on a piece of mobile machinery such as a combine harvester or a road compactor;
- *Engine systems:* synchronous drives and related components for cam shafts and auxiliary drives and asynchronous accessory drives for air conditioning ("A/C") compressors, power steering, alternators and starter/generator systems; and
- *Personal mobility:* drives on motorcycles, scooters, bicycles, both traditional and electric, as well as on snowmobiles and other power sports vehicles that are used to transfer power between the power source and the drive wheel(s) or track;

Customers choose power transmission solutions based on a number of factors, including application requirements such as load, speed, gear ratio, temperature, operating environment, ease of maintenance, noise, efficiency and reliability, as well as the support they receive from their suppliers, including application-specific engineering services. Belt-based drive systems have many advantages over other alternatives, as they are typically clean, low-maintenance, lubrication-free, quiet with low-vibration, lightweight, compact, energy-efficient, durable and reliable.

Our belts are classified by their general design into asynchronous and synchronous belts; in addition, we also manufacture metal drive components and assemble certain product kits for the automotive replacement channel. Our belts are made of highly engineered polymer formulations, fabrics or textiles (made from a variety of polymer or natural fibers) and embedded cords for reinforcement (which may be made from polymers such as polyesters or aramids, fiberglass or high performance carbon fibers). Many of these materials are proprietary to Gates.

*Asynchronous Belts.* Asynchronous belts are our highest-volume products and are used in a broad range of applications. We were a pioneer in the design and manufacturing of V-belts, which draw their name from the shape of their profile. We also manufacture "ribbed" V-belts, which are belts with lengthwise V-shaped grooves, which we market under the Micro-V® name. This design results in a thinner belt for the same drive surface, making it more flexible and offering improved efficiency.

In industrial end markets, asynchronous belts have a wide variety of applications, including use in pump drives, manufacturing lines, HVAC systems, industrial, truck, bus and marine engines, forestry and mining equipment and many other applications. Continuously-variable transmission ("CVT") systems often found in scooters, power sports vehicles and other applications use a specialized V-belt known as a CVT belt. In automotive applications, our asynchronous belts perform functions that include transferring power from the crankshaft to accessory drive components such as the alternator, A/C compressor, power steering system, water pump and, in some vehicles, a belt/starter generator system used in start/stop accessory drive systems to improve fuel economy.

Recently, Gates introduced a Micro-V® platform for engine accessory drive systems. The combination of newly developed material compounds and product design utilizes less material, reduces belt weight and results in lower bending stiffness. These improvements enable tighter pulley configurations and reduced drive bending losses as compared to previous belt technologies; lower losses result in benefits such as reduced energy consumption, $CO_2$ emissions and heat generation.

*Synchronous Belts.* Synchronous belts, also known as timing belts, are non-slipping mechanical drive belts. They have molded teeth and run over matching toothed pulleys or sprockets. Synchronous belts experience no slippage and are often used to transfer motion for indexing or timing purposes, as well as for linear positioning and positive drive conveying. They are typically used instead of chains or gears and we believe have a number of advantages over these alternatives, including less noise, no need for lubrication, improved durability and performance and a more compact design.

Examples of industrial applications include use in HVAC systems, food processing and bottling plants, mining and agricultural equipment, automated warehouse systems and robotics. Our synchronous belts are also utilized in personal mobility vehicles, including both traditional and electric motorcycles, bicycles and scooters, applications in which clean, quiet performance is often valued. In automotive applications, our synchronous belts are used to synchronize the rotation of the engine crankshaft with the camshaft due to engine combustion in a valve train system, as well as in electric power steering, parking brake and accessory drive systems which are present in internal-combustion, hybrid and electric vehicles.

In recent years, Gates also launched a high-torque synchronous belt for industrial applications, the PowerGrip® GT®4. This new belt leverages Gates' materials science and process engineering capabilities, utilizing a belt construction that replaces chloroprene-based elastomers with an advanced ethylene elastomer formulation that is more environmentally friendly. It has the highest power-carrying capacity in its segment, a wider operating temperature range and increased chemical resistance, allowing for narrower drives and a broad range of applications to be served with both first-fit and replacement channel customers. During Fiscal 2020, Gates launched the Carbon Drive CDC® synchronous belt designed for commuter bicycle applications and in Fiscal 2022 Gates launched the Carbon Drive Moto X5 synchronous belt designed specifically for mid-motor, sit-down electric scooters and motorcycles typically found in commuting applications in the rapidly evolving Asian market.

*Metal Drive Components.* We manufacture and sell the tensioners and idlers used in belt drive systems. These products are designed and engineered to work efficiently with our belts. Tensioners are devices that maintain a constant tension in the belt drive system, thereby ensuring proper function and preventing loss of power or system failure. Tensioners typically employ a spring that places pressure along the belt for an intricate hold, while still allowing enough movement for vibration and preventing stretching. Idlers, which sometimes also perform as tensioners, are used to take up extra belt length.

*Kits.* Our kits for the automotive replacement channel include all of the parts needed by an automotive service shop to perform a replacement of one of our products. Kits are created for specific vehicle makes and models and typically include belts, tensioners and idlers, and will sometimes also include water pumps, which are often replaced simultaneously with a timing belt due to the relatively high labor component in the total cost of a typical replacement. Our kits are convenient for service technicians as they eliminate the need for more complicated product sourcing. On a comparable quantity basis, kits typically sell at a premium to a loose belt and the individual related components.

Our power transmission products are used in a broad range of applications in end markets including off-highway end markets such as construction and agriculture, on-highway end markets such as heavy-duty vehicles, diversified industrial, energy and resources, automotive and personal mobility. The majority of our Fiscal 2022 net sales came from replacement channels, which provide high-margin, recurring revenue streams and are driven by attractive market trends. The bulk of our power transmission replacement business resides in developed regions, in which a large, aging installed base of equipment follows a natural maintenance cycle and is served by well-established distribution channels. For example, a combine harvester in North America can have over 25 high-performance belts that are typically replaced at regular intervals, depending on wear and tear, with end users having access to replacement parts through a large network of distributors. Similarly, in the North American automotive replacement market, maintenance intervals are well defined, and miles driven per vehicle and the average vehicle age have generally been increasing, leading to more wear and tear on vehicles. A smaller portion of our power transmission replacement business is generated in emerging markets, which generally have a smaller base of installed equipment and relatively nascent distribution channels. As they continue to develop, these replacement channels in emerging markets represent a significant long-term opportunity for growth. In addition to our power transmission replacement business, we also scrvc a wide variety of blue-chip first-fit customers across all of our end markets.

***Fluid Power.*** Our Fluid Power solutions are used in applications in which hoses and rigid tubing assemblies either transfer power hydraulically or convey fluids, gases or granular materials from one location to another. Within our Fluid Power segment, we offer solutions across the following key application platforms:

- *Stationary hydraulics:* applications within stationary machinery, such as an injection molding machine or a manufacturing press;
- *Mobile hydraulics:* applications used to power various implements in mobile equipment used in construction, agriculture, mining and other heavy industries;
- *Vehicle systems:* applications in thermal management, emissions reduction, turbocharger, air intake and other systems for electric, hybrid and internal combustion passenger and commercial vehicles; and
- *Other industrial:* applications in which hoses are used to convey fluids, gases or granular material across several industries such as food and beverage, other process industries, and oil and gas drilling and refining.

Customers choose fluid power solutions based on a number of factors, including application-specific product performance parameters such as pressure and temperature ratings, corrosion and leak resistance, weight, flexibility, abrasion resistance and cleanliness, as well as compliance with standards and product availability. Attributes associated with the supplier, including brand, global footprint and reputation for reliability, quality and service, are also considered.

*Hydraulics.* Our hydraulics product line is comprised of hoses, tubing and fittings, offered either as standalone products or completed assemblies. Our hydraulic products are key components of hydraulic systems in both stationary and mobile equipment applications. We provide a full selection of hose sizes and construction types for use in a wide variety of working requirements and conditions. Hydraulic hoses are made of elastomers reinforced with steel wire or a textile-based yarn, and typically operate at very high pressures, often in extreme environmental conditions. Hoses are designed for use in specific mechanical applications and require high levels of quality and durability.

Our hydraulic fittings and tubing are engineered to match the product performance of our hydraulic hoses. The high-pressure nature of hydraulic systems requires these products have high levels of performance similar to those found in our hydraulic hoses. The ultimate performance of a hydraulic assembly, in which our products function as part of a hydraulic circuit, depends not only on how well the components are made, but also on how well they complement each other. In order to ensure compatibility with numerous applications, our hydraulic fittings are manufactured in a wide assortment of sizes, crimping systems and materials, and are protected by a range of patents. Our hydraulic products and assemblies are used in construction, agricultural and forestry equipment, as well as in food and other processing lines and stationary machinery.

In recent years, Gates introduced a new premium product family consisting of hydraulic hoses that are lighter weight and more flexible. Made with a high-performance reinforcement and robust, abrasion-resistant cover, the MXT line of hydraulic hose is comprised of universally applicable, high-performance products that meet the needs of a wide range of applications. Subsequently, we launched the MXG line of hydraulic hose, a flexible, light-weight solution with increased durability and temperature performance, designed to replace conventional spiral hoses typically used in the most demanding applications. We also launched a smart e-crimper, which is a machine used to attach fittings to hydraulic hoses. In addition to convenient, web enabled access to training content and product crimp specs, this new crimper can be used with Gates' intuitive mobile eCrimp app, which underwent a comprehensive update in Fiscal 2020. In Fiscal 2022, we launched the ProV hose family in Europe, which is an addition to our Pro Series product portfolio that leverages technologies developed and first launched in our MXT and MXG product lines.

*Thermal and Emissions Management.* Our thermal and emissions management and related products perform a variety of fluid conveyance, emissions reduction and efficiency improvement functions in electric, hybrid and internal combustion passenger and commercial vehicles. In electric applications, Gates offers hose and water pump solutions for the thermal management system regulating the battery, inverter, motor(s) and passenger compartment. In internal combustion applications, Gates primarily provides thermal management hose and water pumps for engine cooling, selective catalytic reduction hoses that are part of systems that reduce harmful emissions from diesel engines and hoses for functions that improve air intake and engine efficiency.

*Industrial Hose.* Our industrial hoses are used to transfer a wide range of substances - chemicals, food, beverages, petroleum, fuels, bulk materials, water, steam and air - to meet the requirements of a diverse range of applications, including manufacturing, mining, oil and gas drilling, marine, agriculture, industrial cleaning and construction. Our application engineering teams work with customers to assist them in selecting the appropriate hose solution to safely meet their operational needs. We leverage our materials science expertise to design hoses that perform at varying pressures and levels of resistance to chemicals, oil, abrasion, ozone, flame and both hot and cold temperatures. For performance in extreme environments, many of our industrial hoses feature both crush-resistant and flexible designs. Gates industrial hoses are highly engineered to meet or exceed a multitude of industry standards and certifications, and are offered in a range of diameters, lengths and colors to allow customers to differentiate the hoses in applications. We also offer a wide range of couplings to provide complete assembly solutions.

Our fluid power products are used in numerous applications in end markets including off-highway end markets such as construction and agriculture, on-highway end markets such as heavy-duty vehicles, diversified industrial, energy and resources, automotive and personal mobility. The largest portion of our Fiscal 2022 fluid power revenue came from replacement markets. Within these replacement markets, the majority of our revenue came from industrial applications.

**Our Diverse Markets**

We participate in many sectors of the industrial and consumer markets. Our products play essential roles in a diverse range of applications across a wide variety of end markets ranging from harsh and hazardous off-highway applications such as agriculture and construction, and diversified industrial applications such as automated manufacturing and logistics systems, to everyday consumer applications such as printers, power washers, automatic doors and vacuum cleaners. Virtually every form of transportation, ranging from internal combustion, hybrid and electric trucks, buses and automobiles, to personal mobility vehicles, including motorcycles, bicycles, and snowmobiles, uses our products.

Our net sales have historically been, and remain, highly correlated with industrial activity and utilization, and not with any single end market given the diversification of our business and high exposure to replacement markets. Key indicators include industrial production, industrial sales and manufacturer shipments.

Our products are sold in over 130 countries across our four commercial regions: (1) the Americas; (2) Europe, Middle East & Africa ("EMEA"); (3) Greater China; and (4) East Asia & India. We have a long-standing presence in each of these regions.

**Our Channels**

We sell our power transmission and fluid power products both as replacement components and as specified components on original equipment to customers worldwide. During Fiscal 2022, approximately 63% of our net sales were generated from replacement channels and 37% from first-fit channels globally. Our mix of replacement channel sales to first-fit sales varies by region based on our market strategy and the maturity of the equipment fleet and channel. For example, in emerging markets such as China, our business is characterized by a higher first-fit presence, given the relatively underdeveloped replacement channels. We believe that ultimately our first fit presence in these emerging markets will allow us to better develop the replacement channels as they mature over time. By contrast, in North America and EMEA, where there are long-established replacement markets, approximately 66% and 69% of our Fiscal 2022 net sales, respectively, were derived from these higher-margin replacement channels. In the vast majority of the applications we serve, we do not need to have been the first-fit provider to serve these applications in the replacement markets.

***Replacement.*** The majority of our sales are generated from customers in replacement channels, who primarily serve a large base of end users with installed equipment that follows a natural maintenance cycle. Our ability to help replacement channel partners maximize revenue is an important part of our value proposition. These customers miss sales opportunities if a required product cannot be obtained quickly, either from a short-lead time order or on-hand inventory.

In addition to our products, we offer digital tools and other content to distributors, installers and end users of equipment containing our products. We also assist with customer training on product installation and early identification of wear-and-tear on components, which helps drive sales for our channel customers while mitigating the risk of equipment failure for end users.

***First-Fit.*** We work closely with our first-fit customers by providing application engineering expertise to assist them with equipment design and selecting the right products to optimize performance. Close interactions between our research and development ("R&D") organization and customer technical teams provide input into our innovation and product development processes. We selectively participate in first-fit projects, focusing on opportunities where we are able to differentiate with technology and innovative solutions.

**Customers**

We maintain long-standing relationships with many customers, who range from local distributors with one location to large, global manufacturers of equipment. No single customer accounted for more than 10% of our Fiscal 2022 net sales.

We continually strive to enhance how we engage with our markets and customers, including through our increasing use of technology, data and analytics. Our commercial teams in each region work extensively with our customers to ensure that their feedback is relayed to our production teams to feed our cycle of constant innovation, quality and process improvement, all while seeking to maximize our value proposition to our customers. We engage and partner with many customers early in the product lifecycle to identify and leverage opportunities for collaboration. We also rely on both informal conversations with customer representatives and formal surveys, business reviews and customer scorecards to gather opinions, suggestions and ideas of our customers on our products, people and services. Although executive management generally handles direct interaction with customers as part of the authority delegated to it by the board of directors of the Company (the "Board"), regular operational updates are made to the Board covering topics arising from our customers' feedback such as quality, product innovation, reliability of supply and value.

Managing our operations and our supply chain to enable continuity of supply to our customers was a vital part of our response during the COVID-19 pandemic. In Fiscal 2022 this included management of our operations in China which were effected by COVID-19 policies enacted in China during that time. Our decisions throughout the pandemic have been focused on balancing our regulatory obligations in the form of government-enforced shutdowns and restrictions with our commitment to continue to supply our customers, while all the time prioritizing the health and safety of our employees.

**Sales and Marketing and Distribution Organization**

Our sales and distribution operations are structured to serve our customers efficiently across the globe. We have field representatives who possess local knowledge of customers and their product and application requirements, giving us the capability to meet our customers' product availability needs on short lead times. Our global sales and service support team helps reinforce customer and distributor relationships by focusing on end markets and customers.

**Manufacturing**

Our commercial capabilities are complemented by our "in-region, for region" manufacturing footprint, which generally allows us to manufacture products in close proximity to our customers around the world. This model also yields advantages in supply resiliency, avoidance of long logistics routes and associated greenhouse gas ("GHG") emissions and foreign exchange/tariff costs. We have power transmission and fluid power operations in each commercial region and typically manufacture products for both first-fit customers and replacement customers in the same factory, which provides for sharing of raw material inputs, improved factory loading and demand leveling, as well as optimization of capital expenditures. We operate a large number of manufacturing facilities and service centers as well as several major technical centers giving us a presence in 30 countries throughout the world. Our in-country deployment of manufacturing and technical resources gives us the capability to meet customer needs rapidly and satisfy regional variations in product preference, while our scale allows us to service global customers on a world-wide basis.

**Competition**

We operate in competitive markets and industries that are also very fragmented. We offer our products and solutions across numerous and varied end markets and geographies through over 100 locations in 30 countries. Consequently, we have many competitors across our various markets and product offerings. These competitors and the degree of competition vary by product line, geography, end market and channel. Although each of our markets and product offerings has many competitors, no single competitor competes with us across all of our products, solutions, channels and end markets. Our global presence and the importance of product availability make it difficult for smaller, regional and low-cost country manufacturers to penetrate our markets. We differentiate ourselves on the basis of product performance and quality, breadth of portfolio, customer support and training, service level, fill rates and product availability.

**Research, Development and Intellectual Property**

Advanced R&D is performed primarily at certain R&D centers in the U.S. and Western Europe. These teams focus on developing advanced materials, product constructions and manufacturing processes in support of new and improved products. We also have commercialization engineering teams in all of our regions that are located close to customers in support of their businesses.

As of December 31, 2022, we held more than 2,000 patents and patent applications and 3,400 trademarks in various jurisdictions, and have elected to protect a variety of technologies and processes as trade secrets. While no individual patent or group of patents, taken alone, is considered critical to our business, collectively our patents and trademarks provide meaningful protection for our products and technical innovations.

**Materials and Suppliers**

We use a wide variety of materials, resulting in a highly diversified mix of inputs, which are sourced from a variety of suppliers around the world. Generally, we seek to obtain materials in the regions where our products are manufactured to minimize lead times, as well as transportation and other costs. We continually seek to manage commodity and raw material costs using various strategies, including working with our customers and suppliers on pricing and costs, exploring material substitution opportunities, combining purchase requirements across regions and changing or qualifying new suppliers when appropriate. In addition, our focus on materials science and product and process innovation allow us to partially offset long-term inflation and demand-driven variable cost increases by reducing scrap, energy consumption, materials, and other inputs.

We actively engage with our suppliers through regular interaction, industry events, workshops and trainings, building strong relationships to develop mutually beneficial and lasting partnerships. The Board recognizes that relationships with suppliers are important to our long-term success and considers the insights from regular supplier feedback and review, as communicated by executive management to the Board as part of regular operational updates. Key areas on which we engage include production planning, innovation, product development, supply chain flexibility, health and safety, ethics and compliance, and sustainability. We maintain policies governing our interaction with our suppliers to ensure adherence to human rights principles and to foster high ethical standards in our business relationships, including policies and guidelines on anti-corruption, anti-boycott, global antitrust and fair competition, conflict of interest, and human rights. The Board, through its committees, oversees and reviews material legal and regulatory policies. As far as possible, we hold our suppliers to the same high standards of business ethics that we have in place for our own employees.

**Environmental**

Details of applicable environmental regulations and metrics can be found under "Environment" in the Directors' Report.

**Employees**

Details of our employees can be found under section X. Employees of the Strategic Report.

**Code of Ethics**

We maintain a Code of Business Conduct and Ethics that applies to all of our directors, officers, and employees, which is posted on our website. Our Code of Business Conduct and Ethics is a "code of ethics," as defined in Item 406(b) of Regulation S-K as promulgated by the Securities and Exchange Commission ("SEC"). Details of how we train our employees and monitor compliance with our code of ethics can be found under section X of the Strategic Report.

**Where You Can Find More Information**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the internet at the SEC's website at http://www.sec.gov. Our SEC filings are also available on our website, free of charge, at http://investors.gates.com as soon as reasonably practicable after they are filed with or furnished to the SEC.

We maintain an internet site at http://www.gates.com. We use our website as a channel of distribution of company information. The information we post through this channel may be deemed material. Accordingly, investors should monitor this channel, in addition to following our press releases, SEC filings and public conference calls, and webcasts. In addition, you may automatically receive email alerts and other information about Gates when you enroll your email address by visiting the "Investor Resources—Email Alerts" section of our website at investors.gates.com/investor-resources. Our website and the information contained on or connected to that site are not incorporated into this report.

### III. Section 172 Statement

Section 172(1) of the Companies Act 2006 ("section 172") requires our directors to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of our shareholders. As part of the Board's decision-making process, the directors consider the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term.

Engaging with stakeholders such as employees, customers and suppliers takes a variety of forms, from day-to-day business interactions to specific outreach initiatives. As authority for the day-to-day management of the Company is delegated by the Board to executive management, subject to defined limits and monitoring by the Board, most of this engagement takes places at an operational level. As part of their regular Board meetings, our directors consider the Company's activities and receive information relevant to stakeholder interests based on the outcomes of engagement activities. Key decisions are made after due consideration of this information, which the Board uses to assess the impact on each stakeholder group. Through working collaboratively with management and considering feedback from our stakeholders, the Board believes that Gates is well positioned to make informed decisions that promote the success of the Company.

**Engagement with key stakeholders**

The success of our business is dependent on the support of all of our stakeholders. Building positive relationships with stakeholders that share our values is important to us, and essential for working together towards shared goals that deliver sustainable long-term success. We engage regularly with our stakeholders at various levels, depending on the particular issue. Our Board has established a governance framework through which operational decision-making authority is delegated to the executive director and the management team. Management pursues our corporate strategies by making decisions with a long-term view and with high standards of conduct, in line with Company policies.

This approach necessarily involves a high degree of delegation to management of communication with stakeholders. In addition to the direct engagement activities of members of the Board with stakeholders, the Board is also advised of stakeholder views through reports and presentations made to the Board by executive management covering strategy, performance and decisions taken at the management level. Examples include regular Compensation Committee reviews related to senior employee remuneration, reviews of ethics and whistleblower matters, legal and regulatory updates, budget reviews, operational updates, and sponsor-appointed director representation at Board meetings. This reporting provides the Board with assurance that proper consideration is given to stakeholder interests in operational decision-making.

Details of our key stakeholders and how we engage with them are set out below:

| Stakeholder group | Key issues | How we engage with our stakeholders |
|---|---|---|
| **Shareholders** | | |
| As of December 31, 2022, our Sponsor held approximately 63% of the voting power of our ordinary shares. We also have a mix of individual and institutional shareholders whose views are valued. | • Performance and return on investment<br>• Sustainability | The Company values shareholder engagement and is committed to maintaining open communications with existing and potential shareholders. Currently, our Sponsor owns the majority of our ordinary shares and under the terms of our shareholder agreement, has the right to designate nominees to our Board representing a majority of the total voting power to enable direct participation in decision-making. At this time, two of the Company's directors are designees of the Sponsor. The Company ensures that the interests of the Board are aligned with our shareholders because the directors are investors themselves, and a portion of director compensation is share-based (except for the Sponsor designated directors, who do not receive compensation from the Company for serving on the Board).<br>Throughout the year, we engage with individual and institutional shareholders on topics including company strategy and performance, corporate governance, compensation practices and sustainability. During Fiscal 2022, in addition to quarterly earnings calls, our senior management team participated in nine investor conferences, including our Investor Day held on March 8, 2022 and one marketed secondary offering. These engagements typically included our Chief Executive Officer and executive director, Mr. Jurek, as well as our Chief Financial Officer and our Vice President of Investor Relations. The input from these engagements is reported back to the Board and informs our decision-making and we intend to continue this outreach going forward.<br>We welcome investor interaction and feedback and also engage with our shareholders through our active investor relations program.<br>Each year the Board receives a report after the Annual General Meeting ("AGM") giving a breakdown of the votes and feedback on its voting decisions to inform it on any issues arising. At the most recent AGM, all resolutions were passed. For the voting results, please refer to the "Consideration of Shareholder View" section of the Directors' Remuneration Report included elsewhere in this report.<br>Any shareholder or other interested party may also communicate with our directors, individually or as a group, by addressing such communications to the Corporate Secretary of the Company, 1144 Fifteenth Street, Denver, Colorado 80202, who forwards such communications to the appropriate party unless the communications are of a personal nature or not related to the duties and responsibilities of the Board.<br>Sustainability is a concept important to our Board and to our shareholders. Each year, we issue a Sustainability Report, available on our website, which provides shareholders and the broader community with details on our sustainability goals and achievements. Such reports are not incorporated by reference into this report.<br>In November 2021, our Board of Directors approved a share repurchase program allowing for up to $200 million in authorized share repurchases of our ordinary shares, exclusive of commissions, through to December 31, 2022. This program was being used to create additional capital allocation flexibility to provide value to shareholders. During Fiscal 2022, 11,465,917 shares were repurchased and cancelled under this program, at an aggregate cost of $175.9 million. The remaining dollar value of shares available for repurchase under this program expired on December 31, 2022. |

| Stakeholder group | Key issues | How we engage with our stakeholders |
|---|---|---|
| **Employees** | | |
| Globally, we have approximately 15,000 full time employees. Each of these employees is a vital element in our success. | • Health and safety<br>• Development and training<br>• Diversity and inclusion | Information on our engagement with employees can be found in section X of the Strategic Report.<br>Gates encourages employees to speak up when they have concerns, and provides resources to do so through internal channels or on an anonymous and confidential basis through a hotline and website managed by an outside, independent service provider. Reports from the independent service provider are received by the Company's general counsel, investigated and reported to the Audit Committee, in accordance with the Company's documented policies. |
| **Customers** | | |
| We have thousands of customers in many countries. They range from sole proprietors to large multinational conglomerates. | • Quality<br>• Product innovation<br>• Reliability of supply<br>• Value | Information on our engagement with customers can be found in section II of the Strategic Report. |
| **Suppliers** | | |
| As a large international business, with manufacturing and distribution facilities around the globe, we have many complex supply chains. | • Communication and production planning<br>• Building relationships<br>• Innovation | Information on our engagement with suppliers can be found in section II of the Strategic Report. |

| Stakeholder group | Key issues | How we engage with our stakeholders |
| --- | --- | --- |
| **Communities & environment** | | |
| Supporting the communities in which we operate, and respecting our environment are central to Gates' values as a company | • Sustainability<br>• Leading community improvement<br>• Community support | Information on our engagement with our communities and environment can be found in section X of the Strategic Report and under "Environment" in the Directors' Report.<br>Sustainability is a concept important to our Board and to our shareholders. Each year, we issue a Sustainability Report, available on our website, which provides shareholders and other stakeholders with details on our management approach to sustainability and performance. The Board exercises oversight of environmental, social and governance ("ESG") topics, and human capital management strategies, practices and policies, including the Company's reporting on such matters. The Nominating and Governance Committee assists the Board by overseeing various aspects of our sustainability program, including related risks and goals.<br><br>In 2022, a newly formed Sustainability Committee, comprised of cross-functional managers, meets regularly to discuss strategic priorities, progress against our goals and commitments and emerging ESG topics. Representatives from the Sustainability Committee meet with the Nominating and Governance Committee periodically. The work of the Sustainability Committee also supports the Audit Committee of the Board on financial and regulatory-related disclosures and risk management.<br><br>Our Board is committed to integrating these principles into the Company's long-term strategic vision. The Board and the Sustainability Committee actively monitor ESG-related risks and progress against our goals and business performance. |

**Principal decisions**

The principal decisions taken by the Board during 2022 included the suspension of our operations in Russia, capital allocation strategy including debt repayment and refinance considerations, and cybersecurity risk management, as well as other routine annual decisions such as budget approval, employee compensation setting, and key employee/director changes. We describe below the non-routine principal decisions made by the Board during the current year in more detail, including their impacts on our key stakeholders.

***Decisions to suspend operations in Russia***

The conflict between Russia and Ukraine, and the sanctions and counter-sanctions imposed in response to it, have created increased economic uncertainty and operational complexity both in the region and globally. The Board carefully evaluated the overall impact and risks to our business, and decided to suspend our operation in Russia in early July 2022. Gates had a single distribution center in Russia that sold primarily to customers based in Russia. This suspension resulted in a headwind of approximately 2% to our 2022 global revenues. The Board also considered the broader uncertainty and possible effect on our business of this conflict, including inflationary pressures on raw materials, energy and transportation costs, supply chain and logistics disruptions, volatility in foreign exchange rates and interest rates, and heightened cybersecurity threats.

***Capital allocation decisions - new debt issuance and share repurchases***

The Board considered the allocation of cash to debt repayment opportunities during the year to continue to improve the Company's financial leverage and liquidity, and thereby generate shareholder value through a stronger balance sheet. In November 2022, the Board authorized the issuance of a new tranche of $575.0 million of dollar-denominated term loans ("New Dollar Term Loans") pursuant to an amendment to the credit agreement governing our term loan facilities, which matures in November 2029. The proceeds were used to extinguish the entire outstanding balance under our Euro Term Loan facility, which was due in March 2024.

In addition, the Board considered the benefits to shareholders of providing the business with this additional capital allocation flexibility to promote long-term value for shareholders, alongside other uses of capital such as funding organic growth projects, paying down debt, and strategic acquisitions. In March 2022, the Board authorized the Company to enter into an underwriting agreement pursuant to which the selling shareholders agreed to sell to Citigroup Global Markets Inc. ("Citigroup") 5,000,000 ordinary shares of the Company. The selling shareholders also granted to Citigroup an option to purchase up to 750,000 additional ordinary shares of the Company; this option was exercised in full on March 25, 2022. In connection with the Offering, the Company repurchased 8,000,000 ordinary shares through Citigroup from the same selling shareholders. During Fiscal 2022, Gates repurchased a total of 11,465,917 ordinary shares through the secondary offering and our share repurchase program. All shares repurchased have been cancelled.

***Cybersecurity risk management***

Some of the Board's most important decisions during 2022 related to supporting the Company's cyber security measures, which included enhanced governance and investments in corporate information technology systems and processes. To ensure proper oversight of cybersecurity risks, the Board amended the charter for its Audit Committee to formally assist the Board with oversight of the Company's information technology security and data privacy programs, including the potential impacts of privacy risk exposures to the Company's business, financial results, operations and reputation, the steps management has taken to monitor and mitigate such exposures, the Company's information governance policies and programs and major legislative and regulatory developments that could materially impact the Company's data privacy risk exposure. During the year, the Audit Committee and the Board received regular updates from the Company's senior management team to assess cybersecurity and other information technology risks facing the Company and the measures the Company took to mitigate such risks. Mitigation measures included investments in: (i) ongoing monitoring of technology systems and emerging threat types; (ii) a comprehensive process designed to ensure the Company's technology environment was operating and maintained in accordance with best practices and security standards defined within the NIST Cybersecurity Framework; and (iii) annual third-party testing of its cybersecurity program, the results of which were discussed with the Audit Committee. In addition, the Company's Chief Information Officer was added to the Company's Enterprise Risk Management Committee, which is responsible for prioritizing risks and allocating appropriate resources to mitigate such risks. As part of this work, employees took part in a mandatory internal educational program to ensure continual awareness of new and emerging threats, including phishing simulations. The Board and its Audit Committee continue to support the Company's cybersecurity efforts and receive regular updates on the Company's cybersecurity risk assessments, threats, incident response, recent and anticipated enhancements, testing, and monitoring. The Board believes this oversight is critical to protecting shareholder value.

**More information on the Board's consideration of the section 172 factors**

The table below provides a summary of where to find further information on how the Board has had regard to each of the section 172 factors:

| Factor | Annual Report section | Topic |
|---|---|---|
| Consequence of any decision in the long term | I. Strategy and Outlook | Our Growth Strategies |
| | III. Section 172 Statement | Principal decisions |
| Interests of employees | X. Employees | |
| Fostering business relationships with suppliers, customers and others | I. Strategy and Outlook | Channel Breadth and Relationships |
| | | Drive Technical Innovation in Our Markets |
| | II. Business Overview | Customers |
| | | Materials and Suppliers |
| Impact of operations on the community and the environment | X. Employees | Community involvement |
| | Directors' Report | Environment |
| Maintaining a reputation for high standards of business conduct | II. Business Overview | Materials and Suppliers |
| | | Code of Ethics |
| | X. Employees | Human rights issues |
| Acting fairly between members | III. Section 172 Statement | Engagement with key stakeholders |

## IV. Principal Risks and Uncertainties

*Our Board exercises direct oversight of strategic risks to the Company. The Audit Committee reviews guidelines and policies governing the process by which management assesses and manages the Company's exposure to risk, including the Company's major financial risk exposures and the steps management takes to monitor and control such exposures. The Compensation Committee oversees risks relating to the Company's compensation policies and practices. The Nominating and Governance Committee assists the Board by overseeing risks related to the Company's ESG programs. Each committee charged with risk oversight reports to the Board on those matters.*

*Additionally, with respect to cybersecurity risk oversight, our Board and our Audit Committee receive updates from our information technology team to assess the primary cybersecurity risks facing the Company and the measures the Company is taking to mitigate such risks. In addition to such updates, our Board and our Audit Committee receive updates from management as to changes to the Company's cybersecurity risk profile or significant newly identified risks.*

*The risk factors noted in this section and other factors noted throughout this annual report, describe the principal risks and uncertainties that could cause our actual results to differ materially from those contained in any forward-looking statement and should be considered carefully in evaluating our company and our business.*

*In the ordinary course of our business, we face various strategic, operating, compliance and financial risks. These risks could have a material impact on our business, financial condition and results of operations. We have implemented our Enterprise Risk Management ("ERM") process to identify and address significant risks. Our ERM process is a company-wide initiative that is designed with the intent of prioritizing risks and allocating appropriate resources to address such risks.*

*Management has identified and prioritized critical risks based on the severity and likelihood of each risk and assigned risk owners to address each major identified risk area and lead action plans to monitor and mitigate risks, where possible. Our Board of Directors provides oversight of the ERM process and regularly reviews identified critical risks.*

*Our goal is to proactively manage risks in a structured approach and in conjunction with the strategic planning process, with the intent to preserve and enhance shareholder value. However, these and other risks and uncertainties could cause our results to vary materially from recent results or from our anticipated future results. The risk factors and uncertainties described below, together with information incorporated by reference or otherwise included elsewhere in this annual report, should be carefully considered. Although the risks are organized by headings, and each risk is discussed separately, many are interrelated. Additional risks and uncertainties of which we are currently unaware or that we currently believe to be immaterial may also adversely affect our business.*

*For reference to the full list of the Company's risks, see "Risk Factors," beginning on page 14 of the Company's U.S. Annual Report on Form 10-K for the year ended December 31, 2022.*

### Risks Related to Economic and Market Conditions

***We are subject to economic, political and other risks associated with international operations that could adversely affect our business and our strategy to capitalize on our global reach.***

A substantial portion of our operations are conducted and located outside the U.S. For Fiscal 2022, approximately 61% of our net sales originated from outside of the U.S. We have manufacturing, sales and service facilities spanning five continents and sell to customers in over 130 countries. Moreover, a significant amount of our manufacturing functions and sources of our raw materials and components are from emerging markets such as China, India and Eastern Europe. Accordingly, our business and results of operations, as well as the business and results of operations of our vendors and customers, are subject to risks associated with doing business internationally, including:

- changing economic conditions in the global and regional end markets we serve, which could impact the level of demand for our products, as a substantial portion of our revenues are derived from customers in cyclical industries that typically are adversely affected by downward economic cycles;
- macroeconomic factors beyond the Company's control, such as the current volatility around material and logistics availability, inflation, supply chain and labor challenges;

- political, social or economic instability, civil unrest, terrorist attacks, conflicts or war (such as the ongoing conflict between Russia and Ukraine), public health crises and natural disasters (including as a result of climate change) that may disrupt economic activities in affected countries;
- imposition of new or additional sanctions, tariffs or other trade restrictions or embargoes, as well as import and export licensing and control requirements;
- volatility of global financial markets, including persisting concerns regarding the debt burden of certain European countries, interest rate fluctuations and hyperinflation or deflation in the countries in which we operate;
- exchange rate fluctuations, as well as currency restructurings, the imposition of currency restrictions, and limitations on repatriation of earnings, that could affect our ability to realize a profit or our ability to readily access global cash balances;
- partial or total expropriation of the company's assets by local, state or national governments;
- the ability to comply with or effect of complying with complex and changing laws, regulations and policies of foreign governments, including differing and, in some cases, more stringent labor, sustainability and environmental regulations;
- differing local product preferences and product requirements; and
- difficulties involved in staffing and managing widespread operations, including challenges in administering and enforcing corporate policies, which may be different than the normal business practices of local cultures.

The likelihood of such occurrences and their potential effect on us vary from country to country and are unpredictable. Certain regions, including Latin America, Asia, Eastern Europe, the Middle East and Africa, are generally more economically and politically volatile than the U.S. and as a result, our operations in these regions could be subject to more significant fluctuations in sales and operating income. Further, our industry has been impacted by the ongoing uncertainty surrounding tariffs and international trade relations, particularly with China, and it is difficult for us to predict the impact future trade measures will have on our business and operations in the future. Because a significant percentage of our operating income in recent years has come from these regions, adverse fluctuations in the operating results in these regions could have a disproportionate impact on our results of operations in future periods.

While we have adopted certain operational and financial measures to reduce the risks associated with doing business internationally, any one of the risks listed above may impact us or require us to modify our business practices beyond what we can anticipate and could have a material adverse effect on our financial condition and results of operations.

***We may be unable to obtain raw materials or other manufacturing inputs at favorable prices in sufficient quantities, or at the time we require them.***

We purchase our energy, steel, aluminum, rubber-based materials, chemicals, polymers and other key manufacturing inputs from outside sources. We do not traditionally have long term pricing contracts with raw material suppliers. The costs of these raw materials have been volatile historically and are influenced by factors that are outside of our control. In recent years, the prices and availability of energy, metal alloys, polymers and certain other of our raw materials have fluctuated significantly, exacerbated by the current inflationary environment and global disruptions such as the Russia-Ukraine conflict. If we are unable to pass increases in the costs of our raw materials on to our customers or we experience a lag in our ability to pass increases to our customers, or we are otherwise unable to offset these cost increases, our operating margins and results of operations may be materially adversely affected.

Additionally, our businesses compete globally for key production inputs. The availability of qualified suppliers and of key inputs may be disrupted by market disturbances or any number of geopolitical factors, including political unrest and significant weather events. Such disruptions may require additional capital or operating expenditure by us or force reductions in our production volumes. In the event of an industry-wide general shortage of certain raw materials or key inputs, or a shortage or discontinuation of certain raw materials or key inputs from one or more of our suppliers, we may not be able to arrange for alternative sources of certain raw materials or key inputs. Any such shortage may materially adversely affect our competitive position versus companies that are able to better or more cheaply source such raw materials or key inputs.

***We may experience adverse changes in our relationships with, or the financial condition, performance, purchasing patterns or inventory levels of, key channel partners.***

Certain of our businesses sell a significant amount of their products to key channel partners, including distributors, which have valuable relationships with end users. Some of these channel partners may also sell our competitors' products, and if they favor competing products for any reason they may fail to market our products effectively. Adverse changes in our relationships with these channel partners, or adverse developments in their financial condition, performance or purchasing patterns, could adversely affect our business, financial condition and results of operations. The levels of inventory maintained by our distributors and other channel partners, and changes in those levels, such as destocking, can also significantly impact our results of operations in any given period. In addition, the consolidation of channel partners and customers in certain of our end markets could adversely impact our profitability.

***Catastrophic events, including global pandemics such as the COVID-19 pandemic, could cause severe disruption in the global economy and may have, and continue to have, an adverse impact on our business.***

The occurrence of a major earthquake, fire, flood, tsunami or other weather event, power loss, telecommunications failure, software or hardware malfunctions, pandemics (including the COVID 19 pandemic), cyber-attack, war, terrorist attack or other catastrophic event that our disaster recovery plans do not adequately address, could adversely affect our employees, our systems, our ability to produce and distribute our products, and our reputation. For example, the outbreak and spread of COVID-19 has and in some geographies, such as China, continues to have adverse effects on our business, operating results, cash flows and/or financial condition, including, without limitation, due to the impact of: disruptions in service within our operations, among our key suppliers and supply chains, or other third parties; facility closures or disruptions; challenges in product delivery; and changes and challenges to our workforce. A catastrophic event resulting in the destruction or disruption of our workforce, our systems, our ability to produce and distribute our products, any of our data centers or our critical business or information technology systems could adversely affect our ability to conduct normal business operations and our operating results or cash flows.

**Risks Related to Our Business and Industry**

***We are dependent on the continued operation of our manufacturing facilities, supply chains, distribution systems and information technology systems, and a major disruption or closure could have a material adverse effect on our business.***

If any of our manufacturing facilities, supply chains, distribution systems or technology systems were to experience a catastrophic loss or ongoing closure or disruption due to adverse weather, natural or man made disasters (including as a result of climate change), labor unrest, public health crises, terrorist attacks, cyberattacks, significant mechanical failure of our equipment or other catastrophic event, it could result in interruption of our business, a potential loss of customers and sales, or significantly increased operating costs, including large repair and replacement expenses. The third-party insurance coverage that we maintain will vary from time to time in both type and amount depending on cost, availability and our decisions regarding risk retention, and may be unavailable or insufficient to protect us against losses. Additionally, we have in the past and may in the future make investments in new or existing manufacturing facilities that could lead to disruption or closure, or to consolidate manufacturing facilities to adapt our production capacity to changing market conditions. The costs of such disruptions or closures may have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to accurately forecast demand or meet significant increases in demand for our products.***

Certain of our businesses operate with short lead times, and we order raw materials and supplies and plan production based on discussions with our customers and internal forecasts of demand. If we are unable to accurately forecast demand for our products, in terms of both volume and specific products, or react appropriately to abrupt changes in demand, we may experience delayed product shipments and customer dissatisfaction. If demand increases significantly from current levels, both we and our suppliers may have difficulty meeting such demand, particularly if such demand increases occur rapidly. Additionally, we may carry excess inventory if demand for our products decreases below projected levels. Failure to accurately forecast demand or meet significant increases in demand could have a material adverse impact on our business, financial condition and operating results.

*We have taken, and continue to take, cost-reduction and other restructuring actions that may expose us to additional risk and we may not be able to maintain the level of cost reductions that we have achieved.*

We have been implementing cost reduction and restructuring actions in all of our businesses and have discontinued product lines, consolidated or relocated manufacturing operations and reduced our employee population in some locations. The impact of these cost-reduction and restructuring actions on our sales and profitability may be influenced by many factors and we may not be able to maintain the level of cost savings that we have achieved. In connection with the implementation and maintenance of our cost reduction and restructuring measures, we may face delays in anticipated workforce reductions, a decline in employee morale and a potential inability to meet operational targets due to an inability to retain or recruit key employees.

**Risks Related to Cybersecurity and Information Systems**

*Cyber-security vulnerabilities, threats and more sophisticated and targeted computer crimes could pose a risk to our systems, networks, products, solutions, services and data.*

Increased global cyber security vulnerabilities, threats, computer viruses and more sophisticated and targeted cyber-related attacks (such as the recent increasing use of "ransomware" and phishing attacks), as well as cyber-security failures resulting from human error, catastrophic events (such as fires, floods, hurricanes and tornadoes), and technological errors, pose a risk to our systems, products and data as well as potentially to our employees', customers', partners', suppliers' and third-party service providers' systems and data. An attack could result in security breaches, theft, lost or corrupted data, misappropriation of sensitive, confidential or personal data or information, loss of trade secrets and commercially valuable information, production downtimes and operational disruptions. We attempt to mitigate these risks by employing a number of measures, including employee training, monitoring and testing, and maintenance of protective systems and contingency plans, but we remain potentially vulnerable to additional known or unknown threats. There is no assurance the financial or operational impact from such threats will not be material.

**Risks Related to Legal and Regulatory Matters**

*Existing or new laws and regulations, including but not limited to those relating to HSE and sustainability matters, may prohibit, burden, restrict or make significantly more costly the sale of our products.*

Our operations, products and properties are subject to extensive foreign, federal, state, local and provincial laws and regulations relating to HSE and sustainability matters around the world. HSE and sustainability laws vary by jurisdiction but generally govern air emissions, wastewater discharges, material handling and transportation, waste management and disposal, toxicity and hazardous substances, and workplace health and safety, as well as the investigation and clean-up of contaminated sites. Failure to comply with such laws and regulations could have significant consequences on our business and operations, including the imposition of substantial fines and sanctions for violations, injunctive relief (including requirements that we limit or cease operations at affected facilities), and negative publicity.

HSE and sustainability-related laws have become increasingly stringent and stricter interpretation or enforcement of new and existing laws could adversely affect our business, financial condition and results of our operations and product demand. For example, increasing global interest to control emissions of carbon dioxide, methane, fluorinated and other GHGs in an effort to minimize the effect on climate change have the potential to influence the price of the energy and raw materials we purchase. GHG regulations and carbon taxes could also impact oil and gas production, a key demand driver of our industrial end markets, and reduce demand for our products by driving down the use of fossil fuels.

The evolution of such laws beyond manufacturing operations to restrict specific chemical substances in our products or impose labeling and other requirements, such as the European Union's Registration, Evaluation, Authorization, and Restriction of Chemical Substances ("REACH") Regulation, and rising global interest around microplastics, extended producer responsibility, plastic packaging or hazardous chemicals such as per-and polyfluoroalkyl substances ("PFAS") could result in significant costs or limit access to certain markets.

We have incurred, and will continue to incur, both operating and capital costs to comply with environmental, safety and sustainability-related laws and regulations, including costs associated with the investigation and clean-up of some of our current and former properties and offsite disposal locations. As the present and former operator of industrial properties that use and generate hazardous materials, we could be subject to additional liability for environmental contamination in the future, regardless of whether we caused such contamination.

Additionally, most states have passed laws that regulate or limit the use of aftermarket products in certain types of repair work. These laws include requirements relating to consumer disclosure, owner's consent regarding the use of aftermarket products in the repair process, and the requirement to have aftermarket products certified by an independent testing organization. Additional legislation of this kind may be introduced in the future. If additional laws prohibiting or restricting the use of aftermarket products are passed, it could have an adverse impact on our aftermarket products business.

Certain organizations test the quality and safety of vehicle replacement products. If these organizations decide not to test a particular vehicle product, or in the event that such organizations decide that a particular vehicle product does not meet applicable quality or safety standards, we may decide to discontinue sales of such product or insurance companies may decide to discontinue authorization of repairs using such product. Such events could adversely affect our business.

***Our business is subject to evolving corporate governance and public disclosure regulations and expectations, including with respect to ESG matters, that could expose us to numerous risks.***

We are subject to the evolving rules and regulations with respect to ESG matters of a number of governmental and self-regulatory bodies and organizations, such as the SEC, the NYSE, the European Union, the U.K. government, and International Sustainability Standards Board, that could make compliance more difficult and uncertain. In addition, regulators, customers, investors, employees and other stakeholders are increasingly focused on ESG matters and related disclosures. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention to comply with or meet those regulations and expectations. Developing and acting on ESG initiatives and collecting, measuring and reporting ESG related information and metrics can be costly, difficult and time consuming. Further, ESG related information is subject to evolving reporting standards, including the SEC's proposed climate-related reporting requirements and the European Union's Corporate Sustainability Reporting Directive Our ESG initiatives and goals could be difficult and expensive to implement, and we could be criticized for the accuracy, adequacy, consistency or completeness of our ESG disclosures. Further, statements about our ESG related initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve and assumptions that are subject to change in the future. In addition, we could be criticized for the scope or nature of such initiatives or goals, or for any revisions to these goals. If our ESG-related data, processes and reporting are incomplete or inaccurate, or if we fail to achieve progress with respect to our ESG goals on a timely basis, or at all, our reputation and financial results could be adversely affected and we could be exposed to litigation.

***We are subject to anti-corruption laws in various jurisdictions, as well as other laws governing our international operations. If we fail to comply with these laws we could be subject to civil or criminal penalties, other remedial measures, and legal expenses.***

Our operations are subject to one or more anti-corruption laws in various jurisdictions, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), the U.K. Bribery Act of 2010, and other anti-corruption laws that generally prohibit employees and intermediaries from making improper payments for the purpose of obtaining or retaining business or gaining some other business advantage. We operate in a number of jurisdictions that pose a high risk of potential anti-corruption violations, and we participate in joint ventures and relationships with third parties whose actions could potentially subject us to liability under anti corruption laws.

We are subject to other laws and regulations governing our operations, including regulations administered by the U.S. Department of Commerce's Bureau of Industry and Security, the U.S. Department of Treasury's Office of Foreign Assets Control, and various non-U.S. government entities, including applicable export control regulations, economic sanctions on countries and persons, customs requirements, currency exchange regulations, and transfer pricing regulations (collectively, "Trade Control Laws"). We are also subject to U.K. corporate criminal laws governing the failure to prevent the facilitation of tax evasion pursuant to the Criminal Finances Act 2017 ("Criminal Finances Act")

We have instituted policies, procedures and ongoing training of employees with regard to business ethics, designed to ensure that we and our employees comply with anti corruption laws, Trade Control Laws and the Criminal Finances Act. However, there is no assurance that our efforts have been and will be effective in ensuring that we will comply with all applicable anti-corruption laws or other legal requirements. If we are subject to an investigation of a potential violation or are found not in compliance with anti-corruption laws, Trade Control Laws or the Criminal Finances Act, we may incur legal expenses and experience reputational harm, and could be subject to criminal and civil penalties and sanctions that could have a material adverse impact on our business, financial condition, and results of operations.

**Risks Related to Human Capital Management**

***If we lose our senior management or key personnel, our business may be materially and adversely affected.***

The success of our business is largely dependent on our senior management team, as well as on our ability to attract and retain other qualified key personnel. In addition, there is significant demand in our industry for skilled workers. It cannot be assured that we will be able to retain all our current senior management personnel and attract and retain other necessary personnel, including skilled workers, necessary for the development of our business. Further, in the event we do lose key personnel, the success of our business may depend on whether we have appropriate succession plans in place and can implement such plans to identify and integrate new personnel. The loss of the services of senior management and other key personnel or the failure to attract additional personnel and implement succession plans as required could have a material adverse effect on our business, financial condition and results of operations.

**Risks Related to Tax Matters**

***Changes in our effective tax rate or additional tax liabilities could adversely impact our net income.***

We are subject to income taxes as well as non-income based taxes in the U.K., the U.S. and various other jurisdictions in which we operate. The laws and regulations in these jurisdictions are inherently complex and the Company and its subsidiaries will be obliged to make judgments and interpretations about the application of these laws and regulations to the Company and its subsidiaries and their operations and businesses, including those related to any restructuring of intercompany operations, holdings or financings; the valuation of intercompany services; cross-border payments between affiliated companies; and the related effects on income tax, value added tax ("VAT") and transfer tax. Further, our tax liabilities could be adversely affected by numerous other factors, including income before taxes being lower than anticipated in countries with lower statutory tax rates and higher than anticipated in countries with higher statutory tax rates, changes in the valuation of deferred income tax assets and liabilities, and changes in tax laws and regulations. We are regularly under audit by taxing authorities in certain of the jurisdictions in which we operate. Although we believe our tax estimates are reasonable, including our estimates of reserves for unrecognized tax benefits related to the implementation of our European corporate center in 2019, any changes in our judgments and interpretation of tax laws or any material differences as a result of the audits could result in unfavorable tax adjustments that have an adverse effect on our overall tax liability. Our U.K. businesses may also be affected by the planned increase in the U.K. corporation tax rate from 19% to 25% with effect from April 2023.

**Risks Related to Our Indebtedness**

***Our substantial leverage could adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business, our ability to react to changes in the economy, or our industry or our ability to pay our debts, and could divert our cash flow from operations to debt payments.***

As of December 31, 2022, the total principal amount of our debt was $2,491.4 million. Subject to the limits contained in the credit agreements that govern our senior secured credit facilities, the indenture that governs our notes and the applicable agreements governing our other debt instruments, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our high level of debt could increase. Specifically, our high level of debt could have important consequences, including the following:

- making it more difficult for us to satisfy our obligations with respect to our debt;

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors; and
- increasing our cost of borrowing.

We are a holding company, and our consolidated assets are owned by, and our business is conducted through, our subsidiaries. Earnings from these subsidiaries are our primary source of funds for debt payments and operating expenses. If our subsidiaries are restricted from making distributions, our ability to meet our debt service obligations or otherwise fund our operations may be impaired. Moreover, there may be restrictions on payments by subsidiaries to their parent companies under applicable laws, including laws that require companies to maintain minimum amounts of capital and to make payments to shareholders only from profits. As a result, although a subsidiary of ours may have cash, we may not be able to obtain that cash to satisfy our obligation to service our outstanding debt or fund our operations.

## V. Business Trends

### Business Trends

Our net sales have historically been, and remain, highly correlated with industrial activity and utilization and not with any single end market given the diversification of our business and high exposure to replacement channels. This diversification limits our exposure to trends in any given end market. In addition, a majority of our sales are generated from customers in replacement channels, who serve primarily a large base of installed equipment that follows a natural maintenance cycle that is somewhat less susceptible to various trends that affect our end markets. Such trends include infrastructure investment and construction activity, agricultural production and related commodity prices, commercial and passenger vehicle production, miles driven and fleet age, evolving regulatory requirements related to emissions and fuel economy and oil and gas prices and production. Key indicators of our performance include industrial production, industrial sales and manufacturer shipments.

During Fiscal 2022, sales into replacement channels accounted for approximately 63% of our total net sales. Our replacement sales cover a very broad range of applications and industries and, accordingly, are highly correlated with industrial activity and utilization and not a single end market. Replacement products are principally sold through distribution partners that may carry a very broad line of products or may specialize in products associated with a smaller set of end market applications.

During Fiscal 2022, sales into first-fit channels accounted for approximately 37% of our total net sales. First-fit sales are to a variety of industrial and automotive customers. Our industrial first-fit customers cover a diverse range of industries and applications and many of our largest first-fit customers manufacture construction and agricultural equipment.

During Fiscal 2022, we continued to experience challenges from raw material, energy, and freight inflation, which have moderated in certain areas, but are expected to continue to a lesser degree in the near term. For Fiscal 2022, we were able to end the year price/cost positive on a dollar basis relative to these inflation impacts and nearly neutral on a gross margin basis. In addition, we experienced production disruptions and input shortages on labor, certain raw materials and freight in 2021 and through Fiscal 2022. These supply chain challenges have moderated in late 2022, resulting in modest improvements in our productivity and ended the year in a more balanced position with supply meeting the underlying demand.

*Russia-Ukraine conflict*

The conflict between Russia and Ukraine, and the sanctions and counter-sanctions imposed in response to it, have created increased economic uncertainty and operational complexity both in the region and globally, the impacts of which we cannot fully predict. Gates had a single distribution center in Russia that sold primarily to customers based in Russia. In early July 2022, we suspended our operations in Russia, resulting in restructuring and other charges totaling $3.5 million in Fiscal 2022. Gates has cash held in Russian banks, which have been impacted by the conflict between Russia and Ukraine. Should the conflict continue or escalate, it could have a significant negative effect on our business and results in the future including continued inflationary pressures on raw materials, energy and transportation, supply chain and logistics disruptions, volatility in foreign exchange rates and interest rates, and heightened cybersecurity threats. This conflict directly resulted in a decrease of approximately 2% to our 2022 global revenues. As of December 31, 2022, Gates had $16.2 million of cash and cash equivalents held in Russia. Gates regularly monitors the cash held in Russia and maintains the cash and cash equivalents with financial institutions considered stable in the region.

*Impact of COVID-19 Pandemic*

In the third year of the COVID-19 pandemic, we continued to contend with the ongoing implications of the pandemic and prioritizing the health and safety of our employees and the communities in which we operate around the world, taking additional protective measures in our plants to safely maintain operational continuity in support of our global customer base. We may take further actions if required or recommended by government authorities or if we determine them to be in the best interests of our employees, customers, and suppliers.

Our operations are supported largely by local supply chains. Where necessary, we have taken steps to qualify additional suppliers to ensure we are able to maintain continuity of supply. Although we have not experienced any significant operational disruptions to date, we have incurred meaningful operational inefficiencies. In addition, certain Gates suppliers have, or may in the future, temporarily close operations, delay order fulfillment or limit production due to the pandemic, including as a result of insufficient raw materials necessary to support their production. Continued disruptions, shipping delays or insolvency of key vendors in our supply chain could make it difficult or more costly for us to obtain the raw materials or other inputs we need for our operations, or to deliver products to our customers.

Gates employs an in-region, for-region manufacturing strategy, under which local operations primarily support local demand. In addition to the handful of plants that were temporarily closed by government mandates at various times, we have proactively managed our output to expected demand levels and occasionally suspended production at other plants for short periods of time, predominantly in the first half of 2020. As shelter-in-place requirements eased in various jurisdictions, we saw sequential quarterly improvements in the second half of 2020 which continued during the first half of 2021, and then began to slow during the second half of 2021 as the global economy continued to normalize. During March 2022, an increase in COVID-19 related cases in certain parts of China resulted in the re-imposition of widespread shutdowns and restrictions in China through most of April and May 2022, and resulted in a modest loss of production, sales and profitability. As the COVID-19 lockdowns began to ease in June 2022, our business in China began to slowly recover, before a rapid rise in infections in China late in 2022 adversely affected customer demand, labor availability, and our profitability. We continue to expect it will take time through the first half of 2023 for our customers and the local supply base in China to operate at more normalized levels. We may experience future production disruptions where plants are temporarily closed or productivity is reduced by government mandates or as a result of supply chain or labor disruptions, which could place further constraints on our ability to produce or deliver our products and meet customer demand or increase our costs. We may also continue to experience periods of inconsistency in customer demand as customers address their own supply chain constraints. During this crisis, we have maintained our ability to respond to changes in demand and we continue to fund key initiatives, which we believe will serve us well as our end markets continue to evolve.

While we have generally seen a rebound in demand from the pandemic-induced declines of 2020, the evolving impact of the pandemic, including the emergence of variants, and continuing measures being taken around the world to combat its spread, may have ongoing implications for our business which may vary from time to time. Some of these impacts may be material but cannot be reasonably estimated at this time.

## VI. Key Performance Indicators

We assess the financial performance of our businesses using a variety of measures. We believe that certain of these measures are particularly important and they are considered to be "key performance indicators". As Gates is a public company listed on the New York Stock Exchange ("NYSE") in the U.S., the Directors and management review the alternate performance measures adjusted from financials prepared under accounting principles generally accepted in the United States of America ("U.S. GAAP"). In this section, we present the equivalent of each of the key performance indicators as prepared in accordance with United Kingdom adopted international accounting standards ("IFRS"), and show how they are calculated if they cannot be derived directly from the consolidated financial statements. We present a reconciliation of each alternate performance measures to the most directly comparable measure defined under IFRS. We do not regard these alternate performance measures as a substitute for, or superior to, the equivalent measures defined under IFRS. The key performance indicators described below may not be directly comparable with similarly-titled measures used by other companies. For reference to key performance indicators adjusted from financials prepared under U.S. GAAP, see "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 35 of the Company's U.S. Annual Report on Form 10-K for the year ended December 31, 2022

### *EBITDA and Adjusted EBITDA*

"EBITDA" is a non-IFRS measure that represents net income or loss from continuing operations for the period before the impact of income taxes, net interest and other expenses, depreciation and amortization. EBITDA is widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. EBITDA eliminates potential differences in performance caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense) and the extent to which intangible assets are identifiable (affecting relative amortization expense).

Management uses "Adjusted EBITDA" as its key profitability measure. This is a non-IFRS measure that represents EBITDA before certain items that are considered to hinder comparison of the performance of our businesses on a period-over-period basis or with other businesses. We use Adjusted EBITDA as our measure of segment profitability to assess the performance of our businesses, and it is used for total Gates as well because we believe it is important to consider our profitability on a basis that is consistent with that of our operating segments, as well as that of certain of our peer companies. We believe that Adjusted EBITDA should, therefore, be made available to securities analysts, investors and other interested parties to assist in their assessment of the performance of our businesses.

During the periods presented, the items excluded from EBITDA in computing Adjusted EBITDA primarily included:

- non-cash charges in relation to share-based compensation;
- transaction-related expenses incurred in relation to major corporate transactions, including the acquisition of businesses, and equity and debt transactions;
- asset impairments;
- restructuring expenses, including severance-related expenses; and
- fees paid to our private equity sponsor for monitoring, advisory and consulting services.

Differences exist among our businesses and from period to period in the extent to which their respective employees receive share-based compensation or a charge for such compensation is recognized. We therefore exclude from Adjusted EBITDA the non-cash charges in relation to share-based compensation in order to assess the relative performance of our businesses.

We exclude costs associated with major corporate transactions because we do not believe that they relate to our performance. Other items are excluded from Adjusted EBITDA because they are individually or collectively significant items that are not considered to be representative of the underlying performance of our businesses. During the periods presented, we excluded restructuring expenses (income) and severance-related expenses that reflect specific, strategic actions taken by management to shutdown, downsize, or otherwise fundamentally reorganize areas of Gates' business.

EBITDA and Adjusted EBITDA exclude items that can have a significant effect on our profit or loss and should, therefore, be used in conjunction with, not as substitutes for, profit or loss for the period. Management compensates for these limitations by separately monitoring net income from continuing operations for the period.

The following table reconciles EBITDA and Adjusted EBITDA to profit from continuing operations, the most directly comparable IFRS measure:

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Adjusted EBITDA | $ 705.9 | $ 772.9 |
| Depreciation and amortization | (242.5) | (248.4) |
| Share-based compensation expense | (44.3) | (24.6) |
| Transaction-related expense [1] | (2.1) | (3.7) |
| Asset impairments | (1.1) | (0.6) |
| Restructuring expenses | (9.5) | (7.4) |
| Inventory impairments (included in cost of sales) | (1.5) | (1.4) |
| Severance expenses (included in cost of sales) | (0.8) | — |
| Severance expenses (included in SG&A) | (0.5) | (0.7) |
| Other operating (income) expenses | (0.2) | 9.3 |
| **Operating Profit from continuing operations** | **403.4** | **495.4** |
| Interest expense | (164.8) | (92.2) |
| Interest Income | 3.6 | 3.2 |
| Other income (expense) | 2.1 | (10.7) |
| **Profit before taxes from continuing operations** | **244.3** | **395.7** |
| Income tax expense | (19.3) | (16.6) |
| **Profit for the year from continuing operations** | **$ 225.0** | **$ 379.1** |

(1) Transaction-related expenses relate primarily to advisory fees and other costs recognized in respect of major corporate transactions, including the acquisition of businesses, and equity and debt transactions.

### *Adjusted EBITDA Margin*

Adjusted EBITDA margin is a non-IFRS measure that represents Adjusted EBITDA expressed as a percentage of net sales. We use Adjusted EBITDA margin to measure the success of our businesses in managing our cost base and improving profitability.

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Net sales [1] | $ 3,554.2 | $ 3,474.4 |
| Adjusted EBITDA | $ 705.9 | $ 772.9 |
| Adjusted EBITDA margin | 19.9 % | 22.2 % |

(1) "Net sales" the same as "Revenue" in the consolidated financial statement prepared under IFRS.

### *Core growth reconciliations*

Core revenue growth represents net sales for the period excluding the impacts of movements in average currency exchange rates and the first-year impacts of acquisitions and disposals, when applicable. We present core growth because it allows for a meaningful comparison of year-over-year performance without the volatility caused by foreign currency gains or losses or the incomparability that would be caused by impacts of acquisitions or disposals. Management believes that this measure is therefore useful for securities analysts, investors and other interested parties to assist in their assessment of the operating performance of our businesses. The closest IFRS measure is net sales.

| (dollars in millions) | Year ended December 31, 2022 | | |
|---|---|---|---|
| | Power Transmission | Fluid Power | Total |
| Net sales for the year ended December 31, 2022 | $ 2,173.7 | $ 1,380.5 | $ **3,554.2** |
| Impact on net sales of movements in currency rates | 149.2 | 35.9 | **185.1** |
| Core revenue for the year ended December 31, 2022 | 2,322.9 | 1,416.4 | **3,739.3** |
| Net sales for the year ended January 1, 2022 | 2,216.3 | 1,258.1 | **3,474.4** |
| Increase in net sales on a core basis (core revenue) | $ 106.6 | $ 158.3 | $ **264.9** |
| Core revenue growth | 4.8 % | 12.6 % | **7.6 %** |

| dollars in millions) | Year ended January 1, 2022 | | |
|---|---|---|---|
| | Power Transmission | Fluid Power | Total |
| Net sales for the year ended January 1, 2022 | $ 2,216.3 | $ 1,258.1 | $ **3,474.4** |
| Impact on net sales of movements in currency rates | (49.2) | (27.1) | **(76.3)** |
| Core revenue for the year ended January 1, 2022 | 2,167.1 | 1,231.0 | **3,398.1** |
| Net sales for the year ended January 2, 2021 | 1,800.2 | 992.8 | **2,793.0** |
| Increase in net sales on a core basis (core revenue) | $ 366.9 | $ 238.2 | $ **605.1** |
| Core revenue growth | 20.4 % | 24.0 % | **21.7 %** |

## VII. Business Performance

**Results for the year ended December 31, 2022 compared to the results for the year ended January 1, 2022**

**Summary Gates Performance**

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| **Continuing operations** | | |
| **Revenue** | **$ 3,554.2** | **$ 3,474.4** |
| Cost of sales | (2,280.2) | (2,122.9) |
| **Gross profit** | **1,274.0** | **1,351.5** |
| Selling and distribution costs | (291.4) | (284.5) |
| Finance and administrative expenses | (519.2) | (516.2) |
| Research and development costs | (56.6) | (60.4) |
| Transaction-related expenses | (2.1) | (3.7) |
| Asset impairments | — | — |
| Other operating (expenses) income | (1.3) | 8.7 |
| **Operating profit from continuing operations** | **403.4** | **495.4** |
| Interest expense | (164.8) | (92.2) |
| Interest income | 3.6 | 3.2 |
| Other income (expenses) | 2.1 | (10.7) |
| **Profit before tax from continuing operations** | **244.3** | **395.7** |
| Income tax expense | (19.3) | (16.6) |
| **Profit for the year from continuing operations** | **$ 225.0** | **$ 379.1** |
| | | |
| Adjusted EBITDA | $ 705.9 | $ 772.9 |
| Adjusted EBITDA margin | 19.9 % | 22.2 % |

*Net sales*

Net sales during Fiscal 2022 were $3,554.2 million, compared to $3,474.4 million during the prior year, an increase of 2.3%, or $79.8 million. Our net sales for Fiscal 2022 were adversely impacted by movements in average currency exchange rates of $185.1 million compared to the prior year, principally due to the strengthening of the U.S. dollar against a number of currencies, in particular the Euro, Japanese Yen and Turkish Lira. Excluding this impact, core sales increased by $264.9 million, or 7.6%, during Fiscal 2022 compared to the prior year, driven primarily by a $363.1 million benefit from favorable pricing, partially offset by the impact of lower volumes.

Core sales in our Power Transmission and Fluid Power businesses increased by 4.8% and 12.6%, respectively, during Fiscal 2022 compared to the prior year. These improvements were primarily driven by increases in sales to customers in our industrial channels, with industrial replacement sales up by 9.6% and industrial first-fit sales up by 8.4%. The majority of this growth was focused in North America and EMEA, where industrial sales grew by 11.5% and 17.3%, respectively, during Fiscal 2022 compared to the prior year. The off-highway, diversified industrial, and personal mobility end markets drove most of the industrial channel growth during Fiscal 2022, increasing by 10.6%, 7.7% and 22.6%, respectively, compared to the prior year, particularly in North America and EMEA. Sales growth in the automotive channel extended to 6.0% during Fiscal 2022 compared to the prior year, primarily due to the automotive market rebounding from supply-chain issues and the global semiconductor chip shortage, particularly in North America. The growth in core sales was partially offset by decline in both industrial and automotive sales in Greater China, which declined by 17.4% and 7.3%, respectively, compared to the prior year. The Greater China region experienced declines across all end markets primarily due to the continued challenges in Chinese economy exacerbated by the pandemic-inflicted lockdowns during the second quarter with continued impact throughout the year. Our business was also negatively impacted by the abrupt change in COVID-related policies in China in December 2022, which led to a rapid rise in COVID infections in China and resulted in a decline in customer demand and limited labor availability, with continuing impact into early 2023.

*Cost of sales*

Cost of sales for Fiscal 2022 was $2,280.2 million, compared to $2,122.9 million for the prior year, an increase of 7.4%, or $157.3 million. This increase is primarily attributable to higher inflation-related costs, including higher materials, utilities and inbound freight costs, of $242.4 million. Cost of sales also increased by $117.2 million as a result of lower absorption of fixed costs, which was partially offset by lower volumes. These increases were further offset by $136.8 million as a result of favorable movements in average currency exchange rates.

*Gross profit*

As a result of the factors described above, gross profit for Fiscal 2022 was $1,274.0 million, compared to $1,351.5 million for the prior year period, a decrease of 5.7% or $77.5 million. Our gross profit margin dropped by 310 basis points to 35.8% for Fiscal 2022.

*Operating profit*

Operating profit for Fiscal 2022 was $403.4 million, compared to $495.4 million for the prior year period, a decrease of 18.6% or $92.0 million. In addition to the decrease in gross profits as described above, the decline in operating profit was also driven by a non-recurring gain of $9.3 million recognized in the prior year, which related primarily to a net gain on the sale of a purchase option on a building that we lease in Europe.

*Interest expense*

| | For the year ended | |
|---|---|---|
| (dollars in millions) | December 31, 2022 | January 1, 2022 |
| Debt: | | |
| Dollar Term Loan | $ 65.7 | $ 47.7 |
| Euro Term Loan | 16.4 | 21.5 |
| Dollar Senior Notes | 35.4 | 35.4 |
| Other Loans | 1.0 | — |
| Interest on lease liabilities | 5.5 | 5.5 |
| **Total interest expense for financial liabilities classified at amortized cost** | **124.0** | **110.1** |
| Amortization of finance costs and net fair value adjustment | 27.0 | (41.5) |
| Loss arising on interest rate swaps and interest rates caps as designated hedging instruments in cash flow hedges | 12.3 | 21.5 |
| Other interest expenses | 1.5 | 2.1 |
| | **$ 164.8** | **$ 92.2** |

Details of our long-term debt are presented in Note 23 to the consolidated financial statements included elsewhere in this report.

Interest on debt for Fiscal 2022 increased by $13.9 million driven by higher interest rates on the Existing Dollar Term Loans and the issuance of the New Dollar Term Loans in November 2022, partially offset by the impact of derivatives. Interest expense on other loans increased by $1.0 million during Fiscal 2022 due to drawings on the Asset-backed revolver in March 2022, which was paid off during the year. These increases were largely offset by the decrease in interest expense on the Euro Term Loan, due to a combination of the Euro debt payoff on November 16, 2022 and favorable movements in average currency exchange rates.

Amortization of finance costs and net fair value adjustment increased by $68.5 million during Fiscal 2022 when compared to the prior year, primarily due to the non-recurring net fair value gain of $60.3 million related to the amendments to the Existing Dollar Term Loans during prior year period. The increase in Fiscal 2022 is also attributable to the accelerated amortization of $9.1 million remaining value of finance costs and fair value adjustment incurred in Fiscal 2022 due to the repayment of Euro Term Loan on November 16, 2022.

***Other income (expenses)***

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Interest income on bank deposits | $ 3.6 | $ 3.2 |
| **Total interest income for financial instruments classified at amortized cost** | **3.6** | **3.2** |
| Foreign currency gain (loss) on net debt [(1)] and hedging instruments | 10.2 | (7.6) |
| Net interest expense on defined benefit pension obligations | (1.4) | (2.0) |
| Other | (6.7) | (1.1) |
| | $ 5.7 | $ (7.5) |

(1) "Net debt" is a non-GAAP measure representing the principal amount of our debt less the carrying amount of cash and cash equivalents.

Other income for Fiscal 2022 was $5.7 million, compared to an expense of $7.5 million in the prior year. This change was driven primarily by the impact of net movements in foreign currency exchange rates on net debt and hedging instruments, partially offset by higher fees incurred in relation to our trade accounts receivable factoring program due to a higher discount rate.

***Income tax expense (benefit)***

For Fiscal 2022, we had an income tax expense of $19.3 million on pre-tax income of $244.3 million, which resulted in an effective tax rate of 7.9% compared to an income tax expense of $16.6 million on pre-tax income of $395.7 million, which resulted in an effective tax rate of 4.2% for Fiscal 2021.

The effective tax rate for Fiscal 2022 was driven primarily by tax benefits of $26.4 million for unrecognized tax benefits due to lapsed statute of limitations, and $15.3 million for the partial release of valuation allowance on deferred tax assets for U.S. foreign tax credits. In addition, we had net $7.6 million of tax expense primarily on earnings from international operations.

The effective tax rate for Fiscal 2021 was driven primarily by tax benefits of $26.4 million related to the partial release of valuation allowance on deferred tax assets for U.S. foreign tax credits, $16.1 million for deferred taxes on unremitted earnings of our subsidiaries, and $14.0 million on deferred tax rate changes.

***Adjusted EBITDA***

Adjusted EBITDA for Fiscal 2022 was $705.9 million, compared to $772.9 million in the prior year, a decrease of 8.7% or $67.0 million. The Adjusted EBITDA margin was 19.9% for Fiscal 2022, a 230 basis point decline from the prior year. The decrease in Adjusted EBITDA was driven primarily by the decrease in gross profit of $77.5 million, which was largely the result of higher inflation and lower absorption of fixed costs as described above.

For a reconciliation of Adjusted EBITDA to profit from continuing operations for each of the periods presented and the calculation of the Adjusted EBITDA margin, see "VI. Key Performance Indicators."

**Analysis by Operating Segment**

***Power Transmission (61.2% of Gates' net sales for the year ended December 31, 2022)***

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 | Period over period change |
|---|---|---|---|
| Net sales | $ 2,173.7 | $ 2,216.3 | (1.9%) |
| Adjusted EBITDA | $ 418.1 | $ 521.4 | (19.8%) |
| Adjusted EBITDA margin | 19.2 % | 23.5 % | |

Net sales in Power Transmission for Fiscal 2022 decreased by 1.9%, or $42.6 million, compared to the prior year. Excluding the adverse impact of movements in average currency exchange rates of $149.2 million, core sales increased by 4.8%, or $106.6 million, compared to the prior year, driven primarily by a $208.4 million benefit from favorable pricing, partially offset by the impact of lower volumes.

Power Transmission's core sales to industrial customers grew by 6.3% during Fiscal 2022, compared to the prior year periods. Industrial growth during Fiscal 2022 was focused in the diversified industrial, personal mobility, and off-highway end markets, which together grew by 11.2%, compared to the prior year period, primarily in North America and EMEA. Sales to the on-highway end market declined by 2.7% during Fiscal 2022, compared to the prior year period, primarily from Greater China, partially offset by slight growth in all other regions. Automotive sales grew by 3.8% during Fiscal 2022, compared to the prior year periods, driven by strong growth in automotive first-fit sales in North America and East Asia during Fiscal 2022. Sales to the industrial replacement channel also increased by 7.3% during Fiscal 2022, primarily from EMEA, South America and Greater China.

Power Transmission Adjusted EBITDA for Fiscal 2022 decreased by 19.8% or $103.3 million compared to the prior year, driven primarily by a combination of higher inflation, operating inefficiencies related to raw material challenges, and lower volumes, partially offset by the benefit from favorable pricing of $208.4 million. As a result, the Adjusted EBITDA margin for Fiscal 2022 was 19.2%, a 430 basis point decline from the prior year.

***Fluid Power (38.8% of Gates' net sales for the year ended December 31, 2022)***

| | For the year ended | | |
|---|---|---|---|
| (dollars in millions) | December 31, 2022 | January 1, 2022 | Period over period change |
| Net sales | $ 1,380.5 | $ 1,258.1 | 9.7% |
| Adjusted EBITDA | $ 287.8 | $ 251.5 | 14.4% |
| Adjusted EBITDA margin | 20.8 % | 20.0 % | |

Net sales in Fluid Power for Fiscal 2022 increased by 9.7%, or $122.4 million, compared to the prior year. Excluding the adverse impact of movements in average currency exchange rates of $35.9 million, core sales increased by 12.6%, or $158.3 million, compared to the prior year, driven primarily by a $154.7 million benefit from favorable pricing.

Fluid Power's core sales growth in Fiscal 2022 was driven by increased sales to both industrial and automotive customers. Sales to industrial channels increased by 11.5%, while automotive channels grew by 16.7%, respectively, compared to the prior year period. Industrial sales to all end markets increased, but was primarily driven by sales to the off-highway and energy and resources end markets, particularly in North America and EMEA, partially offset by declines in Greater China and East Asia & India. Automotive replacement sales also grew by 16.8% during Fiscal 2022, primarily in North America.

Fluid Power Adjusted EBITDA for Fiscal 2022 increased by 14.4%, or $36.3 million compared to the prior year, driven primarily by the benefit from favorable pricing. As a result, the Adjusted EBITDA margin was 20.8% an 80 basis point improvement from the prior year.

## VIII. Liquidity and Capital Resources

***Treasury Responsibilities and Philosophy***

Our primary liquidity and capital resource needs are for working capital, debt service requirements, capital expenditures, share repurchases, facility expansions and acquisitions. We expect to finance our future cash requirements with cash on hand, cash flows from operations and, where necessary, borrowings under our revolving credit facilities. We have historically relied on our cash flow from operations and various debt and equity financings for liquidity.

From time to time, we enter into currency derivative contracts to manage currency transaction exposures. Similarly from time to time, we may enter into interest rate derivatives to maintain the desired mix of floating and fixed rate debt.

As market conditions warrant, we and our majority equity holders, Blackstone and its affiliates, may from time to time seek to repurchase securities that we have issued or loans that we have borrowed in privately negotiated or open market transactions, by tender offer or otherwise. Subject to any applicable limitations contained in the agreements governing our indebtedness, any such purchases may be funded by existing cash or by incurring new secured or unsecured debt, including borrowings under our credit facilities. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases may relate to a substantial amount of a particular tranche of debt, with a corresponding reduction, where relevant, in the trading liquidity of that debt. In addition, any such purchases made at prices below the "adjusted issue price" (as defined for U.S. federal income tax purposes) may result in taxable cancellation of indebtedness income to us, which may be material, and result in related adverse tax consequences to us.

It is our policy to retain sufficient liquidity throughout the capital expenditure cycle to maintain our financial flexibility. We do not have any meaningful debt maturities until 2026; however, we regularly evaluate market conditions, our liquidity profile, and various financing alternatives for opportunities to enhance our capital structure, and may refinance all or a portion of our indebtedness on or before maturity. We do not anticipate any material long-term deterioration in our overall liquidity position in the foreseeable future, and believe that we have adequate liquidity and capital resources for the next twelve months.

**Cash Flow**

***Year ended December 31, 2022 compared to the year ended January 1, 2022***

Cash provided by operating activities was $293.0 million during Fiscal 2022 compared to cash provided by operating activities of $399.7 million during the prior year period, driven primarily by lower operating performance during the current year, an increase of $34.8 million in taxes paid, an increase of $37.3 million in trade working capital movement, and higher bonus payments. These decreases in operating cash flows are partially offset by higher value-added tax recoveries than in the prior year

Net cash used in investing activities during Fiscal 2022 was $90.7 million, compared to $86.0 million in the prior year period.

Net cash used in financing activities was $280.6 million during Fiscal 2022, compared to $165.8 million in the prior year. This higher cash outflow was driven primarily by the $175.9 million paid to acquire shares under our share repurchase program, including shares repurchased through an intermediary from Blackstone as further described in Note 30 to the consolidated financial statements included elsewhere in this report, and higher debt issuance cost paid as a result of refinancing the Euro Term loan in November 2022. This higher cash outflow was partially offset by lower net payments on debt of $31.9 million, compared to $91.0 million in the prior year period, which included a $69.5 million repayment against our Euro Term Loan.

***Borrowing Headroom***

As of December 31, 2022, our asset-backed revolving credit facility had a borrowing base of $214.7 million, being the maximum amount we can draw down based on the current value of the secured assets. The facility was undrawn for cash, but there were letters of credit outstanding against the facility amounting to $25.8 million. We also have a secured revolving credit facility that provides for multi-currency revolving loans up to an aggregate principal amount of $250.0 million, with no amounts drawn as of December 31, 2022.

In total, our committed borrowing headroom was $438.9 million, in addition to cash balances of $578.4 million.

**Cash Balances**

As of December 31, 2022, our total cash and cash equivalents were $578.4 million, compared to $658.2 million as of January 1, 2022. Restricted cash was $3.0 million as of December 31, 2022, compared to $2.7 million as of January 1, 2022, including $0.6 million as of December 31, 2022 and $1.0 million as of January 1, 2022, which was held in escrow for insurance purposes. Cash held in our non-wholly owned Asian subsidiaries was $161.3 million and $168.4 million as of December 31, 2022 and January 1, 2022, respectively.

**Capital Structure**

Details of the issued share capital, together with details of the movements in Gates Industrial Corporation plc's issued share capital during the year are shown in Note 7 to the accompanying parent company financial statements. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation, including any securities laws applicable to holders of the Company's shares. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Under its Articles of Association, the company has authority to issue 3,000,000,000 ordinary shares.

## IX. Financial Risk Management Objectives and Policies

Our market risk includes the potential loss arising from adverse changes in foreign currency exchange rates, interest rates, commodity prices, and the credit risk of our customers and third-party depository institutions that hold our cash and short-term deposits. From time to time, we use derivative financial instruments, principally foreign currency swaps, forward foreign currency contracts, interest rate caps (options) and interest rate swaps, to reduce our exposure to foreign currency risk and interest rate risk. We do not hold or issue derivatives for speculative purposes and monitor closely the credit quality of the institutions with which we transact. Our objective in managing these risks is to reduce fluctuations in earnings and cash flows associated with changes in foreign currency exchange rates and interest rate movements.

On a regular basis, we monitor third-party depository institutions that hold our cash and short-term investments and we diversify these assets among counterparties to minimize exposure to any one of these entities. We also monitor the creditworthiness of our customers and suppliers to mitigate any adverse impact.

See Note 24 to our audited consolidated financial statements included elsewhere in this report for further information of the Company's financial risk management.

## X. Employees

As of December 31, 2022, we employed approximately 15,000 full time employees worldwide. Approximately 7,000 of our employees are located in North America, 4,200 in EMEA, 3,100 in Greater China and East Asia & India, and 700 in South America. Approximately 68% of our work force consists of production employees, while approximately 24% of our global workforce was female and 76% male. Of approximately 1,490 managerial employees, 21% were female.

Some of our employees are members of labor unions, and over many years we have been able to maintain successful relationships with the unions and employment organizations. To date, employee relations have been flexible and constructive as we continue to pursue lean manufacturing improvements in our plants. Gates employs agency contractors, temporary employees and contract employees as a relatively small percentage of our workforce. The number of associates in these categories typically varies with demand on our factories and distribution centers. Gates employs a small number of part-time associates across the globe.

We place considerable value on the involvement of our employees and have continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and announcements and regular employee engagement surveys. Employees or employee representatives are consulted on a wide range of matters affecting their current and future interests. For example, regular global leadership calls are held to keep management informed of safety protocols, business travel and operation policies, facility closures, and economic trends, as well as to provide a forum for questions and comments from leaders and their teams back to management. This information and the responses to questions raised were then disseminated by leaders to their teams. We have also reinstated quarterly town hall meetings for the executive leadership team to provide updates to employees as well as to give employees the opportunity to ask questions.

***Health and safety***

We care about our employees and we believe that our commercial success is linked to a safe and healthy workforce. We are therefore committed to responsible business practices through the establishment, implementation, and maintenance of the Gates Global HSE Standards Manual. We strive for zero injuries and an incident-free workplace and have achieved significant progress towards this goal through targeted risk reduction activities, improved case management, increased accountability to corrective action identification and closure, and more effective safety observation programs.

Demonstrating our commitment to safety, beginning in February 2020, we mobilized a centralized crisis response team that urgently developed and implemented countermeasure actions across the globe for what became the novel coronavirus ("COVID-19") pandemic. The crisis response team continues to meet on a periodic basis to monitor COVID-19 and other impacts globally and to ensure continued compliance with local government mandates and guidance provided by health authorities. In Fiscal 2022, we continued to closely manage the COVID-19 situation, especially in China, with our ongoing focus on employee safety and well being, as well as compliance with local regulations. We implemented quarantine protocols, office and production facility shut downs when required, working from home arrangements, travel suspensions, and frequent and extensive disinfecting of our workspaces. We may take further actions if required or recommended by government authorities or if we determine them to be in the best interests of our employees, customers, and suppliers.

***Total rewards***

Our compensation philosophy is to offer a compensation program that enables us to attract, motivate, reward and retain high-caliber employees who are capable of creating and sustaining value for our shareholders over the long-term and to design compensation and benefit programs that provide a fair and competitive compensation opportunity in order to appropriately reward employees for their contributions to our success. Globally, we offer the opportunity to earn short-term and long-term incentive awards to eligible employees, including manufacturing incentive programs to many of our production employees.

***Employee development and training***

Gates is committed to developing and unlocking the potential of our people and we make significant investments in training and professional development. Our learning and development framework supports the development of leadership and professional skills in three ways: on-the-job, learning from others, and participating in formal training programs. Some of the specific global and regional development experiences we offer include a global mentoring program that promotes a diverse and inclusive culture and knowledge transfer opportunities between our mentors and mentees; a structured succession planning process that identifies key talent and develops our employees to continue working toward their career goals and early career programs designed to develop talent in different areas of the business; for example, engineering, commercial and human resources. For our production employees, we provide skills-based training and certification opportunities.

Through its Compensation Committee, our board of directors also oversees the management continuity planning process, including reviewing and evaluating the succession plans relating to our chief executive officer and other executive officer positions and makes recommendations to the board with respect to the selection of individuals to occupy these positions.

**Community involvement**

Gates recognizes that success as a business enterprise is affected by the vitality of the communities in which our people work and live, and of the nonprofit organizations that serve the needs and interests of these communities. The Gates Industrial Corporation Foundation (an independent charitable organization funded by the Company) plays an important role in our philanthropy program and actively supports civic, community, arts, cultural, health and welfare initiatives, as well as education programs and scholarships. In the U.S., we have a dollar-for dollar matching program for qualifying charitable contributions made by our employees. Matching donations are made by the Gates Industrial Corporation Foundation, which also donates to selected charities on behalf of the Company. Outside of the U.S., Gates provides support to many local charities in a variety of countries in which we operate. We believe that education is an important part of the development of our employees and of the communities we serve. Therefore, the Company provides education assistance for qualifying employees and their children, setting the foundation for their future success and helping to develop our future workforce.

**Human rights issues and ethical conduct**

The Company is committed to high ethical standards and conducting its business in compliance with the principles laid out in the U.K. Modern Slavery Act and applicable human rights, labor and employment, discrimination, health and safety, and immigration laws of the countries in which we operate. The Company does not condone or use child labor, forced labor or human trafficking in any of its operations and endeavors to engage with other companies that embrace similar values and respect for human rights.

The Company maintains various policies which adhere to human rights principles and foster high ethical standards in its business, including policies and guidelines on anti-corruption, anti-boycott, global antitrust and fair competition, conflict of interest, and human rights. Our employees receive training on these policies and have access to them at each of our facilities. Through the communication, promotion and administration of these policies, the Company expects all employees to uphold the highest levels of honesty, integrity and ethical standards, to act in full compliance with all applicable laws in the performance of their roles and the conduct of our business and operations and to avoid actual or apparent conflicts of interest between their personal and professional affairs. This includes striving to maintain a professional, safe and discrimination-free work environment and hiring, evaluating and promoting employees on the basis of their ability, achievements, experience and performance. Ethnic, sexual, racial, religious or any other type of harassment is unacceptable at any of our locations.

The Company is committed to equal opportunity in recruiting, hiring, developing, promoting and compensating employees without regard to age, race, color, gender, sexual orientation, gender identity or expression, transgender status, religion, national origin, ancestry, citizenship, disability, protected veteran status, marital status, genetic information, pregnancy, childbirth or related medical conditions, or any other basis protected by federal, state or local law.

The Company prohibits employees from making or offering to make gifts, payments or other inducements to certain recipients if the gifts, payments or inducements are made to corruptly influence the decision or action of any government employee, official, candidate or political party, or to gain an inappropriate advantage in business.

The Company prohibits any director, officer, employee and any third party working on behalf of the company from engaging in the facilitation or acts leading to tax evasion.

To encourage reporting of violations of company policies, including unethical behavior and discrimination, the Company maintains a whistleblower hotline through which employees may call or write anonymously to report concerns. Neither the Company, the Audit Committee nor any other director or agent of the Company will discharge, demote, suspend, threaten, harass or in any other manner discriminate or retaliate, directly or indirectly, against any person who, in good faith, makes a report. The compliance office thoroughly investigates each allegation and inappropriate conduct or behavior is subject to disciplinary action, up to and including termination. Results of each investigation and action taken are reported to the audit committee of our board of directors on a quarterly basis.

***Diversity, equity and inclusion***

The Gates management team is committed to creating and sustaining an inclusive workplace that understands and values individual differences across demographics, experiences and perspectives. We strive to foster an environment where every employee has an equal opportunity to be heard, can contribute their thoughts, and be recognized for their individual efforts. We want to ensure that collaborative and respectful business practices in a performance-based, supportive environment enable every employee to realize their career ambitions. To that end, we have a Diversity, Equity & Inclusion ("DE&I") Steering Committee, consisting of executive leadership, which works with our DE&I Council, consisting of highly talented and collaborative non-executive team members, to foster a culture of belonging that embraces our workforce's unique backgrounds, talents, and viewpoints. In 2022, the DE&I Council formalized three main committees to drive our multi-year DE&I strategy and deliver awareness and best practices: Communications, Culture & Branding; Diversity Recruitment; and Career & Leadership Development.

The DE&I Council also developed a framework to launch three Business Resource Groups in North America (Asian-American, LGBTQ+, and Veterans) to continue creating an environment that encourages relationship building and accepts each of our employees' individual attributes and experiences. Our on-going efforts aim to drive awareness on the importance of DE&I and engage employees across our communities through a variety of partnerships and outreach to identify opportunities for meaningful connection and support of local efforts.

Additionally, the charter for the Nominating and Governance Committee of our board of directors requires that such committee review and make recommendations regarding the composition and size of the board to ensure the board has the requisite expertise and its membership consists of persons with sufficiently diverse and independent backgrounds.

**Employee gender diversity**

The following table sets forth the number of male and female directors, senior managers and other employees of the Company as of December 31, 2022 and January 1, 2022.

| | As of December 31, 2022 | | As of January 1, 2022 | |
|---|---|---|---|---|
| (in ones) | Male | Female | Male | Female |
| Directors | 5 | 3 | 5 | 4 |
| Senior Managers | 51 | 13 | 49 | 12 |
| Employees of the Company | 11,311 | 3,653 | 11,550 | 3,761 |
| | **11,367** | **3,669** | **11,604** | **3,777** |

## XI. Environmental Matters

Refer to "Environment" in the Directors' Report.

The Strategic Report was approved by our board of directors and was signed on its behalf on May 5, 2023 by:

Ivo Jurek
Director and Chief Executive Officer

Company registered number: 10980824

## Gates Industrial Corporation plc

## DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report for the year ended December 31, 2022. Please see Note 2 to the accompanying consolidated financial statements and Note 2 to the parent company financial statements, respectively, for further details relating to the basis of preparation of those financial statements.

As permitted by section 414C(11) of the Companies Act 2006, the directors have elected to set out in the Strategic Report information that is required by Schedule 7 to the Accounting Regulations to be contained in the Directors' Report. The information in respect of which they have done so is identified within this report.

### Board of directors

The following table presents certain information as of May 5, 2023 with respect to our board of directors (the "Board") who held office during the period and up to the date of signing of the financial statements:

| Name | Appointed |
|---|---|
| Ivo Jurek | September 25, 2017 |
| Julia C. Kahr (resigned on December 31, 2022) | September 25, 2017 |
| Neil P. Simpkins | November 20, 2017 |
| Terry Klebe (resigned on December 31, 2022) | December 15, 2017 |
| James W. Ireland, III | November 7, 2018 |
| Stephanie K. Mains | February 28, 2019 |
| Wilson S. Neely | April 1, 2020 |
| Peifang Zhang | July 1, 2020 |
| Alicia Tillman | April 27, 2021 |
| Fredrik J. Eliasson | October 24, 2022 |
| Seth Meisel | January 1, 2023 |

### Dividends

The Company did not pay dividends during the period from incorporation to December 31, 2022.

The Board currently has no plans to pay dividends on the Company's ordinary shares. Future dividends, if any, and the timing of declaration of any such dividends, will be at the sole discretion of the Board and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that our Board may deem relevant, as well as our ability to pay dividends in compliance with the Companies Act 2006.

### Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Refer to Note 2 to the accompanying consolidated financial statements for going concern assessment.

### Political donations

No political donations were made by the Company during 2022 or 2021.

### Use of financial instruments

Information on the Company's risk management policies are set out in section "IX. Financial Risk Management Objectives and Policies" of the Strategic Report. Information about the use of financial instruments by the Company and the Company's risk management process for mitigating certain types of risk are set out in Note 24 to the accompanying consolidated financial statements.

**Significant events since year end**

On February 11, 2023, Gates determined that it was the target of a malware attack. We promptly activated our incident response and business continuity plans and our normal global business operations resumed within a week of the incident. As part of our incident response, we among other things, initiated an investigation, engaged the services of cyber-security experts and outside advisors, and notified appropriate law enforcement authorities. We are engaged in an ongoing process of notifying regulatory agencies and potentially affected individuals, as appropriate, in the relevant geographic location. While we were able to quickly restore our operations, the incident resulted in some disruption to sales as well as non-recurring direct costs of $5.1 million during the quarter, some of which may be partially offset by insurance recoveries. We have and continue to make investments to enhance the protection of our information technology systems.

On March 1, 2023, the Company amended its Existing Dollar Term Loans, Revolving credit facility and Asset-backed revolver, which bore interest at LIBOR plus an applicable margin. The amendment modified the reference rates from LIBOR to Term SOFR.

On April 28, 2023, the Company's Board of Directors approved another share repurchase program for up to $250 million in authorized share repurchases, which expires in October 2024.

The Company is not aware of any other events or transactions that occurred subsequent to the balance sheet date but prior to May 5, 2023 that would require recognition or disclosure in its consolidated financial statements.

**Future developments**

Section I of the Strategic Report sets out the Company's strategy and outlook. The directors do not anticipate any significant changes in the foreseeable future.

**Research and development**

Details of the activities of the Company in the field of research and development are set out in section II of the Strategic Report.

**Branches**

Gates Industrial Corporation plc is incorporated in the U.K., with its corporate functions located in Denver, Colorado in the U.S., and has no branches.

**Acquisition of company shares**

During November 2021, the Board approved a share repurchase program allowing for up to $200.0 million in authorized share repurchases of our ordinary shares, exclusive of commissions, through to December 31, 2022.

On March 24, 2022, the Company, certain selling shareholders affiliated with Blackstone Inc. and Citigroup Global Markets Inc. ("Citigroup") entered into an underwriting agreement pursuant to which the selling shareholders agreed to sell to Citigroup 5,000,000 ordinary shares of the Company at a price of $15.14 per ordinary share (the "Offering"). The selling shareholders also granted to Citigroup an option to purchase up to 750,000 additional ordinary shares of the Company; this option was exercised in full on March 25, 2022. The Company did not receive any proceeds from the sale of ordinary shares in the Offering, which closed on March 30, 2022. In connection with the Offering, the Company repurchased 8,000,000 ordinary shares through Citigroup from the same selling shareholders at a price of $15.14 per ordinary share for an aggregate consideration of $121.1 million, plus costs directly related to the transaction of $0.8 million. This repurchase was funded by cash on hand and a borrowing of $70.0 million under Gates' asset-backed revolving credit facility.

During Fiscal 2022, Gates repurchased a total of 11,465,917 ordinary shares, including the 8,000,000 shares discussed above, at an aggregate cost of $174.7 million, and incurred an additional $1.2 million of costs related directly to these repurchases. All shares repurchased have been cancelled and the program expired on December 31, 2022.

Information relating to the compensation plans under which equity securities of the Company are authorized for issuance is set out under the Directors' Remuneration Report and is incorporated herein by reference.

**Disabled Persons**

The Company gives consideration to applications for vacancies from disabled persons when particular job requirements are within their capabilities. The Company also endeavors to provide equal opportunity in the training, promotion and career development of disabled persons.

**Employee engagement**

Information relating to employee engagement is incorporated herein by reference to section X of the Strategic Report.

**Business relationships**

Information relating to our business relationships is incorporated herein by reference to the Section 172 Statement in the Strategic Report.

**Qualifying indemnity provisions**

Each director is covered by appropriate directors' liability insurance, and the Company has deeds of indemnity with its executive officers and directors which, among other things, indemnify the individual against certain liabilities that may arise by reason of his or her status or service as a director or officer and advance expenses incurred as a result of certain proceedings. These agreements are intended to provide indemnification rights to the fullest extent permitted under applicable law and under our governing documents.

**Environment**

Gates is committed to conducting our business with respect for the environment and the communities in which we operate, as summarized below. Additional details can be found in our annual Sustainability Report, which is posted on our website. The Company will need to comply with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 in its FY2023 annual report and is in the process of assessing and implementing the required policies and procedures to enable it to do so.

*Eco-driven innovation*

With materials science advancements, design expertise and advanced processing technologies, Gates continually aims to engineer products that meet and exceed the growing needs and diverse challenges of our customers. By considering the concept of circular economy as a key driver of innovation, we are able to increase the use of recycled and renewable materials in combination with enhanced resource efficiency during manufacturing. This produces significant differentiators between Gates and our competitors. Gates' eco-innovation aims to reduce the negative impacts on the environment and extend the useful life of our products, realizing sustainable benefits while delivering the highest level of performance to our customers. This results in products that:

- Reduce energy consumption (many of our products reduce energy losses during use, lowering the overall carbon footprint).
- Optimize material efficiency and maximize logistics and distribution efficiency (by reducing material consumption and weight, we actively contribute to our customers' desire to meet tightening environmental and fuel economy regulations; reduced material consumption also equates to reduced waste-to-landfill at end-of-life; lighter products that require less material allow for increased packing and shipping density).
- Utilize renewable materials (as appropriate, Gates engineers seek to utilize renewable materials during design and manufacturing).
- Reduce or eliminate harmful materials and chemicals of concern (by reducing or eliminating such materials and chemicals from our product lineup, we help minimize negative impacts to human health and the environment wherever possible, facilitating recycling and the circular economy).

Our global materials database tracks the use of chemicals across our operations. It allows us to identify the use of specific materials and chemicals of concern and make substitutions as appropriate.

*Energy conservation*

Reducing energy consumption is a key aspect of our environmental sustainability program. We work to improve the energy efficiency of our operations through initiatives to optimize energy consumption, avoid GHG emissions and reduce costs.

Gates continues to establish partnerships with energy providers and local governments that make use of renewable energy sources. More than 15% of our manufacturing sites are certified to ISO 50001 for energy management, with additional facilities currently in the process of pursuing certification.

All global locations set their own energy reduction targets aligning to our corporate goals and report their energy performance and efficiency metrics in common units. Many site-based projects - such as the installation of energy-efficient equipment - allow our capital investments to better facilitate reaching our site-based targets. Additional initiatives include an efficiency motor replacement program, LED and natural lighting projects, use of biomass boilers and solar panels, shift and equipment-use planning, and shutdown programs to conserve electricity when operations or machinery are not in use.

*Water conservation*

Water conservation is a crucial component of our sustainability philosophy. Some of Gates' global locations operate in water-stressed regions that are susceptible to drought or arid environmental conditions. Therefore, our approach emphasizes reducing water withdrawal and reusing or recycling water whenever and however possible. All Gates sites monitor, report and have site-based water initiatives aimed at achieving our goal of reducing water consumption year over year and to better use water in an efficient manner so as to help conserve this valuable resource. The majority of our water supply comes from third-party sources, and originates from surface water. However, some of our global sites do rely on well water.

Wastewater is also a closely monitored aspect of our water management approach. All sites monitor, treat and comply with all wastewater regulatory requirements and are required to have a wastewater management plan which includes an annual review and audits documenting all water entering and leaving the facility. These audits include an annual gap assessment, mapping process and environmental impact evaluation.

Our team continues to find innovative ways to reduce water withdrawal and improve water recycling in a collaborative effort to reduce Gates' water consumption year-over-year. These innovations include recycling water at certain of Gates' facilities, water consumption monitoring programs, and using closed-loop water heating and cooling systems in the majority of our facilities.

*Waste and recycling*

Gates continues to identify opportunities and develop solutions to address the waste produced at our sites across the world, and we work to divert waste from landfills where possible. All of our manufacturing and distribution facilities are driven to uphold Gates' high-quality standards and reduce scrap to help reduce our waste footprint. Currently, approximately 73% of our non-hazardous waste is directed to recycling and incineration facilities - an improvement of 19% from 2019 to 2022 - with an ongoing goal to increase our waste diversion from landfills year-over-year.

*Environmental regulations under which we operate*

Our operations, products and properties are subject to extensive U.S. and foreign federal, state, local, and provincial laws and regulations relating to environmental, health and safety protection, including laws and regulations governing air emissions, wastewater discharges, waste management and disposal, substances in products, and workplace health and safety, as well as the investigation and clean-up of contaminated sites. Under certain environmental laws, the obligation to investigate and remediate contamination at a facility may be imposed on current and former owners, lessees or operators or on persons who may have sent waste to that facility for disposal. We are currently performing environmental investigations and/or remediation at a number of former and current facilities in the United States and are incurring costs in relation to a few offsite waste disposal sites.

*Streamlined energy and carbon reporting*

Our Scope 1 and Scope 2 greenhouse gas emissions and energy consumption estimates for 2022 and 2021, based on the parameters below, are as follows:

| | For the year ended December 31, 2022 | | For the year ended January 1, 2022 | |
|---|---|---|---|---|
| | UK and offshore | Global (excluding UK and offshore) | UK and offshore | Global (excluding UK and offshore) |
| *Metric tons of $CO_2$ equivalent* | | | | |
| Scope 1 - direct emissions from onsite fuel combustion | 6,983 | 101,957 | 6,653 | 90,205 |
| Scope 2 - indirect emissions from the generation of purchased energy | 2,298 | 162,309 | 7,615 | 151,255 |
| **Total Scope 1 and Scope 2 emissions** | **9,281** | **264,266** | **14,268** | **241,460** |
| *Millions of kWh* | | | | |
| Energy consumption used to calculate emissions | 49.2 | 922.6 | 47.2 | 864.2 |
| *Metric tons of $CO_2$ equivalent per million dollars of net sales* | | | | |
| Scope 1 - direct emissions from onsite fuel combustion | 61.3 | 28.7 | 31.6 | 26.1 |
| Scope 2 - indirect emissions from the generation of purchased energy | 20.2 | 45.7 | 36.1 | 43.8 |

*Reporting period* - The reporting period used for this information is January 3, 2021 to January 1, 2022, and January 1, 2022 to December 31, 2022.

*Boundary summary* - All manufacturing facilities Gates owns or operationally controls were included, except as noted in the exclusions below.

*Data sources*- Invoices and measurements were collected for relevant emission sources by site. Where actual data was not available, estimates were used. For example, in cases where data is not available for a full 12-month period, available data is used to extrapolate and estimate the values for missing data.

*Emission factors* - Scope 1 emission factors used are primarily from the UK Department for Environment, Food & Rural Affairs ("DEFRA"). DEFRA emission factors based on gross calorific values have been applied to the calculations. Residual emission factors for biomass combustion are sourced from the U.S. EPA's Greenhouse Gas Emissions Factors Hub and include emissions from methane ($CH_4$) and nitrous oxide ($N_2O$). Carbon dioxide emissions from biomass combustion are not included in this inventory, as they are considered biogenic emissions and not material. Scope 2 emissions factors are primarily from the International Energy Agency (IEA (2021), GHG Emissions from Energy), adjusted where more recent country or region-specific governmental factors are published. Emissions are converted to carbon dioxide equivalents ($CO_2e$) using Global Warming Potentials from the United Nations Intergovernmental Panel on Climate Change Fifth Assessment (IPCC AR65) Report.

*Materiality threshold* - Materiality for Gates is set at 5% of total emissions with all facilities estimated to contribute >1% of total emissions included.

*Exclusions* -

- Most commercial and sales offices, whose impacts are anticipated to be below the materiality threshold;
- Process gases, Class I and Class II refrigerants, which have historically been immaterial; and
- Scope 3 indirect emissions.

*Energy efficiency actions* - We continue to implement initiatives to curb energy consumption and reduce costs including installing energy-efficient equipment, converting to LED lighting, increasing renewable energy usage.

**Disclosure of information to auditors**

In accordance with section 418 of the Companies Act 2006, each Director in office at the date the Directors' Report is approved confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

**Independent auditors**

Deloitte LLP have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

On behalf of the board of directors,

Ivo Jurek
Director and Chief Executive Officer

May 5, 2023

1 Bartholomew Lane
London
EC2N 2AX
United Kingdom

**Gates Industrial Corporation plc**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with United Kingdom adopted international accounting standards ("IFRS") and applicable law and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("United Kingdom Accounting Standards and applicable law"), including FRS 101 "*Reduced Disclosure Framework.*"

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable U.K. Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the consolidated financial statements, the directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Gates Industrial Corporation plc**

**(the "Company" or "Gates" or "us")**

**DIRECTORS' REMUNERATION REPORT**

## ANNUAL STATEMENT OF THE CHAIR OF THE COMPENSATION COMMITTEE

**Dear Shareholders:**

I am pleased to present the Company's remuneration report for the financial year ended December 31, 2022 ("***Fiscal 2022***"). This remuneration report is divided into two sections:

1. this annual statement (the "***Annual Statement***") from the Chair of the Compensation Committee; and
2. the annual report on remuneration for Fiscal 2022 setting out Director compensation and detailing the link between Company performance and compensation for the period specified therein. The annual report on remuneration, together with the Annual Statement (the "***Annual Report on Remuneration***"), is subject to a non-binding advisory vote of the shareholders at the annual general meeting to be held on Thursday, June 8, 2023 (the "***AGM***").

In January 2018, the Company successfully completed an initial public offering (the "***IPO***") on the New York Stock Exchange ("***NYSE***"). As a NYSE listed company, the Company prepared its proxy statement for the AGM in accordance with the rules and regulations of the Securities and Exchange Commission (the "***SEC***"). In this proxy statement on Schedule 14A, which was filed with the SEC on or about April 26, 2023, and can be found on the Company's investor website at investors.gates.com, you will find the Company's compensation discussion and analysis ("***CD&A***") setting forth its overall philosophy regarding compensation of its executive officers, which should be read in conjunction with this Directors' Remuneration Report In addition to the rules and regulations of the SEC, as a U.K. public limited company, the Company is also subject to the Companies Act and the regulations promulgated thereunder. Accordingly, the Company has produced this Directors' Remuneration Report.

The Company's business and affairs are managed under the direction of its Board of Directors (the "***Board***"), which currently consists of nine directors, including Mr. Jurek (its Chief Executive Officer and sole "***Executive Director***"). The Company's non-employee directors, including its Chair, are referred to as "***Non-Executive Directors***." The Company is party to a shareholders agreement with certain affiliates of Blackstone Inc. (its "***Sponsor***"). This agreement grants the Sponsor the right to designate nominees to the Company's Board subject to the maintenance of certain ownership requirements in the Company. During Fiscal 2022, the Sponsor had one director appointee (Mr. Simpkins). Mr. Simpkins is a Non-Executive Director and is referred to herein as the "***Sponsor-affiliated Director***."

At the Company's annual general meeting held on June 9, 2022, its shareholders approved the current directors' remuneration policy (the "***Directors' Remuneration Policy***"), which applies to the material elements of the compensation package for its executive officers, including its Executive Director, and its Non-Executive Directors. Under the Directors' Remuneration Policy, any Sponsor-affiliated Director receives no compensation for serving on the Board. The Directors' Remuneration Policy will be in effect until a new policy is submitted for approval at the annual general meeting to be held in 2025, unless an earlier amendment by shareholders is required. To simplify this Directors' Remuneration Report, the Company has elected not to repeat its Directors' Remuneration Policy in this Report, which is available in Appendix A to the Company's 2022 proxy statement on Schedule 14A filed with the SEC on April 28, 2022 and available at www.sec.gov and on its website at http://investors.gates.com.

The Board has a compensation committee (the "***Compensation Committee***") that oversees risks relating to the Company's compensation policies and practices. The Compensation Committee provides assistance to the Board for oversight of the compensation packages of directors and executive officers, including the Company's Executive Director. The Compensation Committee is currently comprised of Mr. Neil P. Simpkins (Chair), Mr. Fredrik Eliasson and Mr. Wilson S. Neely. The Compensation Committee annually reviews the performance of the executive officers and the compensation for the directors and executive officers and, with input and guidance from an independent compensation consultant, approves or recommends to the full Board any changes to their compensation packages in light of such review.

The Company is a leading manufacturer of application-specific fluid power and power transmission solutions. The Company is driven to push the boundaries of materials science to engineer products that continually exceed expectations. To achieve its objectives, the Company must be the destination of choice for the best talent. The Company's philosophy is to offer a remuneration program that will enable it to attract, motivate, reward and retain high caliber executives who are capable of creating and sustaining value for its customers and shareholders and achieving the Company's business goals over the long term. In addition, the Company's remuneration program is designed to provide a fair and competitive compensation opportunity that appropriately rewards executives for their contributions to its success. The Company also believes that a significant portion of each executive's compensation should be "at risk" and tied to overall Company and individual performance.

The Company generated solid organic revenue growth in Fiscal 2022 inclusive of volume pressure in Russia and China. Margins decreased compared to 2021 largely due to higher inflation rates and supply chain inefficiencies. The Company was able to offset higher inflation in materials, energy and freight through commercial actions and material science advances and achieved adjusted EBITDA margin neutrality during the second half of 2022. The perseverance and diligence of Gates associates around the world were instrumental in achieving that outcome.

Below is the Company's Annual Report on Remuneration for Fiscal 2022, which sets out the compensation for its directors, including its Executive Director, aligns with the Company's previously approved directors' remuneration policy, and supports its pay-for-performance philosophy. For Fiscal 2022, the Board made four noteworthy compensation award decisions.

First, in February 2022, the Compensation Committee recommended, and the Board approved, a change to the Executive Director's long-term incentive ("***LTI***") equity mix for awards granted pursuant to the Company's 2018 Omnibus Incentive Plan. For 2022, a portion of the Executive Director's equity grants no longer include time-based vesting non-qualified stock options ("***Options***"). Accordingly, in Fiscal 2022, the Board awarded the Executive Director a long-term incentive equity grant comprised of 50% time-based vesting restricted stock units ("***RSUs***") and 50% performance-based RSUs ("***PRSUs***"). In addition, the Compensation Committee adjusted the allocation of the performance measures for the Executive Director's PRSUs from half of the award vesting upon achieving a certain level of average annual Adjusted Return on Invested Capital ("***Adjusted ROIC***") and the other half upon achieving certain Relative Total Shareholder Return ("***Relative TSR***") to 75% of the award vesting upon achieving a certain level of annual Adjusted ROIC and 25% upon achieving certain Relative TSR. The Committee approved these design changes to strengthen the link between the Executive Director's compensation and Company performance, retain talent, and to further align with market trends.

Second, on July 27, 2022, the Board granted special retention RSUs under the 2018 Omnibus Incentive Plan (the "***Special RSU Awards***") to promote retention of key employees who have high potential or hold a critical role. The Special RSU Awards will vest in substantially equal annual installments on the first three anniversaries of the grant date, subject to the recipient's continued employment through the vesting date. When approving the Special RSU Awards, the Compensation Committee and the Board considered the tight labor market in the Company's industry, other competitor pressures, the value of unvested equity held by certain executives as compared to market data, and the executive team's qualifications required to meet or exceed the Company's business goals. The Compensation Committee and Board are cautious in the use of one-time long-term incentive awards for executives outside of the regular annual incentive programs, but after careful review, the Compensation Committee and the Board determined that the Special RSU Awards served a critical purpose to retain accomplished and talented senior executives who are essential to the future of the Company and to protect shareholder value. Accordingly, in Fiscal 2022, the Compensation Committee awarded the Executive Director a Special RSU Award of 560,000 RSUs.

Third, in October 2022, the Board approved modest increases to the annual compensation package for its Non-Executive Directors, effective in fiscal year 2023. The Board reviews the Non-Executive Director compensation package every two years, taking into account the recommendations of its independent compensation consultant based on a competitive pay study of the Company's peer group and the broader market. The independent compensation consultant recommended (i) an annual compensation package of $235,000, consisting of $100,000 as an annual cash retainer (payable in quarterly installments in arrears) and $135,000 in value of RSUs (payable annually and which vest in full on the first anniversary of the grant date), which represents an increase in the value of the RSUs by $10,000 from the prior two fiscal years, and (ii) an additional annual cash retainer of $25,000 for the chairperson of the Audit Committee and $15,000 for each of the chairpersons of the Compensation Committee and the Nominating and Governance Committee, which represents an increase in cash retainer for the chairpersons of the Compensation Committee and the Nominating and Governance Committee by $5,000 from the prior two fiscal years. The Board believes this compensation package better reflects the median of the peer group and aligns Non-Executive Director compensation with the long-term interests of our shareholders.

Lastly, in February 2023, the Compensation Committee approved an aggregate funding of 55% of the short-term incentive opportunity for eligible employees under the Gates Global Bonus Policy (the "***Annual Plan***") for Fiscal 2022. In approving this funding level, the Compensation Committee exercised discretion to exclude the effects of certain extraordinary, unusual or infrequently occurring events. Accordingly, the Compensation Committee awarded the Executive Director 55% of his annual short term incentive opportunity for Fiscal 2022.

Thank you for your continued interest in Gates.

**Neil P. Simpkins**

**Chair of the Compensation Committee**

**April 26, 2023**

## THE DIRECTORS' REMUNERATION REPORT

**For the financial year ended December 31, 2022 (*"Fiscal 2022"*)**

In accordance with the U.K. Large and Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "***Regulations***"), this Directors' Remuneration Report includes disclosure of certain amounts paid to directors for "qualifying services." This disclosure is presented for (i) Fiscal 2022, and (ii) for the financial year ended January 1, 2022 ("***Fiscal 2021***").

The following directors served during Fiscal 2022:

Executive Director

- Mr. Ivo Jurek

Non-Executive Directors

- Mr. Fredrik Eliasson (appointed effective October 24, 2022)
- Mr. James W. Ireland, III
- Ms. Julia Kahr (Ms. Kahr resigned from the Company's Board effective December 31, 2022)
- Mr. Terry Klebe (Mr. Klebe resigned from the Company's Board effective December 31, 2022)
- Ms. Stephanie K. Mains
- Mr. Wilson S. Neely
- Ms. Alicia L. Tillman
- Dr. Molly P. Zhang

Non-Executive Directors; Sponsor-affiliated Directors

- Mr. Neil P. Simpkins

Seth A. Meisel was appointed as a Sponsor-affiliated Director effective January 1, 2023.

## Remuneration for each director

### Single Figure Total Remuneration Table for Executive Director (Audited)

This table reflects compensation earned by the Company's Executive Director during Fiscal 2022 and during Fiscal 2021, which includes base salary, annual cash bonus, long-term equity incentives and certain employee benefits.

| Name | Year | Salary ($)[1] | All Other Benefits ($)[2] | Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) | Total Fixed ($) | Stock Awards (Restated) ($)[3] | Option Awards ($)[4] | Annual Bonus ($)[5] | Total Variable (Restated) ($) | Total (Restated) ($) |
|---|---|---|---|---|---|---|---|---|---|---|
| Ivo Jurek | 2022 | $1,090,834 | $255,668 | $ — | $1,346,502 | $2,441,702 | $263,851 | $951,125 | $3,656,678 | $5,003,180 |
| | 2021[6] | $1,051,392 | $217,623 | $ — | $1,269,015 | $1,590,582 | $397,796 | $2,058,713 | $4,047,091 | $5,316,106 |

(1) The amounts reported in the "Salary" column consist of base salary earned during each financial year.

(2) The amounts reported in the "All Other Benefits" column reflect the sum of: (1) the amounts contributed by Gates to the Gates MatchMaker 401(k) Plan and the Supplemental Retirement Plan*; and (2) the cost of all other executive benefits, as shown in the table below:

| Name | Year | Company Contributions to Gates MatchMaker 401(k)[a] | Company Contributions to Gates Executive Supplemental Retirement Plan[b] | Other Benefits[c] | Total |
|---|---|---|---|---|---|
| I. Jurek............. | 2022 | $18,300 | $170,673 | $66,695 | $255,668 |
| | 2021 | $17,400 | $147,654 | $52,569 | $217,623 |

(a) **Company Contributions to Gates MatchMaker 401(k) Plan**. Gates makes matching contributions of 100% on up to 3% of eligible earnings deferred by all eligible participants, including the Executive Director, in accordance with the Gates MatchMaker 401(k) Plan. Gates also makes a non-elective contribution to all eligible participants, including the Executive Director, in an amount equal to 3% of eligible earnings, subject to the limitations of the Internal Revenue Code of 1986, as amended from time to time (the "***Code***").

(b) **Company Contributions to the Supplemental Retirement Plan**. Gates makes a Retirement Contribution of 6% of eligible compensation on behalf of all eligible participants, including the Executive Director, under the Supplemental Retirement Plan for eligible compensation that exceeds Section 401(a)(17) of the Code.

(c) **Other Benefits**. Represents the aggregate incremental costs of certain additional limited benefits used by the Executive Director, which are a parking subsidy, tax preparation services, executive physical and limited personal use of an airplane leased by the Company pursuant to a fractional lease program. For the airplane, the aggregate incremental cost was calculated based on the variable operating costs to the Company for personal usage, which includes fees per flight hour, fuel charges and any additional usage or service fees. Mr. Jurek was accompanied by family members, but there was no aggregate incremental cost associated with these additional passengers. Because the airplane is used primarily for business travel, this methodology excludes costs that do not change based on usage, such as the annual lease fee. The amount reported in this column also includes the full value of the premiums paid by Gates with respect to the enhanced life, AD&D and long-term disability insurance benefits provided to the Executive Director.

(3) During 2022, 88,294 time-based vesting restricted stock units ("***RSUs***") and 77,249 performance-based vesting RSUs ("***PRSUs***") vested. The market value of the shares awarded at vesting was $2,441,702, representing an aggregate appreciation in value of $173,620 since these awards were granted. Please see also the "2022 Grants of Plan-Based Awards" section below.

(4) During 2022, 80,469 and 49,649 time-based stock options ("***Options***") awarded in 2020 and 2021, respectively, vested. The closing per share price on the day prior to the vesting date was $15.41 and $15.76, respectively, compared to the exercise price payable by the Executive Director of $12.60 and $15.00, respectively. During 2022, 84,041 and 265,486 Options awarded in 2019, and 13,002 awarded in 2021, respectively, vested. The closing per share price on the day prior to the vesting date was $15.41 for the 2019 awards, and $15.76 for the 2021 awards, compared to an exercise price payable by the Executive Director of $16.46 and $19.00 respectively for the 2019 awards, and $16.50 for the 2021 awards. In addition, certain stock option awards held by the Executive Director, as set out in the "Outstanding Equity Awards at December 31, 2022" section below, vested during Fiscal 2022 but were awarded in his capacity as a director of a former parent of the group, Omaha Topco Limited, and are therefore not included in this table.

(5) The amount reported in the "Annual Bonus" column consist of amounts earned under the Annual Plan. For a summary of the details of the performance measures used and their relative weighting, the performance targets set at the beginning of the performance period and details of actual performance relative to the targets set and measured over the relevant reporting period, and the resulting level of reward, please see the "2022 Grants of Plan-Based Awards" section below.

(6) The amounts reported in the "Stock Awards," "Total Variable," and "Total" columns for 2021 have been restated from prior year presentation to reflect the vesting of 37,181 PRSU's as of January 2, 2022, resulting in an additional $558,830 reported under such columns.

- The Supplemental Retirement Plan is a funded, nonqualified plan administered by the Company that provides its executives, including its Executive and Non-Executive Directors, with the ability to contribute portions of their compensation towards retirement on a tax-deferred basis. The Company makes a retirement contribution of 6% of eligible compensation on behalf of eligible employee participants, including its Executive Director, for eligible compensation that exceeds the limits in Section 401(a)(17) of the Code. The Company does not make contributions to this Plan for Non-Executive Directors participants.

**2022 Grants of Plan-Based Awards**

*Executive Director*

*2022 Long-Term Incentive.* In February 2022, the Board approved annual long-term incentive awards (the "***2022 LTI***") under the 2018 Omnibus Incentive Plan to incentivize long-term business performance as well as to promote retention. The 2022 LTI for the Executive Director is comprised of 50% RSUs and 50% PRSUs. The RSUs will vest in substantially equal annual installments on the first three anniversaries of the grant date, subject to the Executive Director's continued employment through the vesting date.

The PRSUs provide that 75% of the award will vest if the Company achieves a certain level of average annual Adjusted Return on Invested Capital ("***Adjusted ROIC***") and the remaining 25% will vest if the Company achieves certain Relative Total Shareholder Return ("***Relative TSR***") goals. Performance for the Adjusted ROIC and Relative TSR goals are each measured over a three year performance period based on the pre-established scale. The Compensation Committee selected Adjusted ROIC as a metric to drive focus on making sound investments and efficient use of working capital. The Compensation Committee selected Relative TSR as a metric to align a significant portion of pay delivery directly with shareholder value creation. It also aligns the interests and experience of executive officers with those of the Company and its shareholders and filters out macroeconomic and other factors that are not within management's control.

| Performance Measure | Description |
|---|---|
| Adjusted ROIC (75%).... | 75% of PRSU value is calculated as (Adjusted EBITDA - depreciation and amortization) x (1 - 25% tax rate)) divided by the five quarter average of (total assets - non-restricted cash - accounts payable - goodwill and other intangible assets that arose from the acquisition of Gates by Blackstone in 2014).<br><br>The financial measures used to determine Adjusted ROIC are calculated in accordance with U.S. GAAP as presented in the Company's financial statements, except (i) Adjusted EBITDA is defined in substantially the same manner as described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Measures" of the Company's 2022 U.S. Annual Report on Form 10-K (ii) actual results and/or performance targets may be adjusted to exclude the impact of acquisitions and divestitures completed during the performance period, (iii) the depreciation and amortization deduction excludes the amortization of intangible assets arising from the acquisition of Gates by Blackstone in 2014 and (iv) total assets excludes both income tax receivables and deferred income tax assets. |
| Relative TSR (25%)....... | 25% of PRSU value is based on the Company's three-year relative TSR ranking against companies in the S&P 400 Capital Goods Industry Index (the "Relative TSR Peer Group"). TSR is measured by stock price change and dividends over the performance period as a percentage of the beginning stock price. The beginning and ending stock prices are based on the 20-day trading averages. |

Performance for the Adjusted ROIC and Relative TSR goals are each measured over a three-year performance period. The total number of PRSUs that vest at the end of the three-year performance period will range from a payout of 0% to a maximum of 200% as determined by measuring actual performance over the performance period for Adjusted ROIC and Relative TSR against the performance goals based on a pre-established scale. Payout for achievement between the performance levels will be determined based on a straight-line interpolation of the applicable payout range rounded to the nearest whole percentile for Relative TSR and rounded to the nearest tenth of a percentage for Adjusted ROIC. Goals for the Adjusted ROIC performance measure will be disclosed at the end of the three-year performance period. Payout of the Relative TSR measure is capped at the target level if absolute TSR performance is negative, and requires the following threshold, target and maximum performance levels over the three-year performance period:

| Relative TSR Percentile Rank | Potential Payout Percentage |
|---|---|
| 75th Percentile or above (Maximum) | 200% |
| 50th Percentile (Target)[1] | 100% |
| 25th Percentile (Threshold) | 50% |
| Below 25th Percentile | - |

[1] Payout is capped at the target level if absolute TSR performance is negative.

Payouts are subject to the Executive Director's continued employment through the end of the applicable performance period and are paid out after the certification of the performance results by the Compensation Committee. The Compensation Committee chose Adjusted ROIC and Relative TSR performance goals at target that are, in the Compensation Committee's view, challenging but achievable.

2020-2022 PRSUs. For the PRSUs vested and payable in 2023 (granted in 2020 for a three-year performance period from 2020-2022 (the "***2020-2022 Performance Period***")), the level of achievement of the two weighted metrics of Adjusted ROIC and Relative TSR resulted in an aggregate payout of 42%, as explained below.

*Adjusted ROIC.* The PRSU payout level for Adjusted ROIC was based on the three year average during the 2020-2022 Performance Period. The three-year threshold, target and maximum goals were 15%, 20% and 25%, respectively. The Adjusted ROIC achievement was 15.2% for 2020, 22.4% for 2021 and 20.0% for 2022, resulting in a three year average of 19.2% and a payout of 84% of this metric.

*Relative TSR.* The payout goals for Relative TSR were consistent with the payout goals for 2022, as described in the table above. Relative TSR achievement for the three-year performance period was -12%, which ranked 36 out of 40 of the Relative TSR Peer Group. Threshold performance required performance at the 25th percentile. Performance was below the threshold, resulting in a 0% payout for this metric.

One-Time Special Awards. On rare occasions, the Compensation Committee and Board may provide discretionary long-term incentive awards under the 2018 Omnibus Incentive Plan. On July 27, 2022, the Board granted special retention RSUs under the 2018 Omnibus Incentive Plan (the "***Special RSU Awards***") to promote retention of key employees who have high potential or hold a critical role, which included an award of 560,000 RSUs for the Executive Director. The Special RSU Awards will vest in substantially equal annual installments on the first three anniversaries of the grant date, subject to the recipient's continued employment through the vesting date. When approving the Special RSU Awards, the Compensation Committee and the Board considered the tight labor market in the Company's industry, other competitor pressures, the value of unvested equity held by certain executives as compared to market data, and the executive team's qualifications required to meet or exceed the Company's business goals. The Compensation Committee and Board are cautious in the use of one-time long-term incentive awards for executives outside of the regular annual incentive programs, but after careful review, the Compensation Committee and the Board determined that the Special RSU Awards served a critical purpose to retain accomplished and talented senior executives who are essential to the future of the Company and to protect shareholder value.

*2022 Annual Plan.* The Company provides a short-term annual incentive opportunity under the Gates Global Bonus Policy (the "***Annual Plan***") to reward certain employees, including the Executive Director, for achieving specific performance goals that would advance the Company's profitability and drive key business results, and to recognize individuals based on their contributions to those results.

Payouts under the Annual Plan were based on a combination of the achievement of the Company's financial performance goals in 2022 (the "***Gates Financial Performance Factor***"), which fund the Annual Plan, and the Named Executive Officer's performance during the fiscal year against his or her individual performance goals (the "***Individual Performance Factor***"). In 2022, the Gates Financial Performance Factors for Named Executive Officers were subject to maximum attainment of 150% of their respective target incentive payouts with no formally stated maximum achievement on the Individual Performance Factor. As an Annual Plan design structure enhancement, beginning in 2023, we expect to implement a maximum total bonus opportunity for the Named Executive Officers of 200% of their respective target bonus opportunities.

*Gates Financial Performance Factor.* The Gates Financial Performance Factor sets the funding levels for the Annual Plan. The Board, after an evaluation of possible financial performance measures, determined to continue using Adjusted EBITDA, Free Cash Flow and Revenue as the financial performance measures for 2022. The Board determined that these financial performance measures would be critical indicators of the Company's performance for 2022 and, when combined, would contribute to sustainable growth. The Annual Plan financial performance measures and weightings for 2022 are described below.

| Performance Measure | Definitions |
|---|---|
| Adjusted EBITDA (50%) | Adjusted EBITDA under the Annual Plan is defined in substantially the same manner as described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Measures" of the Company's 2022 U.S. Annual Report on Form 10-K |
| Free Cash Flow (30%) | Calculated as Adjusted EBITDA (as defined for purposes of the Annual Plan as described immediately above), less capital expenditures, plus or minus the change in working capital versus prior year. |
| Revenue (20%) | Revenue under the Annual Plan is defined as actual revenue as reflected in the Company's U.S. GAAP financial statements, excluding the impacts of acquisitions made during the fiscal year. |

The weighted achievement factor for each of the financial performance measures is determined by multiplying the weight attributed to each performance measure by the applicable achievement factor for each measure. For each of the performance measures, the achievement factor is determined by calculating the payout percentage against the target goal based on a pre-established scale. Funding attainment with respect to each of these performance measures can range from 0% of the target incentive to 150% of the target incentive as follows:

- 0% funding for performance below the threshold requirement;

- 50% of target incentive for achieving 95% of the target performance requirement (threshold);
- 100% of target incentive for achieving 100% of the target performance requirement (target); and
- 150% of target incentive for achieving 105% or above of the target performance requirement (maximum).

Payouts for performance between points are interpolated on a straight-line mathematical basis and rounded to the nearest whole number. The following table outlines the calculation of the potential funding of the Annual Plan for 2022 based on the Company's attainment of the Gates Financial Performance Factor measures without any adjustments.

| (dollars in millions) | | | | | 2022 Attainment | | Potential Funding | |
|---|---|---|---|---|---|---|---|---|
| Measure | Weighting | Threshold | Target | Maximum | $ | % | $ | % |
| Adjusted EBITDA... | 50% | $ 750.5 | $ 790.0 | $ 829.5 | $ 680.6 | — % | $ — | — % |
| Free Cash Flow........ | 30% | $ 585.2 | $ 616.0 | $ 646.8 | $ 479.7 | — % | $ — | — % |
| Revenue* ................. | 20% | $ 3,576.2 | $ 3,689.1 | $ 3,787.9 | $ 3,554.2 | — % | $ — | — % |

(*) Revenue threshold and maximum are narrower than 95% and 105% to align with the associated Adjusted EBITDA levels.

Notwithstanding the establishment of the performance measures and the formula for determining the payment amounts for the Annual Plan, the Compensation Committee can exercise positive or negative discretion and award a greater or lesser amount to fund the Annual Plan than the amount determined by the formula if, in the exercise of its business judgment, the Compensation Committee determines that a greater or lesser amount is warranted under the circumstances. As part of the 2022 Annual Plan design, the Compensation Committee reserved the ability to adjust the actual financial performance results to exclude the effects of extraordinary, unusual or infrequently occurring events, including the translation impact of foreign exchange gains and losses (the "***FX impact***") if excessive in nature.

For Fiscal 2022, the Compensation Committee reviewed the Company's attainment of the Gates Financial Performance Factor and, at the recommendation of the Company's management team, determined that, as contemplated by the 2022 Annual Plan design, it would be appropriate to exclude the FX impact from the attainment calculation. In addition, at the recommendation of the Company's management team, the Compensation Committee determined it would be appropriate to exclude the effects of the following extraordinary, unusual or infrequently occurring events from the attainment calculation: the Company's decision to suspend operations in Russia in July 2022; and the COVID-19 impacts on the Company's operations in China. The decision to suspend the Company's operations in Russia was carefully considered by the Board and, among other things, resulted in a headwind of approximately 2% of the Company's global revenues. Moreover, unexpected lockdowns in China during the first half of 2022 and the subsequent rapid increases in infections from COVID-19 in the later part of 2022 negatively impacted the Company's volumes in China. Below is the calculation of the potential funding of the Annual Plan for 2022 reflecting the adjustments described above. This did not change the maximum attainment of each measure.

| (dollars in millions)<br>Measure | Weighting | 2022 Actual Attainment | FX Impact | Other Adjustments | 2022 Results (as Adjusted) | Attainment / Funding % (as Adjusted) | | Funding $ |
|---|---|---|---|---|---|---|---|---|
| Adjusted EBITDA | 50 % | $ 680.60 | $ 23.60 | $ 47.00 | $ 751.20 | 95 % | 50 % | $ 6.90 |
| Free Cash Flow .... | 30 % | $ 479.70 | $ (14.30) | $ 47.00 | $ 512.40 | 83 % | — % | $ — |
| Revenue............... | 20 % | $ 3,554.20 | $ 124.00 | $ 142.00 | $ 3,820.20 | 104 % | 150 % | $ 8.30 |
| **Total** | | | | | | | **55 %** | **$ 15.20** |

After the Gates Financial Performance Factor is calculated and the aggregate amount available to fund the Annual Plan is approved by the Compensation Committee, the Company's Chief Executive Officer may allocate the funding across the organization as he deems appropriate (excluding with respect to himself) and may adjust the Gates Financial Performance Factor either upward or downward for each functional area or geographic region based on the performance of that specific functional area or geographic region. For 2022, the Compensation Committee did not adjust the Gates Financial Performance Factor for the Company's corporate function, which includes the Named Executive Officers.

*Individual Performance Factor.* Under the Annual Plan, the Compensation Committee establishes an individual target award opportunity for the Executive Director that reflects the market median target annual incentive opportunity as determined in the annual review and evaluation of director compensation described below. At the end of the performance period, the Committee considered both the Company's 55% payout factor as described above and individual performance factors that are based on achievement against the performance criteria listed below to determine the appropriate attainment percentage for the Executive Director. In Fiscal 2022, there was no stated maximum on the Individual Performance Factor.

- Financial Goals: Achieving the Company's annual financial plan, as well as the annual financial plan for the executive's region or function.
- Operational Excellence: Managing sourcing through disruptions and an inflationary environment; workplace safety; advancements in product quality; operational efficiency/productivity, including delivery and inventory management.
- Regional Growth Goals: Focusing on growth opportunities to drive richer margins and mix; appropriate pricing strategies in the face of inflationary environment.
- Key Initiatives: Execute on key company initiatives set forth in the Company's strategic plan, including those related to the industrial, mobility, electrification application and other markets as well as product development, simplification and digital assets.
- Doing Business the Right Way: Adherence to the Company's compliance programs and policies such as those related to workplace health and safety; international laws and regulations; and information technology security; advancing diversity, equity and inclusion programs.
- Building Organizational Competencies: Reinforcing our ethical standards; talent attraction and development; building an inclusive environment; developing and promoting diverse talent as a key differentiator; increasing individuals' organizational capabilities to promote engagement, development and retention.

Environmental, Social and Governance measures, in categories such as ethics, compliance, sustainability and diversity, equity and inclusion, have been embedded in our short-term incentive plan and are factored into the growth, operational excellence, key initiatives, doing business the right way and building organizational competencies goals that influence the Individual Performance Factor.

*Payout.* The actual amount paid to the Executive Director under the Annual Plan was calculated by multiplying his base salary in effect on December 31, 2022 by (i) his Annual Plan target bonus opportunity (which is reflected as a percentage of base salary), (ii) the final Gates Financial Performance Factor as adjusted, and (iii) the Individual Performance Factor. The following table illustrates the calculation of the annual cash incentive awards payable to the Executive Director under the Annual Plan based on 2022 financial performance and individual performance.

| | Base Salary ($) | Target Annual Plan Opportunity (% of Base Salary) | Target Annual Plan Opportunity ($) | Individual Performance Factor (%) | Financial Performance Factor | 2021 Actual Payout |
|---|---|---|---|---|---|---|
| Ivo Jurek.............. | $ 1,097,980 | 150 % | $ 1,646,970 | 105% | 55% | $ 951,125 |

**2022 Grants of Plan-Based Awards Table (Audited)**

The following table summarizes all grants of plan-based awards to the Company's Executive Director in Fiscal 2022 and Fiscal 2021.

| | | Estimated Future Payouts under non-equity incentive plan awards ($) | | | Estimated Future Payouts under Equity Incentive Plan Awards (#) | | | All other stock awards: number of shares of stock units (#) | All other option awards: number of securities underlying options (#) | Exercise or base price of option awards ($/sh) | Grant date face value of stock and option awards ($)[6] | Grant date fair value of stock and option awards ($) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Award Type | Grant Date | Threshold | Target | Max | Threshold | Target | Max | | | | | |
| Annual Plan[1] | — | $ 164,697 | $1,646,970 | $ — | | | | | | | | |
| PRSU[2] | 2/25/2022 | | | | 20,465 | 163,721 | 327,442 | | | | $ 5,160,486 | $2,821,321 |
| RSU[3] | 2/25/2022 | | | | | | | 163,721 | | | $ 2,580,243 | $2,580,243 |
| RSU[3] | 7/27/2022 | | | | | | | 560,000 | | | $ 6,703,200 | $6,703,200 |
| Annual Plan[1] | — | $ 158,363 | $1,583,625 | $ — | | | | | | | | |
| PRSU[2] | 2/26/2021 | | | | 41,350 | 165,400 | 330,800 | | | | $ 4,962,000 | $2,963,968 |
| RSU[3] | 2/26/2021 | | | | | | | 82,700 | | | $ 1,240,500 | $1,240,500 |
| Options[4] | 2/26/2021 | | | | | | | | 148,950 | $ 15.00 | $ 2,234,250 | $ 992,007 |
| Options[5] | 2/26/2021 | | | | | | | | 39,009 | $ 16.50 | $ 585,135 | $ 248,097 |

(1) Represents the cash-based award opportunity range under the Annual Plan for 2022 and 2021. For purposes of this table and threshold level disclosure, the Company assumed that the lowest weighted of the three performance measures achieved the threshold level of attainment (in other words, 10% of the target award was earned) and the Individual Performance Factor was set at 100%. The calculation uses the Executive Director's base salary as of December 31, 2022 and 2021. Please refer to the "Single Figure Total Remuneration Table for Executive Directors" for the actual cash based award earned by the Executive Director under the Annual Plan for 2022 and 2021.

(2) Represents the threshold, target and maximum payout shares of the PRSUs granted under the 2018 Omnibus Incentive Plan in 2022 and 2021. Threshold payout of shares is calculated assuming a threshold attainment of 50% for the Relative TSR measure for the PRSUs granted in 2022 and 2021. The number of shares ultimately issued, which could be greater or less than target, will be based on achieving specific performance conditions. The grant date fair value of the PRSUs for the February 25, 2022 and February 26, 2021 awards were calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation — Stock Compensation ("***Topic 718***") based on target, the probable outcome of the performance conditions.

(3) Represents RSUs granted under the 2018 Omnibus Incentive Plan. The grant date fair value of the RSUs was the closing price on the date of grant.

(4) Represents Options granted under the 2018 Omnibus Incentive Plan. The grant date fair value of the Options was calculated in accordance with Topic 718 using a Black-Scholes valuation model.

(5) Represents premium-priced Options ("***Premium Options***") granted to the Executive Director under the 2018 Omnibus Incentive Plan. The grant date fair value of the Premium Options was calculated in accordance with Topic 718 using a Monte Carlo valuation method. These Premium Options vest on the third, fourth and fifth anniversary of the grant date.

(6) Face value is calculated based on the closing share price on the date of the grant ($15.76 for grants in February 2022 and $11.97 for grants in July 2022) and, in the case of the PRSUs, on the maximum future share payout.

## Outstanding Equity Awards at December 31, 2022 (Audited)

The following table provides information regarding outstanding equity awards held by the Executive Director as of December 31, 2022.

| | | Option Awards * | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|
| Grant Date | | Number of securities underlying unexercised options (#) exercisable | Number of securities underlying unexercised options (#) unexercisable | Option Exercise Price ($) | Option Expiration Date | Number of shares or units of stock that have not vested (#)[2] | Market value of shares or units of stock that have not vested ($)[3] | Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)[7] | Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested ($)[8] |
| *Awards without performance measures* | | | | | | | | | |
| 5/18/2015 | Tier I[1] | 1,017,239 | — | $ 6.56 | 5/18/2025 | | | | |
| 5/2/2017 | Tier I[1] | 135,496 | — | $ 7.87 | 5/2/2027 | | | | |
| 2/22/2019 | Options[4] | 252,122 | — | $ 16.46 | 2/22/2029 | | | | |
| 2/22/2019 | Options[5] | 265,486 | 530,974 | $ 19.00 | 2/22/2029 | | | | |
| 2/21/2020 | Options[4] | 160,937 | 80,469 | $ 12.60 | 2/21/2030 | | | | |
| 2/21/2020 | RSU | | | | | 30,655 | $ 349,774 | | |
| 2/26/2021 | Options[4] | 49,649 | 99,301 | $ 15.00 | 2/26/2031 | | | | |
| 2/26/2021 | Options[6] | 13,002 | 26,007 | $ 16.50 | 2/26/2031 | | | | |
| 2/26/2021 | RSU | | | | | 55,134 | $ 629,079 | | |
| 2/25/2022 | RSU | | | | | 163,721 | $ 1,868,057 | | |
| 7/27/2022 | RSU | | | | | 560,000 | $ 6,389,600 | | |
| *Awards with performance measures* | | | | | | | | | |
| 5/18/2015 | Tier II | 1,017,239 | — | $ 6.56 | 5/18/2025 | | | | |
| 5/18/2015 | Tier IV | 1,017,239 | — | $ 9.84 | 5/18/2025 | | | | |
| 5/2/2017 | Tier II | 135,496 | — | $ 7.87 | 5/2/2027 | | | | |
| 5/2/2017 | Tier IV | 135,496 | — | $ 11.80 | 5/2/2027 | | | | |
| 2/26/2021 | PRSU | | | | | | | 124,050 | $ 1,415,411 |
| 2/25/2022 | PRSU | | | | | | | 143,255 | $ 1,634,540 |

(*) The Company has a number of awards issued under the 2014 Omaha Topco Ltd. Stock Incentive Plan, which was assumed by the Company and renamed the Gates Industrial Corporation plc Stock Incentive Plan in connection with the initial public offering in January 2018. No new awards have been granted under this plan since 2017. The Executive Director was awarded options pursuant to the 2014 Incentive Plan. The options were split equally into four tiers, each with specific vesting conditions. Tier I options vested evenly over 5 years from the grant date, subject to the participant's continuing to provide service to the Company on the vesting date. The vesting of Tier II, III and IV options were subject to performance conditions that were required to be achieved on or prior to July 3, 2022. The performance conditions included Blackstone's achievement of specified investment returns at the time of a defined liquidity event, and required the participant's continued provision of service to the Company on the vesting date. In March 2022, a liquidity event (as defined in the grant agreements) occurred following the sale by Blackstone of a certain portion of their interest in Gates, resulting in the vesting of the Tier II and IV options for all eligible participants. The specified investment returns required for Tier III awards to vest were not met on or before the end of the performance period, resulting the expiration of the Tier III awards in 2022. All outstanding Tier I, II and IV options expire ten years after the date of grant.

(1) Represents Tier I time-vested stock options, awarded to the Executive Director in his capacity as a director of a former parent of the group, Omaha Topco Limited.

(2) RSUs vest in substantially equal annual installments on each of the first, second and third anniversaries of the grant date.

(3) Reflects the aggregate market value of the unvested RSUs, based on a price of $11.41 per ordinary share, which was the share price of the Company's ordinary shares on December 30, 2022, the last trading day of the fiscal year.

(4) Represents Options granted under the 2018 Omnibus Incentive Plan. These options vest in substantially equal annual installments on the first three anniversaries of the grant date.

(5) Represents Premium Options granted to the Executive Director under the 2018 Omnibus Incentive Plan. These Premium Options vest on the third, fourth and fifth anniversary of the grant date.

(6) Represents Premium Options granted to the Executive Director under the 2018 Omnibus Incentive Plan. These options vest in substantially equal annual installments on the first three anniversaries of the grant date.

(7) The PRSUs vest on the date the Compensation Committee certifies the achievement of the performance measures following the three-year performance period, with 50% subject to attainment of certain levels of Adjusted ROIC and 50% subject to attainment of Relative TSR for the 2020 and 2021 awards and 75% subject to attainment of certain levels of Adjusted ROIC and 25% subject to attainment of Relative TSR for the 2022 awards. For 2021 and 2022 PRSU awards, the amounts shown in this column represent payout shares of the outstanding PRSUs assuming the target level of attainment of 100% for the Adjusted ROIC measure and the threshold level of attainment of 50% for the Relative TSR measure. The number of shares ultimately issued, which could be zero or greater than the number presented above, will be based on achieving specific performance conditions. Please refer to "Elements of Compensation — Long-Term Incentive" in the proxy statement.

(8) Represents the aggregate market value of the threshold payout shares of the unvested PRSUs, based on a price of $11.41 per ordinary share, which was the share price of the Company's ordinary shares on December 30, 2022, the last trading day of the fiscal year.

**2022 Option Exercises and Stock Vested for the Executive Director (Audited)**

The table below sets forth certain information concerning each exercise of options and stock vesting events for the Company's Executive Director during Fiscal 2022.

| | Option Awards | | Stock Awards | |
|---|---|---|---|---|
| Name | Shares Acquired on Exercise (#) | Value Realized on Exercise ($) | Shares or Units Acquired on Vesting (#) | Value Realized on Vesting ($)[1] |
| I. Jurek | — | $ — | 165,543 | $ 2,441,702 |

(1) Based on the closing share price of the Company's ordinary shares on the trading day prior to the vesting date.

**Single Figure Total Remuneration Table for Non-Executive Directors (Audited)**

The following table provides the compensation earned in Fiscal 2022 and Fiscal 2021 by the Company's Non-Executive Directors who served during Fiscal 2022.

| Name | Year | (Fixed) Fees Paid or Receivable ($)[1] | (Variable) Stock Awards (Restated) ($)[2] | Total (Restated) ($) |
|---|---|---|---|---|
| F. Eliasson[3] | 2022 | $ 18,956 | $ — | $ 18,956 |
| J. Ireland | 2022 | $ 100,000 | $ 131,328 | $ 231,328 |
| | 2021 | $ 100,000 | $ 168,541 | $ 268,541 |
| J. Kahr[4] | 2022 | $ 110,000 | $ 171,799 | $ 281,799 |
| | 2021 | $ 18,737 | $ — | $ 18,737 |
| T. Klebe[5] | 2022 | $ 125,000 | $ 221,821 | $ 346,821 |
| | 2021 | $ 125,000 | $ 168,541 | $ 293,541 |
| S. Mains[6][7] | 2022 | $ 100,000 | $ 131,328 | $ 231,328 |
| | 2021 | $ 100,000 | $ 168,541 | $ 268,541 |
| W. Neely | 2022 | $ 101,841 | $ 131,328 | $ 233,169 |
| | 2021 | $ 100,000 | $ 285,533 | $ 385,533 |
| A. Tillman[8] | 2022 | $ 100,000 | $ 91,346 | $ 191,346 |
| | 2021 | $ 68,681 | $ — | $ 68,681 |
| M. Zhang[7] | 2022 | $ 100,000 | $ 131,328 | $ 231,328 |
| | 2021 | $ 100,000 | $ 228,585 | $ 328,585 |
| N. Simpkins | 2022 | $ — | $ — | $ — |
| | 2021 | $ — | $ — | $ — |

(1) Represents director fees earned during the period. Directors who served on the Board for a portion of the financial year received a pro-rated amount of the annual cash retainer, which was $100,000 in 2021 and $100,000 in 2022.

(2) Represents the value of the stock awards that vested during the period, which is based on the closing share price of the Company's ordinary shares on the trading day prior to the vesting date. This value for the current period represents an aggregate depreciation in value of $127,318 since these awards were granted. The amounts reported in the "(Variable) Stock Awards" and "Total" columns for 2021 have been restated from prior year presentation to reflect the vesting of 9,920 and 12,664 RSUs in Fiscal 2021 for Mr. Klebe and Ms. Zhang, respectively, resulting in an additional $168,541 and $228,585, respectively, reported under such columns.

(3) Mr. Eliasson was appointed to the Board effective October 24, 2022 and the amounts reported represent his pro-rated director fees for 2022.

(4) In September 2021, Ms. Kahr resigned from her position with the Sponsor but remained on the Company's Board. Following her resignation with the Sponsor, the Board approved the non-employee director standard annual compensation package for Ms. Kahr. Accordingly, effective November 1, 2021, she received an equity grant of $125,000 in value of RSUs, a prorated annual cash retainer of $100,000, and a prorated additional cash retainer of $10,000 for her service as Chair of the Compensation Committee.

(5) Represents the annual cash retainer of $100,000 plus an additional $25,000 for Mr. Klebe's service as Chair of the Audit Committee. Mr. Klebe elected to defer all 9,920 shares that vested in 2021, pursuant to the Supplemental Retirement Plan.

(6) Ms. Mains elected to defer $100,000 of the fees earned in cash in 2022

(7) Ms. Mains and Dr. Zhang elected to defer all 8,333 shares that vested in 2022, respectively, pursuant to the Supplemental Retirement Plan.

(8) Ms. Tillman was appointed to the Board effective April 27, 2021 and the amounts reported represent her pro-rated director fees for 2021.

**Outstanding Equity Awards for certain Non-Executive Directors at December 31, 2022 (Audited)**

The following table provides information regarding outstanding equity awards held by the Non-Executive Directors as of December 31, 2022. Mr. Simpkins did not hold any outstanding equity awards as of December 31, 2022.

| | | Option Awards | | | | |
|---|---|---|---|---|---|---|
| Name | Grant Date | Number of securities underlying unexercised options (#) exercisable[1] | Option Exercise Price ($) | Option Expiration Date | Number of shares or units of stock that have not vested (#)[2] | Market value of shares or units of stock that have not vested ($)[3] |
| T. Klebe | 5/12/2016 | 76,293 | $ 6.56 | 5/12/2026 | | |
| F. Eliasson | 10/24/2022 | | | | 11,563 | $ 131,934 |
| J. Ireland | 2/25/2022 | | | | 7,931 | $ 90,493 |
| S. Mains | 2/25/2022 | | | | 7,931 | $ 90,493 |
| W. Neely | 2/25/2022 | | | | 7,931 | $ 90,493 |
| A. Tillman | 2/25/2022 | | | | 7,931 | $ 90,493 |
| M. Zhang | 2/25/2022 | | | | 7,931 | $ 90,493 |

(1) Represent vested time-based stock options. These options were awarded to Non-Executive Directors in their capacity as directors of a former parent of the Company group, Omaha Topco Limited, under the 2014 Omaha Topco Ltd. Stock Incentive Plan, which was assumed by the Company and renamed the Gates Industrial Corporation plc Stock Incentive Plan in connection with the initial public offering in January 2018. No new awards have been granted under this plan since 2017.

(2) Represents unvested time-based RSUs that vest on the first anniversary of the grant date.

(3) Reflects the aggregate market value of the unvested RSUs, based on a price of $11.41 per ordinary share, which was the share price of the Company's ordinary shares on December 30, 2022, the last trading day of the fiscal year.

***2022 Option Exercises and Stock Vested for certain Non-Executive Directors (Audited)***

The table below sets forth certain information concerning each exercise of options and stock vesting events for the Non-Executive Directors during Fiscal 2022.

| | Option Awards | | Stock Awards | |
|---|---|---|---|---|
| Name | Shares Acquired on Exercise (#) | Value Realized on Exercise ($) | Shares or Units Acquired on Vesting (#) | Value Realized on Vesting ($)[1] |
| F. Eliasson | — | $ — | — | $ — |
| J. Ireland | — | $ — | 8,333 | $ 131,328 |
| J. Kahr | — | $ — | 15,223 | $ 171,799 |
| T. Klebe | — | $ — | 16,264 | $ 221,821 |
| S. Mains[2] | — | $ — | — | $ — |
| W. Neely | — | $ — | 8,333 | $ 131,328 |
| A. Tillman | — | $ — | 7,142 | $ 91,346 |
| M. Zhang[3] | — | $ — | — | $ — |

(1) Based on the closing share price of the Company's ordinary shares on the trading day prior to the vesting date.

(2) Ms. Mains elected to defer all 8,333 shares that vested, pursuant to the Supplemental Retirement Plan.

(3) Dr. Zhang elected to defer all 8,333 shares that vested, pursuant to the Supplemental Retirement Plan.

**Director Pension Scheme**

No director who served during the year ended December 31, 2022 has any prospective entitlement to a defined benefit pension or a cash balance benefit arrangement (as defined in s.152, Finance Act 2004).

**Scheme interests awarded during Fiscal 2022 (Audited)**

Please refer to the following sub-headings in the "*Notes to future policy table*" section of the Directors' Remuneration Policy (available in Appendix A to the Company's 2022 proxy statement on Schedule 14A filed with the SEC on April 28, 2022 and available at www.sec.gov and on its website at http://investors.gates.com) for a description of the scheme interests granted to the Executive Director: (i) "*Annual Plan*"; (ii) "*Discretionary Bonuses*"; and (iii) "*Long-Term Incentive*". In addition, please refer to the following sub-headings of this Directors' Remuneration Report: (i) *2022 Grants of Plan-Based Awards*; and (ii) *2022 Grants of Plan-Based Awards* Table.

For Fiscal 2022, the annual compensation package for the Non-Executive Directors (excluding the Sponsor-affiliated Directors) consists partly of $125,000 in value of RSUs (payable annually and rounded down to the nearest whole share). RSUs vest in full on the first anniversary of the grant date. Please refer to the section entitled "*2022 Option Exercises and Stock Vested for certain Non-Executive Directors*" for further information.

**Payments to Past Directors and Payments for Loss of Office (Audited)**

There were no payments made to past Directors and no payments to Directors for loss of office during Fiscal 2022.

**Director Shareholdings and Share Ownership Guidelines (Audited)**

The Company has adopted executive stock ownership guidelines for its Executive Director. As of December 31, 2022, the Executive Director was expected to own ordinary shares in the Company with a market value equal to at least six times his base salary. This target has been met. If the Executive Director falls below the threshold, he will be required to retain 50% of stock acquired through the exercise or vesting of equity awards made by the Company.

The Company has adopted share ownership guidelines for its Non-Executive, non-Sponsor affiliated Directors in order to better align its eligible directors' financial interests with those of its shareholders. Each of the Non-Executive, non-Sponsor affiliated Directors is expected to own shares with a market value equal to four times his or her annual cash retainer. As of December 31, 2022, Mr. Ireland, and Mr. Klebe held shares in excess of this target. Given their recent appointments to the Board, the other Non-Executive, non Sponsor affiliated directors have not yet met this goal. Any such director who does not meet the threshold is required to retain 50% of shares acquired through the exercise or vesting of equity awards made by the Company.

The table below sets out the number of vested shares held by the Executive Director and each Non-Executive Director as of December 31, 2022.

| Name of Director | Number of shares held in Company as of December 31, 2022 |
|---|---|
| Executive Director | |
| I. Jurek | 374,053 |
| | |
| Non-Executive Directors | |
| F. Eliasson | — |
| J. Ireland | 30,762 |
| J. Kahr | 15,209 |
| T. Klebe[(1)] | 95,108 |
| S. Mains[(2)] | 24,452 |
| W. Neely | 29,172 |
| A. Tillman | 7,136 |
| M. Zhang[(2)] | 20,997 |
| | |
| Non-Executive Director; Sponsor-affiliated Director | |
| N. Simpkins | — |

(1) Includes 21,469 ordinary shares that are vested but deferred pursuant to the Supplemental Retirement Plan.

(2) Includes 8,333 ordinary shares that are vested but deferred pursuant to the Supplemental Retirement Plan.

(3) Represents 20,997 ordinary shares that are vested but deferred pursuant to the Supplemental Retirement Plan.

Please also refer to the "*Outstanding Equity Awards at December 31, 2022*" and "*Outstanding Equity Awards for certain Non-Executive Directors at December 31, 2022*" sections above for information regarding outstanding equity awards held by the Executive Director and Non-Executive Directors as of December 31, 2022.

**Performance table and graph**

***Executive Director Remuneration***

| | 2022 | 2021 |
|---|---|---|
| Total remuneration | $ 5,003,180 | $ 5,316,106 |
| Annual bonus as a percentage of maximum[(1)] | 39% | 87% |
| Equity awards vested as a percentage of maximum[(2)] | 36% | 40% |

(1) The amount earned by the Executive Director under the Annual Plan equated to 57.75% attainment of the target performance. The Annual Plan does not have a maximum level of attainment; thus, for purposes of this calculation, this assumes a "stretch" level of performance of a 150% payout.

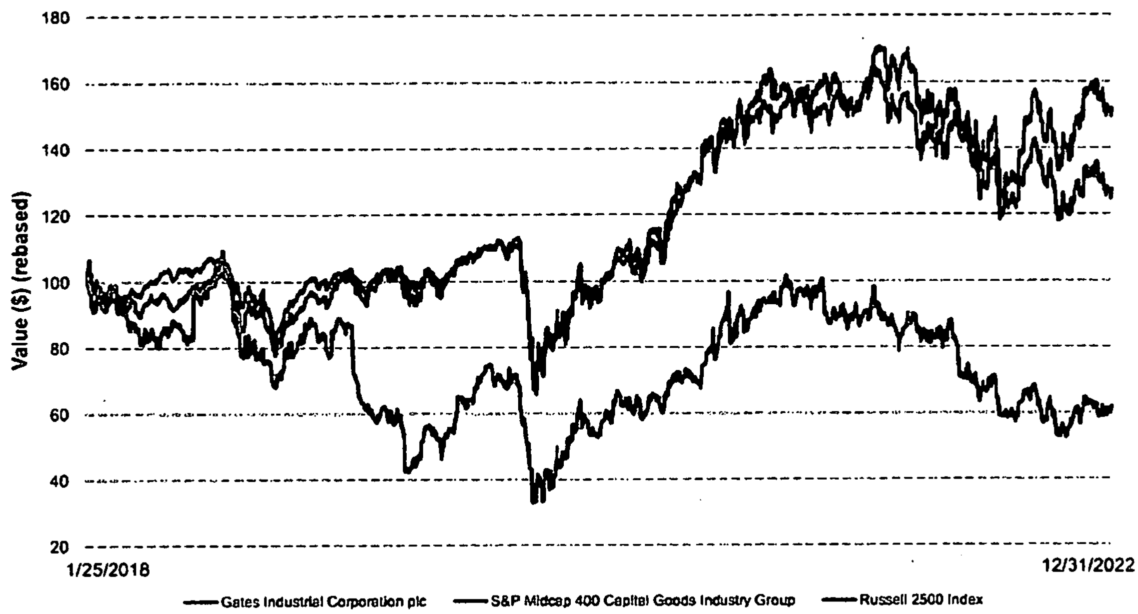
(2) The equity awards that could have vested in the year were options, time-based restricted stock units, and performance-based restricted stock units.

*Performance Graph*

The below graph shows the value, as of December 31, 2022, of $100 invested in Gates Industrial Corporation plc on January 25, 2018, at the IPO price of $19, compared with the value of $100 invested in each of the S&P Midcap 400 Capital Goods Industry Group index and the Russell 2500 index on a daily basis. The S&P Midcap 400 Capital Goods Industry Group index was selected as it is used by the Company as part of the long-term incentive program (one of the performance measures for PRSUs). The performance graph is based on historical results and is not intended to suggest future performance.

Total shareholder return

Source: S&P Capital IQ



**Percentage Change in Compensation of Executive Director Compared with Employees**

The following table shows the percentage change in salary, all other benefits and annual bonus awards for the Directors and, as described further in note (1) to the table, the corporate employees (excluding the Executive Director) located in the Denver corporate office and the Denver area customer solutions center.

| | Percentage change from 2021 to 2022 | | | Percentage change from 2020 to 2021 | | |
|---|---|---|---|---|---|---|
| | Salary/Fees % | All Other Benefits % | Annual Bonus % | Salary/Fees % | All Other Benefits % | Annual Bonus % |
| Employees(1) | 5% | 9% | (58)% | 2% | 16% | 31% |
| **Executive Directors(2)** | | | | | | |
| I. Jurek | 4% | 17% | (54)% | 3% | 156% | 33% |
| **Non-Executive Directors(3)** | | | | | | |
| F. Eliasson | n/a | n/a | n/a | n/a | n/a | n/a |
| J. Ireland | —% | —% | —% | —% | —% | —% |
| J. Kahr | —% | —% | —% | —% | —% | —% |
| T. Klebe | —% | —% | —% | —% | —% | —% |
| S. Mains | —% | —% | —% | —% | —% | —% |
| W. Neely | —% | —% | —% | —% | —% | —% |
| A. Tillman | —% | —% | —% | —% | —% | —% |
| M. Zhang | —% | —% | —% | —% | —% | —% |

(1) Due to the complexity of the Company's global operations with employees in multiple countries with different currencies, costs of living and work cultures, the Company selected its corporate employees based in its Denver corporate office and its Denver area customer solutions center as the comparator group for the above table. This group of employees is considered an appropriate comparator, as they are compensated in accordance with U.S. customs and standards and participate in similar annual award and benefit programs as the Executive Director who is also based in Denver, Colorado. The percentage changes for salary, all other benefits and annual bonus for the corporate employees were determined by dividing the total annual salary in effect at the end of the year, all other benefits and annual bonus compensated during the year by the total number of corporate employees at the end of each financial year. All other benefits included, but were not limited to: gym reimbursements, tax services reimbursements, and parking reimbursements.

(2) Percentage changes for the Executive Director were calculated based on the Single Figure Total Remuneration Table for Executive Director.

(3) Mr. Neely, Dr. Zhang, Ms. Tillman and Mr. Eliasson were appointed to the Board effective on April 1, 2020, July 1, 2020, April 27, 2021, and October 24, 2022, respectively, and received cash retainers on a pro-rated basis. Ms. Kahr received a cash retainer on a pro-rated basis for her service following her resignation from the Sponsor. Percentage changes for Non-Executive Directors have been calculated based on the fees paid in cash reflected in the Single Figure Total Remuneration Table for Non-Executive Directors, except for Mr. Neely, Dr. Zhang, Ms. Tillman, and Ms. Kahr, whose 2021 and 2022, as applicable, cash retainers are assumed to be on a full-year basis for the purpose of this table to ensure a like-for-like comparison.

**Executive Director (CEO) Pay Ratio**

The following table sets forth the ratio of the Executive Director's total compensation to the median, 25th and 75th percentile of total compensation of his full-time equivalent U.K.-based employees for Fiscal 2022, 2021 and 2020. The Executive Director (CEO) single figure used in the calculation of the ratios below reflects the single figure total remuneration (as disclosed in the *Single Figure Total Remuneration Table for the Executive Director* table above).

| Financial Year | Method | 25th percentile pay ratio | Median pay ratio | 75th percentage pay ratio |
|---|---|---|---|---|
| 2022 | C | 112 to 1 | 92 to 1 | 91 to 1 |
| 2021* | C | 133 to 1 | 87 to 1 | 85 to 1 |
| 2020* | C | 77 to 1 | 61 to 1 | 60 to 1 |

(*) The 2021 pay ratio has been revised from prior year presentation to reflect the revision to the Executive Director's total remuneration described in footnote 6 to the *Single Figure Total Remuneration Table for the Executive Director* table above and an exchange rate conversion correction. The 2020 pay ratio has been revised from prior year presentation to reflect an exchange rate conversion correction.

The changes in the above pay ratios are attributable primarily to the change in the remuneration of the CEO, the reasons for which are set out under the *Single Figure Total Remuneration Table for the Executive Director* table above.

The calculation methodology used reflects Option C as defined under the relevant regulations. To determine the employees at the three quartiles for 2022, the Company reviewed and analyzed salary data for its permanent employees as of December 31, 2022. Given the variance in pay elements by employee, the Company opted for Method C and selected the annual base salary to identify the best equivalents for the U.K. employees, as base salary represents the single largest component of pay for the majority of employees across the business. The Company then excluded employees whose start dates were after Fiscal 2022 began, as they were not paid for the full year. Once the employees were identified, the Company included benefits and all other relevant compensation elements and converted to U.S. dollars using Fiscal 2022 average exchange rate in order to provide a like comparison to that of the Executive Director. Each employee's pay and benefits were calculated using each employee's aggregated remuneration, consistent with the Executive Director's aggregated remuneration. The Company did not make any adjustments or omit any components of pay.

The 2022, 2021 and 2020 salary and total remuneration for the 25th, 50th and 75th percentile of U.K. employees are as follows:

| Financial Year | (dollars) | 25th percentile | Median | 75th percentile |
|---|---|---|---|---|
| 2022 | Salary | 42,747 | 51,493 | 51,756 |
| | Total remuneration | 44,704 | 54,645 | 54,864 |
| 2021 | Salary | 33,613 | 56,592 | 56,567 |
| | Total remuneration | 39,923 | 61,410 | 62,708 |
| 2020 | Salary | 36,707 | 46,876 | 47,184 |
| | Total remuneration | 39,226 | 49,929 | 50,959 |

As of December 31, 2022, the Company's U.K. workforce is made up of approximately 735 employees, as compared to approximately 7,197 employees in North America and approximately 15,271 employees globally. The Executive Director works in North America and his compensation is benchmarked against companies in an industry peer group that are listed on the New York Stock Exchange or NASDAQ, as described under *Role of the Peer Group* below. With this perspective, the Company believes the median pay ratio for Fiscal 2022 is consistent with the pay, reward and progression policies for the Company's U.K. employees taken as a whole.

**Relative Importance of Spend on Pay**

The table below sets out the remuneration the Company paid to its employees and distributions made to its shareholders in Fiscal 2022 and Fiscal 2021.

| (dollars in millions) | 2022 financial year | | 2021 financial year | |
|---|---|---|---|---|
| Employee remuneration | $ | 823.0 | $ | 823.5 |
| Dividends | $ | — | $ | — |
| Share buyback | $ | 174.7 | $ | 10.6 |

**Statement of Implementation of Remuneration Policy in 2023**

For the fiscal year ending December 30, 2023 ("***Fiscal 2023***"), the Compensation Committee intends to provide remuneration in accordance with the proposed Directors' Remuneration Policy, as described below.

*Executive Director*

2023 Long-Term Incentive. In February 2023, the Compensation Committee recommended, and the Board approved, a new award (the "***2023 LTI***") for Fiscal 2023 under the 2018 Omnibus Incentive Plan for the Company's Executive Director. The 2023 LTI is comprised of 50% RSUs and 50% PRSUs. The RSUs will vest in equal annual installments on the first three anniversaries of the grant date, subject to the Executive Director's continued employment through the vesting date. The PRSUs will vest upon completion of the three-year performance period and will be paid out after certification of results by the Compensation Committee. For 2023 PRSUs, the Board determined that the PRSUs shall provide that 75% of the award will vest if the Company achieves a certain level of Adjusted ROIC and the remaining 25% of the PRSUs will vest if the Company achieves certain Relative TSR goals, in each case, measured over a three year performance period. The total number of PRSUs that vest at the end of the performance period will range from 0% to 200% of the target as determined by measuring actual performance over the performance period for Adjusted ROIC and Relative TSR against the performance goals based on a pre-established scale. The target total grant date value for the Executive Director's award was approximately $5,366,900 under the 2023 LTI. The award was made based upon the Executive Director's 2023 LTI target which was determined as a percentage of his 2023 base salary. The number of target PRSUs was calculated on the date of grant, March 1, 2023, based on that day's closing price of Gates ordinary shares on the New York Stock Exchange.

The performance period applicable to the PRSUs began on January 1, 2023 and will end on January 3, 2026. The performance results will be measured against the specified three-year average Adjusted ROIC and Relative TSR through the period. The target levels for the Adjusted ROIC measure of performance-based compensation have been omitted from the directors' remuneration report as such targets are considered commercially sensitive. The target levels will be disclosed in the directors' remuneration report after the completion of the applicable performance period.

2023 Annual Incentive. In February 2023, the Compensation Committee determined that for the annual bonus scheme for Fiscal 2023, Adjusted EBITDA (50%), Free Cash Flow (30%) and Revenue (20%) should be used as the financial performance measures ("***Performance Measures***"). The Compensation Committee determined that these Performance Measures are critical indicators of the Company's performance for 2023 and, when combined, contribute to sustainable growth. The Compensation Committee set the minimum achievement threshold at 90% of the Performance Measures to achieve a 50% payout of the annual bonus and the target at 110% to achieve a 200% payout of the annual bonus; provided that threshold and maximum for Revenue are narrower than 90% and 110% to align with the associated Adjusted EBITDA levels. If achievement with respect to any Performance Measure falls between the threshold and target, or between the target and maximum, earned award amounts for that particular Performance Factor will be interpolated on a straight-line mathematical basis (and rounded to the nearest whole number). The Executive Director's target bonus in 2023 is $1,712,849.

2023 Salary. In February 2023, the Compensation Committee increased the Executive Director's base salary by 4%, to $1,141,899.

For additional information on the Company's Long-Term Incentive, Annual Incentive and Base Salary, please see *Elements of Compensation* in the proxy statement.

*Non-Executive Directors*

2023 Remuneration.

The compensation program for the other Non-Executive Directors will remain the same in 2023 as it was in 2022, with an increase in the value of the annual equity award by $10,000 from the prior two fiscal years in order to better reflect the market. In October 2022, the Board approved an annual total compensation package of $235,000 for these Non-Executive Directors in 2023, which was allocated with approximately 43% as a cash retainer and 57% as an equity grant of RSUs vesting in one year. On March 1, 2023, the Board approved the 2023 annual equity grants for the Non-Executive Directors. The number of RSUs was calculated on that date, based on the closing price of Gates ordinary shares on the New York Stock Exchange.

**Consideration by the Directors of Matters Relating to Directors' Compensation**

The Compensation Committee provides assistance to the Board for oversight of the compensation program for the Executive Director. The Board has historically taken into account multiple factors, such as considering the responsibilities, performance, contributions and experience of the Executive Director and his compensation in relation to other employees and other roles. The Compensation Committee annually reviews the Executive Director's performance, base salary, annual incentive target opportunity and outstanding long-term incentive awards and approves, or recommends to the Board for approval, any changes to the Executive Director's compensation package in light of such review. The Executive Director does not participate in deliberations regarding his own compensation. The Compensation Committee held six meetings during 2022.

Pay recommendations for the Company's high level executive officers, including the Executive Director, are made by the Compensation Committee in February after the Company reports its fourth quarter and year-end financial results for the preceding fiscal year (the "***February meeting***"). This timing allows the Compensation Committee to have a complete financial performance picture prior to making compensation decisions.

Compensation decisions with respect to prior year performance, as well as annual equity awards and target performance levels under the incentive plans for the current year, are typically made at this February meeting. Annual equity awards to the Company's executive officers, including the Executive Director, are recommended by the Compensation Committee at this meeting and reviewed by the Board and, if approved by the Board, are dated on the date of such Board approval. An exception to this process is granted to executives who are promoted or hired from outside the Company during the year. These executives may receive compensation changes or equity grants effective or dated, as applicable, as of the date of their promotion, hiring date, or other Board approval date.

Compensation Consultant. The Compensation Committee retains an independent compensation consultant (the "***Consultant***") to support the oversight and management of the Company's executive compensation program. The Consultant has not provided the Company with services other than as described herein. The Compensation Committee retains sole authority to hire or terminate the Consultant, approve its compensation, determine the nature and scope of services, and evaluate performance. The Company selected Aon plc as the Consultant prior to its 2018 IPO and reviews the Consultant's independence and engagement annually. A representative of the Consultant attends Compensation Committee meetings, as requested, and communicates with the Compensation Committee Chair between meetings. The Compensation Committee makes all final decisions. The Consultant's specific roles include, but are not limited to:

- advising the Compensation Committee on executive compensation trends and regulatory developments;
- providing a total compensation study for executives, compared against the companies in the peer group and other market data, and recommendations for executive pay;
- working with the Compensation Committee to develop an appropriate peer group of comparable companies to serve as a reference point in executive compensation decision-making;

- providing advice to the Compensation Committee on governance best practices, as well as any other areas of concern or risk;
- serving as a resource to the Compensation Committee Chair for meeting agendas and supporting materials in advance of each meeting;
- reviewing and commenting on proxy disclosure items, including the compensation discussion and analysis;
- reviewing and commenting on the Compensation Committee's annual compensation risk assessment;
- advising the Compensation Committee on management's pay recommendations and determining Chief Executive Officer pay;
- providing comprehensive tally sheets for the each Named Executive Officer that encompass two years of all elements of their compensation as well as potential wealth accumulation and retention values; and
- from time to time, reviewing and providing compensation recommendations for non-employee directors to the Nominating and Governance Committee.

The Company paid approximately $193,000 in aggregate to the Consultant and its affiliates for its work during Fiscal 2022. The Company did not pay any other fees to the Consultant or its affiliates.

The Compensation Committee has assessed the independence of the Consultant as required by SEC and NYSE rules. The Compensation Committee reviewed its relationship with the Consultant and considered all relevant factors, including those set forth in Rule 10C-1(b)(4)(i) through (vi) under the Exchange Act. Based on this review, the Compensation Committee concluded that the Consultant is independent and there are no conflicts of interest raised by the work performed by the Consultant.

**Role of the Peer Group**. The Compensation Committee, with the help of the Consultant, conducts an annual review and evaluation of executive and director compensation in comparison to an industry peer group. In establishing the industry peer group, the Compensation Committee targets approximately 15 to 20 companies based on the following selection criteria:

- publicly-traded companies within similar Global Industry Classification Standard ("***GICS***") code classifications;
- peer companies used by the potential peer companies (peers of peers) within the similar GICS codes;
- peer companies used by proxy advisory firm Institutional Shareholder Services Inc. ("***ISS***") in 2021;
- companies with annual revenues of approximately 0.4x to 3x Gates' annual revenues; and
- companies with market capitalization and enterprise values within a reasonable ranges of Gates' values.

For Fiscal 2022, compensation decisions, the Compensation Committee selected the same companies used for Fiscal 2021 compensation decisions. The full list of peers, all of which are in the GICS Industrials Sector and Capital Goods Industry Group, is shown below. Regal Beloit Corporation and Rexnord Corporation merged during 2021, but are listed separately as they were included in the peer group pay study prior to the merger.

1. AMETEK, Inc.
2. Colfax Corporation
3. Crane Co.
4. Donaldson Company, Inc.
5. Dover Corporation
6. Flowserve Corporation
7. Graco Inc.
8. IDEX Corporation
9. Ingersoll Rand Inc.
10. Lincoln Electric Holdings, Inc.
11. Nordson Corporation
12. Pentair plc
13. Regal Beloit Corporation
14. Rexnord Corporation
15. SPX Corporation
16. The Timken Company
17. Xylem Inc.

At the time of the Compensation Committee's approval, the average and median trailing twelve month revenues of the selected peers, at $3.3 billion and $3.0 billion, respectively, were consistent with the Company's annual revenues. The Compensation Committee uses competitive compensation data from the annual total compensation study of peer companies as a reference point to inform its decisions about overall compensation opportunities and specific compensation elements. Additionally, the Compensation

Committee uses multiple reference points when establishing targeted compensation levels. The Compensation Committee references the 50th to 75th competitive percentile for targeted total compensation as a guide, but does not benchmark specific compensation elements or total compensation to any specific percentile relative to the peer companies or the broader U.S. market. Instead, the Compensation Committee applies judgment and discretion in establishing targeted pay levels, taking into account not only competitive market data, but also factors such as Company, business and individual performance, scope of responsibility, critical needs and skill sets, leadership potential and succession planning.

For Fiscal 2023, the Compensation Committee, in consultation with the Consultant, reviewed the composition of the peer group and, using the same selection criteria, maintained the same peer group as used for Fiscal 2022 compensation decisions, other than (i) the removal of one peer company due its merger into another peer company (Regal Beloit Corporation merged into Regal Rexnord Corporation), with Regal Rexnord Corporation retained in the Company's peer group, and (ii) the replacement of one peer company, Colfax Corporation, which split into two companies (ESAB Corporation and Enovis Corporation), with ESAB Corporation being retained in the Company's peer group.

**Consideration of Shareholder Views**

At the 2022 AGM, the shareholders approved the directors' remuneration policy (as required under the Companies Act), the Company's annual remuneration report (as required under the Companies Act) and the compensation of its Named Executive Officers, which includes the Executive Director (on an advisory basis, pursuant to applicable SEC regulations). The voting results were as follows:

**Resolution**: To approve, on an advisory basis, named executive officer compensation:

| Votes For | % of Total | Votes Against | % of Total | Votes Abstain | % of Total |
|---|---|---|---|---|---|
| 228,299,913 | 83.13% | 46,327,180 | 16.87% | 16,009 | 0.01% |

**Resolution**: To approve, on an advisory basis, the Company's directors' remuneration report (excluding the Company's directors' remuneration policy) in accordance with the requirements of the Companies Act.

| Votes For | % of Total | Votes Against | % of Total | Votes Abstain | % of Total |
|---|---|---|---|---|---|
| 231,500,076 | 84.30% | 43,116,573 | 15.70% | 26,453 | 0.01% |

**Resolution**: To approve the Company's directors' remuneration policy in accordance with the requirements of the Companies Act.

| Votes For | % of Total | Votes Against | % of Total | Votes Abstain | % of Total |
|---|---|---|---|---|---|
| 212,624,490 | 77.43% | 61,987,159 | 22.57% | 31,453 | 0.01% |

In light of the voting results on these resolutions and based on the Company's compensation philosophy and objectives, the Compensation Committee is maintaining its overall compensation program for the Executive Director and the Non-Executive Directors, with certain modifications as described in the Company's compensation discussion and analysis in the proxy statement.

The Directors' Remuneration Report was approved by the Board and authorized for issue on April 26, 2023. It was signed on its behalf by:

Ivo Jurek
Director and Chief Executive Officer

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GATES INDUSTRIAL CORPORATION PLC

## Report on the audit of the financial statements

### 1. Opinion

In our opinion:

- the financial statements of Gates Industrial Corporation plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;

- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;

- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit or loss;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 33 in the consolidated financial statements and the related notes 1 to 9 in the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 3. Summary of our audit approach

| | |
|---|---|
| Key audit matters | The key audit matters that we identified in the current year were:<br>• Goodwill and Intangible Assets Impairment<br>• First time adoption of IFRS<br><br>Within this report, key audit matters are identified as follows:<br>Newly identified<br>Increased level of risk<br>Similar level of risk<br>Decreased level of risk |
| Materiality | The materiality that we used for the group financial statements was $20.0 million x which was determined on the basis of Adjusted EBITDA, amended to include share-based compensation and restructuring costs. |
| Scoping | The scope of our audit focused on the US component, which was subject to a full scope audit, together with other non-significant components which were subject to audits of specified account balances and which were selected in order to provide a scope that was a sufficient basis for our audit opinion; together, these components accounted for 73.3% of Group revenue and 78.0% of Adjusted EBITDA, amended to include share-based compensation and restructuring costs. |
| Significant changes in our approach | We have identified a new key audit matter in the current year in relation to the first time adoption of IFRS. Apart from this new key audit matter, our approach is consistent with the prior year. |

## 4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the Group's debt instruments and finance facility agreements to gain an understanding of their key terms, including the nature of the debt and facilities, their repayment terms and where applicable covenants;
- testing the clerical accuracy of the model used by management to prepare the forecasts and testing that the terms of the debt instruments and facilities have been modelled in line with the debt and facility agreements;
- assessing the historical accuracy of forecasts prepared by management as it relates to cash flows;
- assessing the forecast trading performance and cash flows over the going concern period and the assumptions therein; and

- testing the calculations of the amount of headroom in the forecasts (cash and covenants).

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 5.1. Goodwill and Other Intangible Assets

| | |
|---|---|
| Key audit matter description | The Group's evaluation of goodwill for impairment involves the comparison of the recoverable amount of each cash generating unit, or groups of cash generating units, to which goodwill is allocated to their carrying values. The Group estimated the recoverable amount of its cash generating units using a value in use approach. Similarly, the Group's evaluation of its brands and trade names intangible asset involves the comparison of the recoverable amount of the brands and trade names intangible asset to its carrying value. The Group has determined the recoverable amount of the brands and trade names intangible asset using a value in use approach, which incorporated a relief from royalty valuation methodology. The determination of the value in use for both the goodwill and brands and trade names intangible asset impairment analyses required management to make significant estimates and assumptions related to forecasts of future sales. The goodwill balance was \$1,981.1 million as of December 31, 2022, of which \$665.9 million and \$1,315.2 million were allocated to the Fluid Power and Power Transmission cash generating units, respectively. The values in use of the Fluid Power and Power Transmission cash generating units exceeded their carrying values as of the measurement date and, therefore, no goodwill impairments were recognised. The brands and trade names intangible asset balance was \$513.4 million as of December 31, 2022. The value in use of the brands and trade names intangible asset exceeded its carrying value as of the measurement date and, therefore, no impairment was recognised.<br><br>Given the significant estimates and assumptions management makes to estimate the value in use of goodwill and the brands and trade names intangible asset for its impairment analyses and the uncertainty in the current economic environment, performing audit procedures to evaluate the reasonableness of management's forecasts of future sales required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists. |

| | |
|---|---|
| | Details of the accounting policies in relation to goodwill and other intangible assets are set out in notes 2J and 2K respectively.<br><br>Further information in relation to the year end balances is set out in notes 17 and 18 respectively. |
| How the scope of our audit responded to the key audit matter | Our audit procedures related to the forecasts of sales growth rates used by management to estimate the value in use of goodwill and the brands and trade names intangible asset included the following, among others:<br><br>• We tested the effectiveness of controls over management's goodwill and brands and trade names intangible asset impairment evaluations, including those over the determination of the value in use of goodwill and the brands and trade names intangible asset, and controls related to management's forecasts of sales.<br>• We evaluated management's ability to accurately forecast sales by comparing actual results to management's historical forecasts to determine if the difference between historical forecast and actual results would have a material impact on the goodwill and brands and trade names intangible asset impairment analyses.<br>• With the assistance of our fair value specialists, we evaluated the reasonableness of management's forecasts of sales by comparing the forecasts to (1) historical and projected financial information of peer companies and other industry participants from external market sources and (2) macroeconomic data on projected growth.<br><br>We evaluated the reasonableness of management's forecasts of sales by comparing forecasts to (1) historical results, (2) internal communications to management and the Board of Directors, and (3) forecast information included in Company press releases as well as in analyst reports of the Company. |
| Key observations | Based on the audit procedures performed, we are satisfied that the value in use of the goodwill and brand name and intangible asset balances are in excess of their respective carrying amounts. We concluded that the disclosures made in relation to critical accounting estimates and judgements in respect of goodwill and intangibles are appropriate. |

### 5.2. First time adoption of IFRS

| | |
|---|---|
| Key audit matter description | For its first four financial year-ends since incorporation (being FY18 (a long period of account), FY19, FY20 and FY21), the directors took advantage of the provision within The Accounting Standards (Prescribed Bodies) (United States of America and Japan) Regulations 2015 (Statutory Instrument 2015/1675) to prepare the Group's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.<br><br>As the Statutory Instrument is only available for an entity's first four financial years, the consolidated financial statements for FY22 are required to be prepared in |

| | |
|---|---|
| | accordance with United Kingdom adopted international accounting standards (IFRS).<br><br>Details of the principal accounting policies are set out in note 2. Details of the impact of the first time adoption of IFRS, including the exemptions applied, are set out in note 3. |
| How the scope of our audit responded to the key audit matter | Our audit procedures related to the first time adoption of IFRS included the following, among others:<br><br>• We assessed the appropriateness of management's procedures for identifying differences between US GAAP and IFRS that were applicable to the Group.<br>• We evaluated management's analysis of the differences between US GAAP and IFRS, including those differences that it had determined to be applicable to the Group, for completeness.<br>• For those areas that are more technically complex, including income taxes, derivatives and defined benefit pensions, we engaged internal specialists to assist us in auditing the completeness of the GAAP differences identified, the appropriateness of the underlying accounting treatment under IFRS and the GAAP adjustments themselves.<br>• We evaluated the presentation and disclosure in the financial statements in accordance with the requirements of IFRS. |
| Key observations | Based on the audit procedures performed, we are satisfied that all material GAAP differences have been identified and that these have been accounted for, presented and disclosed in the financial statements, in accordance with the requirements of IFRS. |

## 6. Our application of materiality

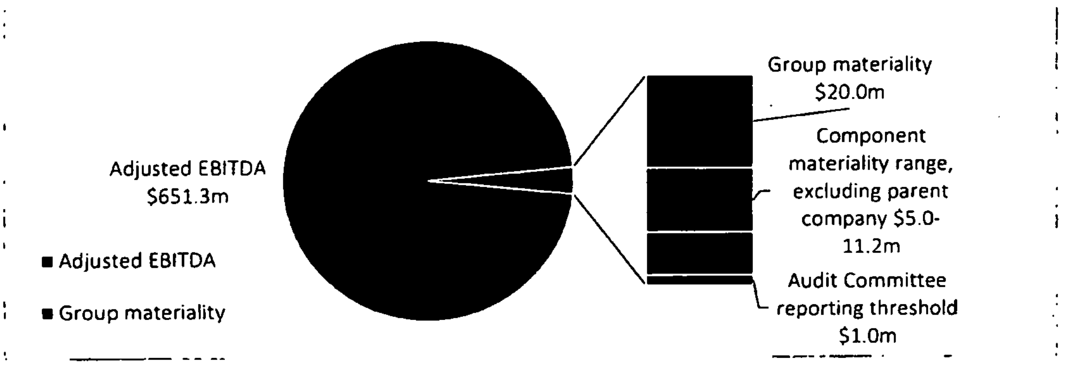
### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Parent company financial statements |
|---|---|---|
| Materiality | $20.0 million (2021: $25.0 million) | $18.0 million (2021: $22.5 million) |

| | | |
|---|---|---|
| Basis for determining materiality | 3.1% (2021: 3.5%) of Adjusted EBITDA, amended as explained below.<br>Adjusted EBITDA is calculated as operating income from continuing operations before certain items, as set out on page 109.<br>Adjusted EBITDA is reconciled to Net Income from Continuing Operations Before Taxes in note 5D to the consolidated financial statements on page 110.<br>In setting our materiality with reference to Adjusted EBITDA, we also included in that measure the impact of share-based compensation and restructuring expenses, as we consider these to be a recurring part of the Group's total costs. | In establishing parent company materiality, we used net assets as the key input as the Company acts as an investment holding company rather than a profit-oriented trading company. However, we have capped parent company materiality at 90% (2021: 90%) of Group materiality. |
| Rationale for the benchmark applied | Profit related measures are the most relevant to the users of the financial statements. We considered Adjusted EBITDA, amended for the impact of share-based compensation and restructuring expenses, since this is broadly representative of the underlying performance of the business. | A net assets benchmark was considered appropriate in determining materiality given that the parent company's primary function is to hold the investments in the Company's subsidiaries. |




### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

| | Group financial statements | Parent company financial statements |
|---|---|---|
| Performance materiality | 70% (2021: 70%) of group materiality | 70% (2021: 70%) of parent company materiality |

| | |
|---|---|
| Basis and rationale for determining performance materiality | In determining performance materiality, we considered the following factors:<br><br>a. our evaluation of the Group's control environment;<br>b. our past audit experience of the Group, in which we identified a very low number and value of corrected and uncorrected misstatements in the prior period audit;<br>c. there have not been significant changes in the nature of the Group's operations which affect our ability to forecast misstatements; and<br>d. there has not been significant turnover in key accounting personnel or significant changes in IT systems that are relevant to the preparation of the financial statements. |

### 6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$1 million (2021: \$1.25 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

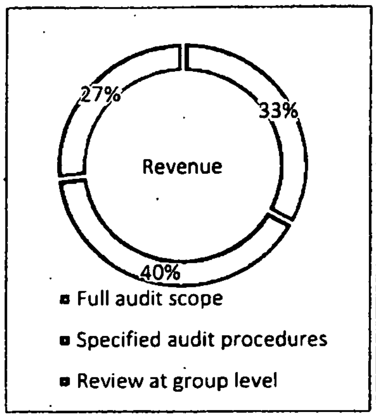
## 7. An overview of the scope of our audit

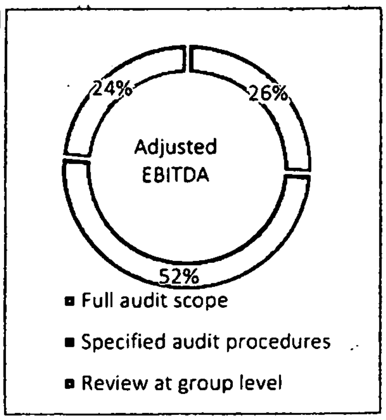
### 7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls on an entity level basis and assessing the components against the risk of material misstatement at the Group level. We have also considered the quantum of the financial statement balances and total contribution to the Group. In performing our assessment, we have considered the geographical spread of the Group and any risks presented within each region.

Based on that assessment we focused our scope on the US component, which was subject to a full scope audit, together with certain other components which were subject to audits of specified account balances; together, these accounted for 73.3% of Group revenue (2021 – 72.2%) and 78.0% of Adjusted EBITDA including share-based compensation and restructuring expenses (2021 – 79.2%). Our audit work and specified procedures at these entities was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and, except for the parent company, ranged between \$5.0 million and \$11.2 million (2021: \$6.25 million to \$14.0 million).

At the parent entity level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit or audit of specified balances.






7.2. Our consideration of the control environment

Our audit strategy is to rely on controls over certain processes within a number of business cycles. As part of our controls testing, we obtained an understanding of the Group's processes and tested controls through a combination of tests of inquiry, observation, inspection and re-performance.

Given the importance of information technology ("IT") to the recording of financial information and transactions, we have tested General IT controls relating to certain of the Group's IT systems, where relevant to our audit work. We have been able to place IT controls reliance across these systems to support the audit of a number of business cycles.

7.3. Our consideration of climate-related risks

The directors consider that societal responses to sustainability issues, including those related to climate change, could adversely affect the Group's business and performance, including indirectly through impacts on their customers, as set out in the Principal Risks and Uncertainties section of the Strategic Report.

In preparing the consolidated financial statements, management considered the impact of climate change and concluded that this does not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that climate change is an emerging risk – refer to note 4. This is consistent with our evaluation of the climate related risks facing the Group. In addition, we have performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement.

Our procedures consisted solely of considering whether the references to climate change that are included in the other information are materially inconsistent with the Consolidated Financial Statements, or our knowledge obtained in the course of the audit.

7.4. Working with other auditors

The engagement partner and other senior members of the team visited the US component pre year-end, as part of our planning activities, and post year-end, during the audit fieldwork.

We held internal fraud and planning calls with component teams and specialists. The purpose of these communications was to deliberate and pinpoint risks, discuss developments within the Group that were relevant to components and changes in auditing standards relevant to the 2022 audit that affect component teams.

We updated our knowledge of business and developments across the different components.

We sent clear instructions to component teams, to set out the planned audit approach for the Group. This included follow up confirmation of receipt and follow up planning calls to discuss the content thereof.

Throughout the substantive phase of our audit, we held regular calls with component teams, to provide continued direction and supervision.

We performed and reviewed component work papers remotely for the significant component and for a selection of the non-significant material components.

During the conclusion phase, we reviewed component team reporting deliverables, held discussions regarding key items highlighted by the component auditors or through our reviews and assessed the impact of their reporting on our conclusions.

## 8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## 10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the US Foreign Corrupt Practices Act and the UK Bribery Act.

### 11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports
- reviewing the periodic reports issued by in-house legal counsel to the Audit Committee concerning actual litigation and claims; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

# Report on other legal and regulatory requirements

## 12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## 13. Matters on which we are required to report by exception

### 13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

## 14. 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.

Joanna Waring

Joanna Waring FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

Date: 5 May 2023

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| (dollars in millions, except per share amounts) | Notes | Year ended December 31, 2022 | Year ended January 1, 2022 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 5 | **$ 3,554.2** | **$ 3,474.4** |
| Cost of sales | | (2,280.2) | (2,122.9) |
| **Gross profit** | | **1,274.0** | **1,351.5** |
| Selling and distribution costs | | (291.4) | (284.5) |
| Finance and administrative expenses | | (519.2) | (516.2) |
| Research and development costs | | (56.6) | (60.4) |
| Transaction-related expenses | | (2.1) | (3.7) |
| Other operating (expenses) income | | (1.3) | 8.7 |
| **Operating profit from continuing operations** | 9 | **403.4** | **495.4** |
| Interest expense | 10 | (164.8) | (92.2) |
| Interest income | 11 | 3.6 | 3.2 |
| Other income (expenses) | 11 | 2.1 | (10.7) |
| **Profit before tax from continuing operations** | | **244.3** | **395.7** |
| Income tax expense | 12 | (19.3) | (16.6) |
| **Profit for the year from continuing operations** | | **225.0** | **379.1** |
| | | | |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | | (0.4) | — |
| **Profit for the year** | | **$ 224.6** | **$ 379.1** |
| | | | |
| **Attributable to:** | | | |
| Owners of the parent | | 203.3 | 345.0 |
| Non-controlling interests | | 21.3 | 34.1 |
| | | $ 224.6 | $ 379.1 |
| | | | |
| **Earnings per share** | | | |
| **Basic** | | | |
| Earnings per share from continuing operations | 13 | $ 0.72 | $ 1.18 |
| Earnings per share from discontinued operations | 13 | — | — |
| **Earnings per share** | | **$ 0.72** | **$ 1.18** |
| | | | |
| **Diluted** | | | |
| Earnings per share from continuing operations | 13 | $ 0.71 | $ 1.16 |
| Earnings per share from discontinued operations | 13 | — | — |
| **Earnings per share** | | **$ 0.71** | **$ 1.16** |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (dollars in millions) | Notes | | Year ended December 31, 2022 | | Year ended January 1, 2022 |
|---|---|---|---|---|---|
| **Profit for the year** | | **$** | **224.6** | **$** | **379.1** |
| **Other comprehensive loss** | | | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | | | |
| Foreign currency translation: | | | | | |
| — Net translation loss on foreign operations, net of tax expense, respectively, of $(2.5) and $(0.3) | | | (159.8) | | (106.0) |
| — Gain on net investment hedges, net of tax benefit, respectively, of $7.9 and $2.7 | *22* | | 4.8 | | 37.4 |
| Cash flow hedges (Interest rate derivatives): | | | | | |
| — Gain arising in the period, net of tax expense, respectively, of $(14.9) and $(3.2) | *22* | | 46.4 | | 7.0 |
| — Reclassification to net income, net of tax expense, respectively, of $(3.5) and $(5.4) | *22* | | 8.9 | | 16.2 |
| | | | **(99.7)** | | **(45.4)** |
| **Items that will not be reclassified subsequently to profit or loss (net of tax):** | | | | | |
| Post-retirement benefits: | | | | | |
| — Remeasurement of net defined benefit liabilities, net of tax benefit (expense), respectively, of $9.5 and $(7.1) | *26* | | (28.0) | | 26.2 |
| | | | **(28.0)** | | **26.2** |
| **Other comprehensive loss** | | | **(127.7)** | | **(19.2)** |
| **Total comprehensive income for the year** | | **$** | **96.9** | **$** | **359.9** |
| | | | | | |
| Comprehensive income attributable to shareholders: | | | | | |
| — Income arising from continuing operations | | $ | 117.2 | $ | 331.0 |
| — Loss arising from discontinued operations | | | (0.4) | | — |
| | | | **116.8** | | **331.0** |
| Total (loss) profit attributable to non-controlling interests | | | (19.9) | | 28.9 |
| **Total comprehensive income for the year** | | **$** | **96.9** | **$** | **359.9** |

**CONSOLIDATED BALANCE SHEET**

| (dollars in millions) | Notes | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | | $ 578.4 | $ 658.2 | $ 521.4 |
| Trade and other receivables | *14* | 1,007.3 | 905.2 | 843.6 |
| Inventories | *15* | 684.9 | 691.9 | 508.2 |
| Taxes receivable | | 13.0 | 19.1 | 28.6 |
| **Total current assets** | | **2,283.6** | **2,274.4** | **1,901.8** |
| Property, plant and equipment | *16* | 634.0 | 666.2 | 700.9 |
| Goodwill | *17* | 1,981.1 | 2,063.0 | 2,120.2 |
| Intangible assets | *18* | 1,534.4 | 1,686.2 | 1,832.7 |
| Pension surplus | *26* | 10.6 | 75.4 | 69.4 |
| Right-of-use assets | *21* | 135.2 | 133.3 | 133.2 |
| Taxes receivable | *12* | 15.1 | 15.7 | 26.5 |
| Deferred tax assets | *25* | 612.7 | 653.8 | 679.4 |
| Other non-current assets | *14* | 32.5 | 16.4 | 16.6 |
| **Total non-current assets** | | **4,955.6** | **5,310.0** | **5,578.9** |
| **Total assets** | | **$ 7,239.2** | **$ 7,584.4** | **$ 7,480.7** |
| **Current liabilities** | | | | |
| Interest-bearing loans and borrowings | *23* | $ 36.5 | $ 38.0 | $ 42.7 |
| Trade and other payables | *20* | 660.0 | 761.2 | 643.2 |
| Current tax liabilities | *12* | 23.5 | 34.1 | 14.0 |
| Lease liabilities | *21* | 26.2 | 24.3 | 23.7 |
| **Total current liabilities** | | **746.2** | **857.6** | **723.6** |
| Interest-bearing loans and borrowings | *23* | 2,383.0 | 2,463.9 | 2,650.7 |
| Post-retirement benefit obligations | *26* | 82.4 | 113.0 | 150.4 |
| Lease liabilities | *21* | 129.4 | 125.9 | 125.8 |
| Taxes payable | *12* | 79.5 | 103.7 | 111.5 |
| Deferred tax liabilities | *25* | 203.4 | 286.1 | 369.1 |
| Other non-current liabilities | *20* | 83.3 | 49.9 | 118.3 |
| **Total non-current liabilities** | | **2,961.0** | **3,142.5** | **3,525.8** |
| **Total liabilities** | | **3,707.2** | **4,000.1** | **4,249.4** |
| **Net Assets** | | **$ 3,532.0** | **$ 3,584.3** | **$ 3,231.3** |
| **Equity** | | | | |
| Share capital | *30* | 2.8 | 2.9 | 2.9 |
| Share premium account | *30* | 23.8 | 7.9 | 3.3 |
| Other reserves | *30* | 715.0 | 771.4 | 811.5 |
| Retained earnings | *30* | 2,456.8 | 2,420.1 | 2,034.0 |
| **Equity attributable to owners of the company** | | **3,198.4** | **3,202.3** | **2,851.7** |
| Non-controlling interests | *19* | 333.6 | 382.0 | 379.6 |
| **Total equity** | | **$ 3,532.0** | **$ 3,584.3** | **$ 3,231.3** |

The financial statements of Gates Industrial Corporation plc (registered number 10980824) were approved by the board of directors and authorized for issue on May 5, 2023. They were signed on its behalf by:

Ivo Jurek
Director and Chief Executive Officer

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| (dollars in millions) | Notes | Share capital | Share premium account | Translation and hedging reserve | Merger reserve | Retained earnings | Total shareholders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **As of January 3, 2021** | | $ 2.9 | $ 3.3 | $ (810.5) | $ 1,622.0 | $ 2,034.0 | $ 2,851.7 | $ 379.6 | $ 3,231.3 |
| Profit for the year | | — | — | — | — | 345.0 | 345.0 | 34.1 | 379.1 |
| Other comprehensive (loss) profit | | — | — | (40.1) | — | 26.2 | (13.9) | (5.3) | (19.2) |
| **Total comprehensive (loss) income** | | — | — | (40.1) | — | 371.2 | 331.1 | 28.8 | 359.9 |
| Other changes in equity: | | | | | | | | | |
| —Issuance of shares | 30 | — | 4.6 | — | — | — | 4.6 | — | 4.6 |
| —Shares withheld for employee taxes | 30 | — | | — | — | (0.7) | (0.7) | — | (0.7) |
| —Repurchase of shares | 30 | — | — | — | — | (10.6) | (10.6) | — | (10.6) |
| —Share-based compensation | 27 | — | — | — | — | 23.4 | 23.4 | 0.1 | 23.5 |
| —Deferred tax on share-based payment transactions | | — | — | — | — | 2.8 | 2.8 | — | 2.8 |
| —Dividends paid to non-controlling interests | | — | — | — | — | — | — | (26.5) | (26.5) |
| **As of January 1, 2022** | | 2.9 | 7.9 | (850.6) | 1,622.0 | 2,420.1 | 3,202.3 | 382.0 | 3,584.3 |
| Profit for the year | | — | — | — | — | 203.3 | 203.3 | 21.3 | 224.6 |
| Other comprehensive loss | | — | — | (56.4) | — | (30.1) | (86.5) | (41.2) | (127.7) |
| **Total comprehensive (loss) income** | | — | — | (56.4) | | 173.2 | 116.8 | (19.9) | 96.9 |
| Other changes in equity: | | | | | | | | | |
| —Issuance of shares | 30 | — | 15.9 | — | — | — | 15.9 | — | 15.9 |
| —Shares withheld for employee taxes | 30 | — | — | — | — | (1.4) | (1.4) | — | (1.4) |
| —Repurchase and cancellation of shares | 30 | (0.1) | — | — | — | (175.8) | (175.9) | — | (175.9) |
| —Share-based compensation | 27 | — | — | — | — | 43.5 | 43.5 | 0.1 | 43.6 |
| —Deferred tax on share-based payment transactions | | — | — | — | — | (2.8) | (2.8) | 0.1 | (2.7) |
| —Dividends paid to non-controlling interests | | — | — | — | | — | — | (28.7) | (28.7) |
| **As of December 31, 2022** | | $ 2.8 | $ 23.8 | $ (907.0) | $ 1,622.0 | $ 2,456.8 | $ 3,198.4 | $ 333.6 | $ 3,532.0 |

## CONSOLIDATED CASH FLOW STATEMENT

| (dollars in millions) | Notes | Year ended December 31, 2022 | Year ended January 1, 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | $ 224.6 | $ 379.1 |
| Adjustments to reconcile profit for the year to net cash generated by operations: | | | |
| Interest income | *11* | (3.6) | (3.3) |
| Interest expense | *10* | 164.8 | 92.2 |
| Income tax expense | | 19.3 | 16.6 |
| Depreciation and amortization | | 242.5 | 248.4 |
| Foreign exchange and other non-cash financing expenses | | 35.1 | (5.6) |
| Share-based payment expense | *27* | 44.3 | 24.6 |
| Decrease in post-employment benefit obligations, net | *26* | (16.0) | (14.5) |
| Asset impairments | | 2.6 | 2.0 |
| Other operating expenses | | 6.6 | 3.7 |
| Changes in operating assets and liabilities: | | | |
| —Increase in accounts receivable | | (129.3) | (22.3) |
| —Increase in inventories | | (16.5) | (201.7) |
| —(Decrease) increase in accounts payable | | (15.9) | 99.6 |
| —Decrease (increase) in prepaid expenses and other assets | | 76.2 | (38.5) |
| —(Decrease) increase in taxes payable | | (1.2) | 8.9 |
| —(Decrease) increase in other liabilities | | (107.6) | 11.4 |
| **Cash generated by (used in) operations** | | | |
| Interest income received | *11* | 3.6 | 3.3 |
| Interest paid | | (118.7) | (121.2) |
| Income taxes paid | | (117.8) | (83.0) |
| **Net cash provided by operating activities** | | **293.0** | **399.7** |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | (77.6) | (77.7) |
| Purchases of intangible assets | | (9.4) | (9.3) |
| Cash paid under corporate-owned life insurance policies | | (11.6) | (11.2) |
| Cash received under corporate-owned life insurance policies | | 6.0 | 2.4 |
| Proceeds from the sale of property, plant and equipment | | 2.1 | 8.4 |
| Other investing activities | | (0.2) | 1.4 |
| **Net cash used in investing activities** | | **(90.7)** | **(86.0)** |
| **Cash flows from financing activities** | | | |
| Issuance of shares | *30* | 15.9 | 4.6 |
| Buy-back of shares | *30* | (175.9) | (10.6) |
| Proceeds from long-term debt | *23* | 645.0 | — |
| Payments of long-term debt | *23* | (676.9) | (91.0) |
| Debt issuance costs paid | *23* | (23.3) | (11.7) |
| Dividends paid to non-controlling interests | *19* | (28.7) | (26.5) |
| Cash payments for principal portion of leases | | (28.5) | (26.5) |
| Cash payments for interest portion of leases | | (5.4) | (5.4) |
| Other financing activities | | (2.8) | 1.3 |
| **Net cash used in financing activities** | | **(280.6)** | **(165.8)** |
| Effect of exchange rate changes on cash and cash equivalents | | (1.5) | (11.1) |
| **Net (decrease) increase in cash and cash equivalents** | | **(79.8)** | **136.8** |
| Cash and cash equivalents at the beginning of the period | | 658.2 | 521.4 |
| **Cash and cash equivalents at the end of the period** | | **$ 578.4** | **$ 658.2** |

**Gates Industrial Corporation plc**

**Notes to the Consolidated Financial Statements**

## 1. General information

Gates Industrial Corporation plc (the "Parent Company") is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The registered office is located at 1 Bartholomew Lane, London EC2N 2AX, United Kingdom.

In these consolidated financial statements and related notes, all references to "Gates", the "Company", "Group", "we", "us", "our" refer, unless the context requires otherwise, to the Parent Company and its subsidiaries.

Gates manufactures a wide range of power transmission and fluid power products and components for a large variety of industrial and automotive applications, both in the aftermarket and first-fit channels, throughout the world. Gates is comprised of two operating segments: Power Transmission and Fluid Power.

## 2. Principal Accounting Policies

### A. Basis of preparation

The consolidated financial statements and related notes have been prepared in accordance with United Kingdom adopted international accounting standards ("IFRS") as issued by the International Accounting Standards Board (IASB). For all periods up to and including the year ended January 3, 2021, the Group prepared its financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These financial statements for the year ended December 31, 2022 are the first the Group has prepared in accordance with IFRS. Refer to Note 3 for information on how the Group adopted IFRS.

The consolidated financial statements have been prepared on an historical cost basis, except for post-retirement benefit obligations, which are valued on the basis required by IAS 19 "*Employee Benefits*", and certain financial instruments and equity investments, which have been measured at fair value at the end of each reporting period. The consolidated financial statements are presented in U.S. dollars unless otherwise indicated.

### B. Accounting periods

The Group prepares its annual consolidated financial statements as of the Saturday nearest December 31. Accordingly, the consolidated balance sheets are presented as of December 31, 2022, January 1, 2022, and an open balance sheet as of January 3, 2021, and the related consolidated statements of operations, comprehensive income, cash flows, and shareholders' equity are presented for the years ended December 31, 2022 ("Fiscal 2022") and January 1, 2022 ("Fiscal 2021").

### C. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect the Company's returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including contractual arrangements with the other vote holders of the investee, rights arising from other contractual arrangements and the Company's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity. In such circumstances, the carrying amounts of equity attributable to the shareholders of the Company and to non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

If the Company loses control of a subsidiary, it derecognizes the assets, liabilities, non-controlling interest and related equity components of the former subsidiary and measures any investment retained in the former subsidiary at its fair value at the date when control is lost. Any gain or loss is recognized in profit or loss.

**D. Going Concern**

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also describes the financial position of the Company, its cash-flows, liquidity position and borrowing facilities, the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk. Refer to Section VIII. Liquidity and Capital Resources of the Strategic Report herein for a detailed summary of the Company's borrowing headroom and Note 24: Financial Instruments and Risk Management to the Consolidated Financial Statements herein for details on the maturity profile of the Company's financial liabilities.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

**E. Associates**

An associate is an entity over which the Group, either directly or indirectly, is in a position to exercise significant influence by participating in, but not controlling or jointly controlling, the financial and operating policies of the entity.

Associates are accounted for using the equity method whereby the investments in associates are carried in the balance sheet at cost as adjusted for changes in the Company's share of the net assets of the associate, less any recognized impairment. Comprehensive income or losses recognized by the Company or its subsidiaries on transactions with an associate are eliminated to the extent of the Company's interest in the associate concerned.

Losses of an associate in excess of the Company's interest in the entity are not recognized, except to the extent that the Group has incurred obligations on behalf of the entity.

**F. Foreign currency translation**

Transactions denominated in currencies other than the entity's functional currency are translated into the entity's functional currency at the exchange rate prevailing on the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on the reporting date. Exchange differences arising from changes in exchange rates are recognized in profit or loss.

On consolidation, the results of operations of entities whose functional currency is other than the U.S. dollar are translated into U.S. dollars at the weighted average exchange rate for the period and their assets and liabilities are translated into U.S. dollars at the exchange rate prevailing on the balance sheet date. Currency translation differences are recognized within other comprehensive income ("OCI") as a separate component of accumulated OCI. In the event that a foreign operation is sold, or substantially liquidated, the cumulative currency translation differences that are attributable to the operation are reclassified to net income.

In the statement of cash flows, the cash flows of operations whose functional currency is other than the U.S. dollar are translated into U.S. dollars at the weighted average exchange rate for the period.

**G. Revenue**

Gates derives its revenue primarily from the sale of a wide range of power transmission and fluid power products and components for a large variety of industrial and automotive applications, both in the aftermarket and first-fit channels, throughout the world.

Revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In order to achieve this, we use the five step model outlined in IFRS 15: Revenue from Contracts with Customers. Specifically, we (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) we satisfy a performance obligation.

In the substantial majority of our agreements with customers, we consider accepted customer purchase orders, which in some cases are governed by master sales agreements, to represent the contracts with our customers. Revenue from the sale of goods under these contracts is measured at the invoiced amount, net of estimated returns, early settlement discounts and rebates. Taxes collected from customers relating to product sales and remitted to government authorities are excluded from revenues. Where a customer has the right to return goods, future returns are estimated based on historical returns profiles. Settlement discounts that may apply to unpaid invoices are estimated based on the settlement histories of the relevant customers. Our transaction prices often include variable consideration, usually in the form of discounts and rebates that may apply to issued invoices. The reduction in the transaction price for variable consideration requires that we make estimations of the expected total qualifying sales to the relevant customers. These estimates, including an analysis for potential constraint on variable consideration, take into account factors such as the nature of the rebate program, historical information and expectations of customer and consumer behavior. Overall, the transaction price is reduced to reflect our estimate of the consideration that is not probable of significant reversal.

We allocate the transaction price to each distinct performance obligation based on their relative standalone selling price. The product price as specified on the accepted purchase order is considered to be the standalone selling price.

In substantially all of our contracts with customers, our performance obligations are satisfied at a point in time, rather than over a period of time, when control of the product is transferred to the customer. This occurs typically at shipment. In determining whether control has transferred and the customer is consequently able to control the use of the product for their own benefit, we consider if there is a present right to payment, legal title and physical possession has been transferred, whether the risks and rewards of ownership have transferred to the customer, and if acceptance of the asset by the customer is more than perfunctory.

**H. Restructuring expenses**

Restructuring expenses are incurred in major projects undertaken to rationalize and improve our cost competitiveness. A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

**I. Business combinations**

A business combination is a transaction or other event in which the Company obtains control of one or more businesses. Business combinations are accounted for using the acquisition method.

Goodwill arising in a business combination is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquired business and, in a business combination achieved in stages, the fair value at the acquisition date of the Company's previously held equity interest in the acquired business, over the identifiable assets and liabilities of the acquired business at the acquisition date. If the identifiable assets and liabilities of the acquired business exceed the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquired business and the fair value at the acquisition date of any previously held equity interest, that excess is recognized as a gain in profit or loss.

Consideration transferred in a business combination is measured at the aggregate of the fair values of the assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control over the acquired business. Acquisition-related costs are recognized in profit or loss as incurred.

Any non-controlling interests in the acquired business are measured either at fair value or at the non-controlling interest's proportionate share of the identifiable assets and liabilities of the acquired business.

Identifiable assets and liabilities of the acquired business are measured at their fair value at the acquisition date, except for the following that are measured in accordance with the relevant accounting policy:

- pensions and other post-employment benefit arrangements;
- liabilities or equity instruments related to the replacement of share-based incentives awarded to employees of the acquired business;
- deferred tax assets and liabilities of the acquired business;
- assets or disposal groups classified as held for sale.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts where appropriate. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized at that date. The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

When a business combination is achieved in stages, the Company's previously held interests in the acquired business are remeasured to their fair value when the Company obtains control of the acquired business and the resulting gain or loss, if any, is recognized in profit or loss.

**J. Goodwill**

Goodwill arising in a business combination is recognized as an intangible asset and is allocated to the cash generated unit ("CGU") or group of CGUs that are expected to benefit from the synergies of the acquisition.

Where a number of CGUs or groups of CGUs are acquired in a business combination, the goodwill attributable to each of them is determined by allocating the purchase consideration in proportion to their respective business enterprise values and comparing the allocated purchase consideration with the fair value of the identifiable assets and liabilities of the CGU or group of CGUs.

Goodwill is not amortized but is tested at least annually for impairment and carried at cost less any recognized impairment. Impairment is determined by assessing the recoverable amount of the CGU to which goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized in profit and loss. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**K. Other intangible assets**

Other intangible assets are stated at cost less accumulated amortization and any recognized impairment losses.

*(i) Assets acquired in business combinations*

An acquired intangible asset with a finite useful life is amortized on a straight-line basis so as to charge its cost, which represents its fair value at the date of acquisition, to net income over the Company's expectation of its useful life, as follows:

| | |
|---|---|
| Customer relationships | 15 to 17 years |
| Technology | 5 to 7 years |

Acquired brands and trade names are considered to have an indefinite useful life and are not amortized but are tested at least annually for impairment and are carried at cost less any recognized impairment.

*(ii) Product development costs*

All research expenditure is charged to profit or loss in the period in which it is incurred.

Development expenditure is charged to profit or loss in the period in which it is incurred unless it relates to the development of a new or significantly improved product, it is incurred after the technical feasibility of the product has been proven, and customer orders have been received that are expected to provide income sufficient to cover the further development expenditure that will be incurred prior to the product going into full production. Capitalized development expenditure is amortized on a straight-line basis such that it is charged to profit or loss over the expected life of the resulting product.

*(iii) Computer software*

Computer software that is not integral to an item of property, plant and equipment is recognized separately as an intangible asset. Computer software is amortized on a straight-line basis over its estimated useful life, which ranges from 2 to 6 years.

**L. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any recognized impairment losses. Major improvements are capitalized. Expenditures for repairs and maintenance that do not extend the useful life of the asset for more than one accounting period are expensed as incurred.

Freehold land and assets under construction are not depreciated. The carrying values of property, plant and equipment are reviewed annually for indicators of impairment, or if events or changes in circumstances indicate that the carrying value may not be recoverable. Depreciation of property, plant and equipment, other than freehold land and assets under construction, is generally provided on a straight-line basis so as to charge the depreciable amount to profit or loss over the useful life of the asset as follows:

| | |
|---|---|
| Buildings and improvements | 30 to 40 years |
| Leasehold improvements | Shorter of lease term or useful life |
| Plant, equipment and vehicles | 2 to 20 years |

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds or costs and the carrying amount of the item) is included in the consolidated statement of profit or loss in the period that the item is derecognized.

**M. Leases**

Gates has a large number of leases covering a wide variety of tangible assets that are used in our operations across the world. The value of our global leases is concentrated in a relatively small number of real estate leases, which accounted for approximately 93% of the lease liability under non-cancellable leases as of December 31, 2022. The remaining leases are predominantly comprised of equipment and vehicle leases.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Right-of-use assets are measured at cost at the commencement date of the lease (i.e., the date the underlying asset is available for use), less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Gates recognizes lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets. In determining the impact of renewal options on the lease term, we consider various economic factors, including real estate strategies, the nature, length and underlying terms of the agreement, as well as the uncertainty of the condition of leased equipment at the end of the lease term.

Certain payments under our lease agreements, such as property taxes and utility costs, are excluded from the measurement of our right-of-use assets and lease liabilities and are recognized instead as variable payments in the period in which the obligation for those payments is incurred. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. A number of our leases, particularly real estate leases, include base rent escalation clauses. The majority of these are based on the change in a local consumer price or similar inflation index. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Gates does not have any significant leases containing residual value guarantees, restrictions or covenants. Additionally, as of December 31, 2022, there were no significant new leases that have not yet commenced.

The discount rate used to calculate the present value of the future minimum lease payments is the rate implicit in the lease, when readily available. As most of our leases do not have a readily determinable implicit rate, we discount the future minimum lease payments using an incremental borrowing rate which represents the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. We determine this rate at a country or lower level and take into account factors including currency, country risk premium, industry risk and adjustments for collateralized debt. Appropriate yield curves are used to derive different debt tenors to approximate the applicable lease term.

The discount rate is reassessed when there is a remeasurement of the lease liability that is not resulting from a change in an index or rate, which happens predominantly when there is a contract modification and that modification does not result in a separate contract.

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

**N. Impairment of non-current assets**

Goodwill, other intangible assets and property, plant and equipment are tested for impairment whenever events or circumstances indicate that their carrying amounts might be impaired. Additionally, goodwill, other intangible assets considered to have an indefinite useful life and any capitalized development expenditure relating to a product that is not yet in full production are subject to an annual impairment test.

An asset is impaired to the extent that its carrying amount exceeds its recoverable amount, which represents the higher of the asset's value in use and its fair value less costs to sell.

An asset's value in use represents the present value of the future cash flows expected to be derived from the continued use of the asset. Fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the CGU to which the asset belongs. An asset's CGU is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill does not generate cash flows independently of other assets and is, therefore, tested for impairment at the level of the CGU or group of CGUs to which it is allocated.

Where appropriate, impairment of long-lived assets other than goodwill is recognized before goodwill is tested for impairment. When goodwill is tested for impairment and the carrying amount of the CGU or group of CGUs to which the goodwill has been allocated exceeds its recoverable amount, the impairment is allocated first to reduce the carrying amount of the goodwill and then to the other long-lived assets belonging to the CGU or group of CGUs pro-rata on the basis of their carrying amounts.

Impairments are recognized in profit or loss. Impairments recognized in previous periods for long-lived assets other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount, but only to the extent that the carrying amount of the asset does not exceed its carrying amount had no impairment been recognized in previous periods. Impairments recognized in respect of goodwill are not reversed.

**O. Inventories**

Inventories are stated at the lower of cost and net realizable value, with due allowance for any excess, obsolete or slow-moving items. Cost represents the expenditure incurred in bringing inventories to their existing location and condition, which may include the cost of raw materials, direct labor costs, other direct costs and related production overheads. Cost is determined on a first in, first out basis. Net realizable value is the estimated selling price less costs to complete and sell.

**P. Financial instruments**

*(i) Trade receivables*

Trade accounts receivable represent the amount of sales of goods to customers, net of discounts and rebates, for which payment has not been received, less an allowance for expected credit losses. Our businesses develop their expected loss estimates based either on the aging profile of outstanding receivables or by applying an experience factor (either a percentage of sales or a percentage of open receivables). These methodologies are based primarily on historical trends and experience, but credit controllers also regularly assess individual customer accounts to identify any potential increases or decreases in the level of expected credit loss needed to be applied to each customer based on current circumstances and future expectations.

Movements in our allowance for expected credit losses during the periods presented are analyzed in Note 14.

*(ii) Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand, deposits available on demand and other short-term, highly-liquid investments with a maturity on acquisition of three months or less, and bank overdrafts. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

*(iii) Restricted cash*

Restricted cash, which is included in the prepaid expenses and other assets line in the consolidated balance sheet, includes cash given as collateral under letters of credit for insurance and regulatory purposes. Restricted cash as of December 31, 2022 was $3.0 million, compared to $2.7 million as of January 1, 2022 and January 3, 2021.

*(iv) Trade payables*

Trade payables represent the amount of invoices received from suppliers for purchases of goods and services for which payment has not been made.

*(v) Bank and other loans*

Bank and other loans are initially measured at fair value, net of directly attributable transaction costs, if any, and are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument. At each reporting date, amortized cost is therefore determined as the value of estimated future cash flows discounted at the effective interest rate.

*(vi) Derivative financial instruments*

From time to time, the Group uses derivative financial instruments, principally foreign currency swaps, forward foreign currency contracts and interest rate swaps, to reduce its exposure to exchange rate and interest rate movements. The Group does not hold or issue derivatives for speculative purposes.

Derivative financial instruments are recognized as assets and liabilities measured at their fair values at the balance sheet date. Changes in their fair values are recognized in profit or loss and this is likely to cause volatility in situations where the carrying value of the hedged item is not normally adjusted to reflect fair value changes arising from the hedged risk or is so adjusted but that adjustment is not recognized in profit or loss. Provided the conditions specified by IFRS 9 'Financial Instruments' are met, hedge accounting may be used to mitigate this volatility.

The Group does not generally apply hedge accounting to its 'transactional' foreign currency hedging relationships, such as hedges of forecast or committed transactions. It does, however, apply hedge accounting to its 'translational' foreign currency hedging relationships and to hedges of its interest rate exposures where it is permissible to do so under IFRS 9. When hedge accounting is used, the relevant hedging relationships are classified as a fair value hedge, a cash flow hedge or, in the case of a hedge of the Group's net investment in a foreign operation, a net investment hedge.

Each hedging instrument is designated in a 1:1 hedge ratio against an equivalent notional amount of hedged item. Should an insufficient amount of hedged item be available the hedging instrument will be dedesignated or proportionally designated as appropriate.

To the extent that the critical terms of the derivative are closely aligned with that of the hedged item, the entity applies a qualitative approach to establish the economic relationship between the hedging instrument and the hedged item. To the extent that there are more significant mismatches either at the inception of the hedging relationship or during the life of the hedge, the entity will apply quantitative methods such as regression testing and management judgments to assess effectiveness of the hedging relationship.

Where the hedging relationship is classified as a fair value hedge, the carrying amount of the hedged asset or liability is adjusted by the change in its fair value attributable to the hedged risk and the resulting gain or loss is recognized in profit or loss where, to the extent that the hedge is effective, it offsets the change in the fair value of the hedging instrument.

Where the hedging relationship is classified as a cash flow hedge or as a net investment hedge, to the extent the hedge is effective, the change in the fair value of the hedging instrument attributable to the hedged risk is recognized in OCI rather than in profit or loss. When the hedged item in a cash flow hedge is recognized in the financial statements, the accumulated gain or loss recognized in OCI is either transferred to profit or loss or, if the hedged item results in a non-financial asset, is recognized as an adjustment to the asset's initial carrying amount. In the event that a foreign operation that is designated as a hedged item in a net investment hedge is sold, the accumulated currency translation gain or loss on the hedging instrument that is recognized in OCI is transferred to profit or loss and included in the gain or loss on disposal of the foreign operation.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

*(vii) Contracts to buy or sell non-financial items*

From time to time, the Group enters into forward contracts to fix the price of energy and raw materials purchased for use in its manufacturing operations. Such contracts fall outside the scope of IFRS 9, provided that they were entered into and continue to be held for the purpose of receipt or delivery in accordance with the Group's expected purchase, sale or usage requirements. Where these conditions are not met, the contracts are classified and accounted for in the same way as derivative financial instruments.

*(viii) Embedded derivatives*

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host such that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. A derivative embedded in a non-derivative hybrid contract is separated from the host contract when its risks and characteristics are not closely related to those of the host contract and the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss. An embedded derivative that is separated from its host contract is presented as a separate asset or liability measured at fair value with changes in fair value recognized in profit or loss and is classed as a current or non-current asset or liability based on the cash flows of the hybrid contract.

*(viiii) Fair Value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36. Financial assets and liabilities that are held at fair value, or for which fair values are presented in these financial statements, have been categorized into one of three levels to reflect the degree to which observable inputs are used in determining the fair values. Where a change in the determination of the fair value of a financial asset or liability results in a transfer between the levels of the fair value hierarchy, the Group recognizes that transfer at the end of the reporting period.

**Q. Post-employment benefits**

Post-employment benefits comprise pension benefits provided to employees throughout the world and other benefits, mainly healthcare, provided to certain employees in North America.

For defined contribution plans, the cost of providing the benefits represents the Group's contributions to the plans and is recognized in profit or loss in the period in which the contributions fall due.

For defined benefit plans, the cost of providing the benefits is determined based on actuarial valuations of each of the plans that are carried out annually at the Group's balance sheet date by independent, qualified actuaries. Plan assets are measured at their fair value at the balance sheet date. Benefit obligations are measured on an actuarial basis using the projected unit credit method.

The cost of defined benefit plans recognized in profit or loss comprises the net total of the current service cost, the past service cost, gains or losses from settlements and the net interest cost or income. The current service cost represents the increase in the present value of the plan liabilities expected to arise from employee service in the current period. The past service cost is the change in the benefit obligation in respect of employee service in prior periods and which results from a plan amendment or curtailment. The past service cost may be either positive or negative and is recognized in profit or loss at the earlier of the date on which the plan amendment or curtailment occurs or the date on which the Group recognizes related restructuring costs or termination benefits. Gains or losses on settlements are recognized in the period in which they occur.

Net interest represents the net change in the defined benefit obligation and in the plan assets as a result of the passage of time and is calculated by applying a discount rate to the net defined benefit liability or asset at the beginning of the period. The discount rate used for this purpose is determined at the balance sheet date by reference to market yields on high-quality corporate bonds, where available, or on government bonds. Net interest is recognized within Other income (expenses).

Remeasurements, which are recognized in OCI in the period in which they occur, include actuarial gains and losses, differences between the actual return on plan assets and interest income on plan assets and changes in the asset ceiling (excluding any changes related to the passage of time). Remeasurements are not subsequently recycled through profit or loss.

The defined benefit liability or asset recognized in the balance sheet comprises the net total for each plan of the present value of the benefit obligation, minus the fair value of the plan assets at the balance sheet date. Where a plan is in surplus, the asset recognized is limited to the present value of any amounts that the Group expects to recover by way of refunds or a reduction in future contributions. The net total for all plans in surplus is classified as a non-current asset. The net total for all plans in deficit is classified as a non-current liability.

**R. Share-based incentives**

Share-based incentives are provided to employees under the Group's share option, bonus and other share award schemes. All share-award plans are equity settled, except for certain awards issued in the form of stock appreciation rights ("SARs") to employees in China, where local regulations necessitate a cash-settled award. These awards are therefore accounted for as liabilities rather than equity. The Group recognizes a compensation expense in respect of these schemes that is based on the fair value of the awards, which, where appropriate, is measured using either the Black-Scholes option-pricing formula or a Monte Carlo valuation model. Fair value is determined at the grant date and reflects market performance conditions and all non-vesting conditions. This fair value is not subsequently remeasured unless the conditions on which the award was granted are modified. If an award is modified, an additional compensation expense is recognized if and to the extent that the fair value of the modified award is higher than the fair value of the existing award both measured at the modification date.

Generally, the compensation expense is recognized on a straight-line basis over the vesting period. Adjustments are made to reduce the compensation expense to reflect expected and actual forfeitures during the vesting period due to failure to satisfy a service condition or a non-market performance condition.

In the event of a cancellation, whether by the Group or by a participating employee, or settlement of an award by the Group, the compensation expense that would have been recognized over the remainder of the vesting period is recognized immediately in profit or loss. Any payment made to the employee on cancellation or settlement is accounted for as the repurchase of an equity interest, except if the payment exceeds the market-based value of the award measured on the settlement date when the excess is recognized as an additional compensation expense.

**S. Provisions**

A provision is a liability of uncertain timing or amount and is generally recognized when the Group has a present obligation as a result of a past event, it is probable that payment will be made to settle the obligation and the payment can be estimated reliably. Provision is made for warranty claims when the relevant products are sold, based on historical experience of the nature, frequency and average cost of warranty claims.

Provision is made for the cost of product recalls if management considers it probable that it will be necessary to recall a specific product and the amount can be reasonably estimated.

Provision is made for restructuring costs when a detailed formal plan for the restructuring has been determined and the plan has been communicated to the parties that may be affected by it. Gains from the expected disposal of assets are not taken into account in measuring restructuring provisions and provisions are not made for future operating losses.

Provision is made for claims for compensation for injuries sustained by the Group's employees while at work. The provision represents management's best estimate of the liability for claims made but not yet fully settled and for incidents which have occurred but have not yet been reported to the Group. The Group's liability for claims made but not yet fully settled is calculated on an actuarial basis by a third party administrator. Historical data trends are used to estimate the liability for unreported incidents.

**T. Taxation**

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period. Taxable profit differs from accounting profit because it excludes items of income or expense that are recognized in the period for accounting purposes but are either not taxable or deductible for tax purposes or are taxable or deductible in other periods. Current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

The Group recognizes provisions in respect of uncertain tax positions whereby additional current tax may become payable in future periods following the audit by the tax authorities of previously-filed tax returns. Provisions for uncertain tax positions are based upon management's assessment of the likely outcome of issues associated with assumed permanent differences, interest that may be applied to temporary differences, and the possible disallowance of tax credits and penalties. Provisions for uncertain tax positions are reviewed regularly and are adjusted to reflect events such as the expiry of limitation periods for assessing tax, administrative guidance given by the tax authorities and court decisions.

Deferred tax is tax expected to be payable or recoverable on differences between the carrying amount of an asset or a liability and its tax base used in the computation of taxable profit. Deferred tax is accounted for using the liability method, whereby deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available in the foreseeable future against which the deductible temporary differences may be utilized.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction other than a business combination that affects neither accounting profit nor taxable profit.

Deferred tax is provided on temporary differences arising on investments in foreign subsidiaries and associates, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the temporary difference will reverse in the foreseeable future.

Deferred tax is calculated using the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the amounts and management intends to settle on a net basis. Deferred tax assets and deferred tax liabilities are offset where there is a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Current and deferred tax is recognized in profit or loss unless it relates to an item that is recognized in the same or a different period outside profit or loss, in which case it too is recognized outside profit or loss, either in OCI or directly in equity.

### U. Accounting pronouncements not yet adopted

Except for the following accounting standards below, we have determined that there are no additional standards and interpretations issued by the IASB which would be material to our financial statements, for the current reporting period. Recently-issued accounting pronouncements that may be relevant to the Group, but have not yet been adopted are outlined below.

| Standard | Title | Applicable for fiscal years beginning on or after |
|---|---|---|
| Amendments to IAS 16 [1] | Property, Plant and Equipment - Proceeds before Intended Use | January 1, 2022 |
| Amendments to IAS 8 | Definition of accounting estimates | January 1, 2023 |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | January 1, 2023 |
| IAS 1 (amendments)[1] | Classification of Liabilities as Current or Non-current - Deferral of Effective Date (IAS 1 amendments) | January 1, 2023 |
| IAS 1 (amendments)[1] | Disclosure of accounting policies | January 1, 2023 |

(1) The Group has evaluated the impact of applying these accounting standards on the consolidated financial statements and determined the implementation of these standards to be immaterial.

### V. New and amended IFRS Standards that are effective for the current year

Except for the following accounting standards below, we have determined that there are no additional standards and interpretations issued by the IASB in the current year which would be material to our financial statements, for the current reporting period. Recently-issued accounting pronouncements that may be relevant to the Group in the current year, but have not yet been adopted are outlined below.

| Standard | Title | Applicable for fiscal years beginning on or after |
|---|---|---|
| Amendments to IAS 16 [1] | Property, Plant and Equipment - Proceeds before Intended Use | January 1, 2022 |

(1) The Group has evaluated the impact of applying these accounting standards on the consolidated financial statements and determined the implementation of these standards to be immaterial.

### 3. First-time adoption of IFRS

For all periods up to and including the year ended January 1, 2022, the Company prepared its financial statements in accordance with U.S. GAAP, under an exemption permitted by Statutory Instrument 2015/1675: "*The Accounting Standards (Prescribed Bodies) (United States of America and Japan) Regulations 2015*", which permitted consolidated financial statements to be prepared and filed in accordance with U.S. GAAP rather than IFRS. These financial statements, for the year ended December 31, 2022, including the comparative period data for the year ended January 1, 2022, have been prepared for the first time in accordance with IFRS, on the basis of our accounting policies determined in accordance with IFRS as described in the summary of significant accounting policies. The Company has prepared an opening balance sheet under IFRS as of the date of adoption of January 3, 2021. This note explains the principal adjustments made in restating the U.S. GAAP financial statements, including the balance sheet as of January 3, 2021, to IFRS.

**Exemptions applied**

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

- IFRS 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before January 3, 2021. Use of this exemption means that the US GAAP carrying amounts of assets and liabilities, that are required to be recognized under IFRS, are their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognize any assets or liabilities that were not recognized under the US GAAP or exclude any previously recognized amounts as a result of IFRS recognition requirements.

  IFRS 1 also requires that the US GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets, if applicable). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. There was no impairment recognized on goodwill at January 3, 2021.

- The Group has not applied IAS 21 *The Effects of Changes* in Foreign Exchange Rates retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- IFRS 2 *Share-based Payment* has not been applied to equity instruments in share-based payment transactions that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before January 3, 2021. For cash-settled share-based payment transactions, the Group has not applied IFRS 2 to liabilities that were settled before January 3, 2021.

- Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 3, 2021. Right-of-use assets were measured at the carrying amounts as if IFRS 16 had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at the date of transition to IFRS.

**Estimates**

The estimates as of January 1, 2022 and as of January 3, 2021 are consistent with those made for the same dates in accordance with U.S. GAAP (after adjustments to reflect any differences in accounting policies).

**Consolidated Balance Sheet as of January 3, 2021 (date of transition to IFRS)**

**Reconciliation from U.S. GAAP to IFRS**

| (dollars in millions) | US GAAP | Reclassification and Remeasurements | IFRS |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | $ 521.4 | $ — | $ 521.4 |
| Trade and other receivables | 848.4 | (4.8) | 843.6 |
| Inventories | 508.2 | — | 508.2 |
| Taxes receivable | 28.6 | — | 28.6 |
| **Total current assets** | **1,906.6** | **(4.8)** | **1,901.8** |
| Property, plant and equipment | 705.0 | (4.1) | 700.9 |
| Goodwill | 2,120.2 | — | 2,120.2 |
| Intangible assets | 1,788.6 | 44.1 | 1,832.7 |
| Pension surplus | 69.3 | 0.1 | 69.4 |
| Right-of-use assets | 120.9 | 12.3 | 133.2 |
| Taxes receivable | 26.5 | — | 26.5 |
| Deferred tax assets | 672.6 | 6.8 | 679.4 |
| Other non-current assets | 16.6 | — | 16.6 |
| **Total non-current assets** | **5,519.7** | **59.2** | **5,578.9** |
| **Total assets** | **$ 7,426.3** | **$ 54.4** | **$ 7,480.7** |
| **Current liabilities** | | | |
| Interest-bearing loans and borrowings | $ 42.7 | $ — | $ 42.7 |
| Trade and other payables | 646.9 | (3.7) | 643.2 |
| Current tax liabilities | 14.0 | — | 14.0 |
| Lease liabilities | 22.7 | 1.0 | 23.7 |
| **Total current liabilities** | **726.3** | **(2.7)** | **723.6** |
| Interest-bearing loans and borrowings | 2,666.0 | (15.3) | 2,650.7 |
| Post-retirement benefit obligations | 142.5 | 7.9 | 150.4 |
| Lease liabilities | 113.6 | 12.2 | 125.8 |
| Taxes payable | 111.5 | — | 111.5 |
| Deferred tax liabilities | 360.4 | 8.7 | 369.1 |
| Other non-current liabilities | 121.0 | (2.7) | 118.3 |
| **Total non-current liabilities** | **3,515.0** | **10.8** | **3,525.8** |
| **Total liabilities** | **4,241.3** | **8.1** | **4,249.4** |
| **Net Assets** | **$ 3,185.0** | **$ 46.3** | **$ 3,231.3** |
| **Equity** | | | |
| Share capital | 2.9 | — | 2.9 |
| Share premium account | 2,456.8 | (2,453.5) | 3.3 |
| Other reserves | (805.4) | 1,616.9 | 811.5 |
| Retained earnings | 1,151.4 | 882.6 | 2,034.0 |
| **Total shareholders' equity** | **2,805.7** | **46.0** | **2,851.7** |
| Non-controlling interests | 379.3 | 0.3 | 379.6 |
| **Total equity** | **$ 3,185.0** | **$ 46.3** | **$ 3,231.3** |

**Consolidated Balance Sheet as of January 1, 2022**

**Reconciliation from U.S. GAAP to IFRS**

| (dollars in millions) | US GAAP | Reclassification and Remeasurements | IFRS |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | $ 658.2 | $ — | $ 658.2 |
| Trade and other receivables | 918.8 | (13.6) | 905.2 |
| Inventories | 682.6 | 9.3 | 691.9 |
| Taxes receivable | 19.1 | — | 19.1 |
| **Total current assets** | **2,278.7** | **(4.3)** | **2,274.4** |
| Property, plant and equipment | 670.3 | (4.1) | 666.2 |
| Goodwill | 2,063.0 | — | 2,063.0 |
| Intangible assets | 1,642.2 | 44.0 | 1,686.2 |
| Pension surplus | 75.5 | (0.1) | 75.4 |
| Right-of-use assets | 124.2 | 9.1 | 133.3 |
| Taxes receivable | 15.7 | — | 15.7 |
| Deferred tax assets | 639.3 | 14.5 | 653.8 |
| Other non-current assets | 24.1 | (7.7) | 16.4 |
| **Total non-current assets** | **5,254.3** | **55.7** | **5,310.0** |
| **Total assets** | **$ 7,533.0** | **$ 51.4** | **$ 7,584.4** |
| **Current liabilities** | | | |
| Interest-bearing loans and borrowings | $ 38.1 | $ (0.1) | $ 38.0 |
| Trade and other payables | 761.7 | (0.5) | 761.2 |
| Current tax liabilities | 34.1 | — | 34.1 |
| Lease liabilities | 22.0 | 2.3 | 24.3 |
| **Total current liabilities** | **855.9** | **1.7** | **857.6** |
| Interest-bearing loans and borrowings | 2,526.5 | (62.6) | 2,463.9 |
| Post-retirement benefit obligations | 106.2 | 6.8 | 113.0 |
| Lease liabilities | 116.4 | 9.5 | 125.9 |
| Taxes payable | 103.7 | — | 103.7 |
| Deferred tax liabilities | 283.7 | 2.4 | 286.1 |
| Other non-current liabilities | 59.2 | (9.3) | 49.9 |
| **Total non-current liabilities** | **3,195.7** | **(53.2)** | **3,142.5** |
| **Total liabilities** | **4,051.6** | **(51.5)** | **4,000.1** |
| **Net Assets** | **$ 3,481.4** | **$ 102.9** | **$ 3,584.3** |
| **Equity** | | | |
| Share capital | 2.9 | — | 2.9 |
| Share premium account | 2,484.1 | (2,476.2) | 7.9 |
| Other reserves | (825.2) | 1,596.6 | 771.4 |
| Retained earnings | 1,437.9 | 982.2 | 2,420.1 |
| **Total shareholders' equity** | **3,099.7** | **102.6** | **3,202.3** |
| Non-controlling interests | 381.7 | 0.3 | 382.0 |
| **Total equity** | **$ 3,481.4** | **$ 102.9** | **$ 3,584.3** |

**Consolidated Statement of Comprehensive Income for the year ended January 1, 2022**

**Reconciliation from U.S. GAAP to IFRS**

| (dollars in millions) | US GAAP | Reclassification and Remeasurements | IFRS |
|---|---|---|---|
| Revenue | $ 3,474.4 | $ — | $ 3,474.4 |
| Cost of sales | (2,135.2) | 12.3 | (2,122.9) |
| **Gross profit** | **1,339.2** | **12.3** | **1,351.5** |
| Selling and distribution costs | (284.5) | — | (284.5) |
| Finance and administrative expenses | (515.2) | (1.0) | (516.2) |
| Research and development costs | (60.4) | — | (60.4) |
| Transaction-related expenses | (3.7) | — | (3.7) |
| Other operating income (expenses) | 8.7 | — | 8.7 |
| **Operating profit from continuing operations** | **484.1** | **11.3** | **495.4** |
| Interest expense | (133.5) | 41.3 | (92.2) |
| Interest Income | 3.2 | — | 3.2 |
| Other expenses | (4.1) | (6.6) | (10.7) |
| **Profit before tax from continuing operations** | **349.7** | **46.0** | **395.7** |
| Income tax expense | (18.4) | 1.8 | (16.6) |
| **Profit for the year from continuing operations** | **331.3** | **47.8** | **379.1** |
| Loss for the year from discontinued operations | — | — | — |
| **Profit for the year** | **$ 331.3** | **$ 47.8** | **$ 379.1** |
| | | | |
| **Attributable to:** | | | |
| Owners of the parent | 297.1 | 47.9 | 345.0 |
| Non-controlling interests | 34.2 | (0.1) | 34.1 |
| | **$ 331.3** | **$ 47.8** | **$ 379.1** |

| (dollars in millions) | US GAAP | Reclassification and Remeasurements | IFRS for the year ended January 1, 2022 |
|---|---|---|---|
| **Profit for the year** | $ 331.3 | $ 47.8 | $ 379.1 |
| **Other comprehensive (loss) income** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Foreign currency translation: | | | |
| — Net translation (loss) gain on foreign operations | (105.6) | (0.4) | (106.0) |
| — Gain (loss) on net investment hedges | 33.8 | 3.6 | 37.4 |
| Cash flow hedges (Interest rate derivatives): | | | |
| — (Loss) gain arising in the period | 8.8 | (1.8) | 7.0 |
| — Reclassification to net income | 16.2 | — | 16.2 |
| | **(46.8)** | **1.4** | **(45.4)** |
| **Items that will not be reclassified subsequently to profit or loss (net of tax):** | | | |
| Post-retirement benefits: | | | |
| — Remeasurement of net defined benefit liabilities | 21.7 | 4.5 | 26.2 |
| | **21.7** | **4.5** | **26.2** |
| Other comprehensive (loss) income | **(25.1)** | **5.9** | **(19.2)** |
| **Total comprehensive income (loss) for the year** | **$ 306.2** | **$ 53.7** | **$ 359.9** |
| Comprehensive loss attributable to shareholders: | | | |
| — Income (loss) arising from continuing operations | $ 277.3 | $ 53.7 | $ 331.0 |
| — (Loss) income arising from discontinued operations | — | — | — |
| | **277.3** | **53.7** | **331.0** |
| **Total comprehensive income attributable to non-controlling interests** | 28.9 | — | 28.9 |
| **Total comprehensive income (loss) for the year** | **$ 306.2** | **$ 53.7** | **$ 359.9** |

**Notes to the reconciliations of equity as of January 3, 2021 and January 1, 2022 and total comprehensive income for the year ended January 1, 2022**

**A. Inventories**

Under US GAAP, cost of inventories is generally determined on a first in, first out ("FIFO") basis, but the cost of certain inventories is determined on a last in, first out ("LIFO") basis. Under IFRS, inventories are not allowed to be recognized on LIFO basis. As such, adjustment of $9.3 million related to remeasuring inventories on the LIFO basis is reversed against cost of sales for the year ended January 1, 2022.

**B. Leases**

Under US GAAP, a lease is classified as a finance lease or an operating lease under the requirements of *ASC 842: Leases*. Under IFRS, as explained in Note 2, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. At the date of transition to IFRS, the Group applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets were measured at the carrying amounts as if IFRS 16 had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. As a result, the Group recognized an increase of $13.2 million (January 1, 2022: $11.8 million) of lease liabilities and $12.3 million (January 1, 2022: $9.1 million) of right-of-use assets as of the date of transition to IFRS. The difference between lease liabilities and right-of-use assets has been recognized in retained earnings as of the date of transition to IFRS.

Under US GAAP, assets held under finance leases are capitalized and included in property, plant and equipment. Under IFRS, they are presented in right-of-use assets. At the date of transition to IFRS, $4.1 million (January 1, 2022: $4.1 million) was reclassified from property, plant and equipment to right-of-use assets. Additionally, depreciation increased by $25.8 million ($7.1 million was included in cost of sales, $18.7 million was included in administrative expenses) and finance costs increased by $5.4 million for the year ended January 1, 2022.

**C. Financial Instruments - Derivatives and Hedging**

Under US GAAP, we recognize all derivative financial instruments as either assets or liabilities at fair value on the balance sheet date. Under IFRS, certain definitions such as hedging effectiveness, excluded components, and treatment for change in the counterparty to a hedging instrument are different from US GAAP. Such differences resulted in net fair value adjustment of $3.0 million at the date of transition to IFRS (January 1, 2022: $1.8 million).

**D. Financial Instruments - Debt modifications**

Under US GAAP, when there is a modification or exchange of a debt instrument, and the original and new debt instruments are not substantially different, a new effective interest rate shall be determined based on the carrying amount of the original debt instrument, reflecting the modified terms. Therefore, the entity does not recognize a gain or loss as a result of a non-substantial modification. Additionally, third-party costs such as legal fees are expensed as incurred if no extinguishment occurs.

Under IFRS, for modifications that do not result in derecognition of the original debt and subsequent issuance of new debt, an entity recognizes any adjustment to the amortized cost of the financial liability arising from such a modification or exchange in profit or loss at the date of the modification or exchange as a gain/loss on modification. If no extinguishment occurs, third-party costs and fees paid or received from the creditor are not expensed but rather amortized using the effective interest method.

Since 2017, the Group had several amendments to our outstanding Dollar and Euro Term Loans (See Note 23 for further information). Although such amendments did not change the conclusion of whether the a loan should be considered as substantially different, the differences in debt modification treatment under IFRS resulted in a reduction of $15.3 million to the debt carrying value and retained earnings at the date of transition to IFRS, and a net decrease of $43.4 million to the debt carrying value and debt modification gain netting against interest expense for the year ended January 1, 2022.

**E. Post-retirement benefits**

Under US GAAP, the Group recognized net obligation or surplus for defined benefit plans arising from providing the benefits as a liability or an asset determined by actuarial valuations of each of the plans under the requirements of ASC 715: *Compensation—retirement benefits*. Certain definition, assumptions, and measurements are different under IFRS requirements under IAS 19, *Employee Benefits*. As such, the Group recognized various adjustments in relation to pension surpluses or obligations, pension related adjustments through profit or loss, and effects of remeasurements through other comprehensive income or loss.

**F. Share-based compensations**

Under US GAAP, the Group recognized payroll tax liabilities related to share-based payment awards on the date that the measurement and payment of the tax is triggered. Under IFRS Standards, IFRS 2 does not specifically address the accounting for payroll taxes related to share-based payments. However, the Group applied the principles defined by IAS 19, *Employee Benefits* to recognize liability for payroll taxes is built up over the vesting period as services are provided. As a result, the Group recognized an increase of $6.3 million payroll tax liabilities against retained earnings as of January 3, 2021, and an $2.5 million increase of payroll tax liabilities and shared-based compensations through finance and administrative expenses for the year ended January 1, 2022.

**G. Reversal in intangible asset impairment**

In 2015, Gates recognized $44.0 million impairment in relation to the indefinite-lived brands and trade name intangibles. The impairment was due to shortfall of value in use developed using relief from the royalty method and was driven by the revenue forecast. Under IAS36, such impairment should be reversed when evidence is available from internal reporting that indicates that the economic performance of the asset is, or will be, better than expected. This resulted in reversal of the $44.0 million impairment, which increased the carrying value of brands and trade name intangibles through retained earnings as of the date of transition to IFRS.

**H. Taxation and deferred taxes**

The various transitional adjustments resulted in various temporary differences. Gates has to recognize the tax effects of such differences. Deferred tax adjustments are recognized in correlation to the underlying transaction either in retained earnings or a separate component of equity. Differences primarily relate to changes in tax rates on items in other comprehensive income as well as stock based compensation recognition.

**4. Critical Accounting Estimates & Judgments**

**A. Background**

When applying the Company's accounting policies, management must make assumptions, estimates and judgments concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date, the disclosure of contingencies that existed at the balance sheet date and the amounts of revenue and expenses recognized during the accounting period. Such assumptions, estimates and judgments are based on factors such as historical experience, the observance of trends in the industries in which the Company operates and information available from the Company's customers and other outside sources.

In applying the Company's accounting policies, which are described in Note 2, the directors are required to make judgments (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Group's accounting policies**

The following are the critical judgments, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

**A. Leases - Estimating the incremental borrowing rate**

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Climate change is a global challenge and emerging risk to businesses, people and the environment across the world. Although commitments we have made to date form part of the cash flow projections within our going concern and impairment assessments, the impact of climate change is not judged to have been a key driver in determining the outcomes of these exercises and is therefore not currently classified as a key source of estimation uncertainty. The Group will continue to review this classification as the assessment of the impacts, risk and opportunities presented by climate change and the Group's commitments to address the challenges presented evolve over the coming years.

**B. Post-employment benefits**

The Company operates pension plans throughout the world. Pension benefits are provided by way of both defined contribution plans and defined benefit plans. The Company's defined benefit pension plans are closed to new entrants. The Company also provides other post-employment benefits, principally health and life insurance coverage, to certain of its employees in North America by way of unfunded defined benefit plans.

The Company accounts for post-employment benefits in accordance with IAS 19 'Employee Benefits', whereby the cost of defined benefit plans is determined based on actuarial valuations of the plans that are carried out annually at the Company's balance sheet date. The actuarial valuations are dependent on assumptions about the future that are made by management on the advice of independent qualified actuaries.

If actual experience differs from these assumptions, there could be a material change in the amounts recognized by the Company in respect of defined benefit plans in the next financial year.

As of December 31, 2022, the present value of the benefit obligation was $525.6 million. The present value of the benefit obligation is calculated by discounting the benefit obligation using market yields on high-quality corporate bonds at the balance sheet date. In addition, assumptions are made in determining future salary increases, mortality and inflation rates to be used when valuing the plan's defined benefit obligations. As of December 31, 2022, the fair value of the plan assets was $482.3 million. The plan assets consist largely of listed securities and their fair values are subject to fluctuation in response to changes in market conditions.

Effects of changes in the actuarial assumptions underlying the benefit obligation, effects of changes in the discount rate applicable to the benefit obligation and effects of differences between the expected and actual return on the plan assets are classified as actuarial gains and losses and are recognized in other comprehensive income. During 2022, the Company recognized a net remeasurement loss of $38.3 million.

Further details of the assumptions applied and a sensitivity analysis on the principal assumptions used to determine the defined benefit liabilities of the Group's obligations are shown in Note 26. Whilst actual movements might be different to sensitivities shown, these are a reasonably possible change that could occur.

**C. Taxation**

The Company is subject to income tax in most of the jurisdictions in which it operates. Management is required to exercise significant judgment in determining the Company's provision for income taxes.

Estimation is required of taxable profit in order to determine the Company's current tax liability. Management's judgment is required in relation to uncertain tax positions whereby additional current tax may become payable in the future following the audit by the tax authorities of previously-filed tax returns. It is possible that the final outcome of these uncertain tax positions may differ from management's estimates. As of December 31, 2022, if all unrecognized income tax benefits were recognized, the net impact on the provision for income taxes which would impact the annual effective tax rate would be $60.9 million, including all competent authority offsets.

Estimation is also required of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax liabilities are recognized for all taxable temporary differences but, where there exist deductible temporary differences, management's judgment is required as to whether a deferred tax asset should be recognized based on the availability of future taxable profits. As of December 31, 2022, the Company recognized net deferred tax assets amounting to $409.3 million - refer to Note 25 Deferred Tax herein for a detailed summary of deferred assets and liabilities. Deferred tax assets of $1,273.9 million were not recognized in respect of tax losses carried forward $1,009.1 million, capital losses carried forward $176.0 million and U.S. foreign tax credits carried forward $54.8 million. It is possible that the deferred tax assets actually recoverable may differ from the amounts recognized if actual taxable profits differ from management's estimates.

As of December 31, 2022, income and withholding taxes in the various tax jurisdictions in which Gates operates have not been provided on approximately $1,660.4 million of taxable temporary differences related to the investments in the Company's subsidiaries. These temporary differences represent the estimated excess of the financial reporting over the tax basis in our investments in those subsidiaries, which are primarily the result of purchase accounting adjustments. These temporary differences are not expected to reverse in the foreseeable future but could become subject to income and withholding taxes in the various tax jurisdictions in which Gates operates if they were to reverse. The amount of unrecognized deferred income tax liability on these taxable temporary differences has not been determined because the hypothetical calculation is not practicable due to the uncertainty as to how they may reverse. However, Gates has recognized a deferred income tax liability of $18.6 million on taxable temporary differences related to undistributed earnings of the Company's subsidiaries.

**5. Segment information**

**A. Background**

The segment information provided in these consolidated financial statements reflects the information that is used by the chief operating decision maker for the purposes of making decisions about allocating resources and in assessing the performance of each segment. The chief executive officer ("CEO") of Gates serves as the chief operating decision maker. These decisions are based principally on revenue and Adjusted EBITDA (defined below).

**B. Operating segments and segment assets**

Gates manufactures a wide range of power transmission and fluid power products and components for a large variety of industrial and automotive applications, both in the aftermarket and first-fit channels, throughout the world.

Our reportable segments are identified on the basis of our primary product lines, as this is the basis on which information is provided to the CEO for the purposes of allocating resources and assessing the performance of Gates' businesses. Our operating and reporting segments are therefore Power Transmission and Fluid Power.

Segment asset information is not provided to the chief operating decision maker and therefore segment asset information has not been presented. Due to the nature of Gates' operations, cash generation and profitability are viewed as the key measures rather than an asset base measure.

### C. Segment revenue and disaggregated revenue

Sales between reporting segments and the impact of such sales on Adjusted EBITDA for each segment are not included in internal reports presented to the CEO and have therefore not been included below.

| | For the year ended | |
|---|---|---|
| (dollars in millions) | December 31, 2022 | January 1, 2022 |
| Power Transmission | $ 2,173.7 | $ 2,216.3 |
| Fluid Power | 1,380.5 | 1,258.1 |
| **Revenue** | **$ 3,554.2** | **$ 3,474.4** |

Our commercial function is organized by region and therefore, in addition to reviewing revenue by our reporting segments, the CEO also reviews revenue information disaggregated by region, including between emerging and developed markets.

The following table summarizes our revenue by key geographic region of origin:

| | For the year ended | | | |
|---|---|---|---|---|
| | December 31, 2022 | | January 1, 2022 | |
| (dollars in millions) | Power Transmission | Fluid Power | Power Transmission | Fluid Power |
| U.S. | $ 636.8 | $ 733.3 | $ 621.8 | $ 615.5 |
| North America, excluding U.S. | 205.6 | 208.8 | 179.8 | 193.8 |
| United Kingdom ("U.K.") | 45.1 | 68.9 | 50.2 | 58.3 |
| EMEA[(1)], excluding U.K. | 598.3 | 200.0 | 640.6 | 198.8 |
| East Asia and India | 295.5 | 75.4 | 308.6 | 86.3 |
| Greater China | 300.3 | 44.4 | 344.2 | 67.8 |
| South America | 92.1 | 49.7 | 71.1 | 37.6 |
| **Revenue** | **$ 2,173.7** | **$ 1,380.5** | **$ 2,216.3** | **$ 1,258.1** |

(1) Europe, Middle East and Africa ("EMEA").

The following table summarizes our revenue into emerging and developed markets:

| | For the year ended | |
|---|---|---|
| (dollars in millions) | December 31, 2022 | January 1, 2022 |
| Developed | $ 2,281.4 | $ 2,214.6 |
| Emerging | 1,272.8 | 1,259.8 |
| **Revenue** | **$ 3,554.2** | **$ 3,474.4** |

### D. Measure of segment profit or loss

The CEO uses Adjusted EBITDA, as defined below, to measure the profitability of each segment. Adjusted EBITDA is, therefore, the measure of segment profit or loss presented in Gates' segment disclosures. The Group believes that this alternate performance measure, which is not considered to be a substitute for or superior to consolidated financial statement statutory measures, provides stakeholders with additional helpful information on the performance of the business.

"EBITDA" represents net income for the period before net interest and other (income) expenses, income taxes, depreciation and amortization.

Adjusted EBITDA represents EBITDA before certain items that are considered to hinder comparison of the performance of our businesses on a period-over-period basis or with other businesses. During the periods presented, the items excluded from EBITDA in computing Adjusted EBITDA primarily included:

- non-cash charges in relation to share-based compensation;
- transaction-related expenses incurred in relation to business combinations and major corporate transactions, including the acquisition of businesses, and equity and debt transactions;

- impairments of assets;
- restructuring expenses, including severance-related expenses; and
- fees paid to our private equity sponsor for monitoring, advisory and consulting services.

Adjusted EBITDA by segment was as follows:

| | For the year ended | |
|---|---|---|
| (dollars in millions) | December 31, 2022 | January 1, 2022 |
| Power Transmission | $ 418.1 | $ 521.4 |
| Fluid Power | 287.8 | 251.5 |
| **Adjusted EBITDA** | **$ 705.9** | **$ 772.9** |

Reconciliation of net income from continuing operations to Adjusted EBITDA:

| | For the year ended | |
|---|---|---|
| (dollars in millions) | December 31, 2022 | January 1, 2022 |
| Adjusted EBITDA | $ 705.9 | $ 772.9 |
| Depreciation and amortization | (242.5) | (248.4) |
| Share-based compensation expense | (44.3) | (24.6) |
| Transaction-related expense [(1)] | (2.1) | (3.7) |
| Asset impairments | (1.1) | (0.6) |
| Restructuring expenses | (9.5) | (7.4) |
| Inventory impairments (included in cost of sales) | (1.5) | (1.4) |
| Severance expenses (included in cost of sales) | (0.8) | — |
| Severance expenses (included in SG&A) | (0.5) | (0.7) |
| Other operating (income) expenses | (0.2) | 9.3 |
| **Operating Profit from continuing operations** | **403.4** | **495.4** |
| Interest expense | (164.8) | (92.2) |
| Interest Income | 3.6 | 3.2 |
| Other income (expense) | 2.1 | (10.7) |
| **Profit before taxes from continuing operations** | **244.3** | **395.7** |
| Income tax expense | (19.3) | (16.6) |
| **Profit for the year from continuing operations** | **$ 225.0** | **$ 379.1** |

(1) Transaction-related expenses relate primarily to advisory fees and other costs recognized in respect of major corporate transactions, including the acquisition of businesses, and equity and debt transactions.

**E. Selected geographic information**

| (dollars in millions) | As of December 31, 2022 | As of January 1, 2022 |
|---|---|---|
| **Property, plant and equipment, net by geographic location** | | |
| U.S. | $ 165.9 | $ 172.3 |
| Rest of North America | 125.2 | 126.3 |
| U.K. | 28.4 | 32.5 |
| Europe | 158.8 | 149.2 |
| Asia | 38.7 | 45.5 |
| Greater China | 100.1 | 124.7 |
| South America | 16.9 | 15.7 |
| | **$ 634.0** | **$ 666.2** |

**F. Information about major customers**

Gates has a significant concentration of sales in the U.S., which accounted for 39.6% of Gates' revenue by destination from continuing operations during Fiscal 2022, compared to 36.3% during Fiscal 2021. During Fiscal 2022 and Fiscal 2021, no single customer accounted for more than 10% of Gates' revenue. Two customers of our North America businesses accounted for 15.3% and 8.4%, respectively, of our total trade accounts receivable balance as of December 31, 2022, compared to 13.9% and 10.0%, respectively, as of January 1, 2022. These concentrations are due to the extended payment terms common in the industry in which these businesses operate.

**6. Restructuring and other strategic initiatives**

Gates continues to undertake various restructuring and other strategic initiatives to drive increased productivity in all aspects of our operations. These actions include efforts to consolidate our manufacturing and distribution footprint, scale operations to current demand levels, streamline our selling, general and administrative ("SG&A") back-office functions and relocate certain operations to lower cost locations.

Overall costs associated with our restructuring and other strategic initiatives have been recognized in the consolidated statements as set forth below.

| | For the year ended | |
|---|---|---|
| (dollars in millions) | December 31, 2022 | January 1, 2022 |
| Restructuring expenses: | | |
| —Severance expenses | $ 4.9 | $ 0.7 |
| —Non-severance labor and benefit expenses | 0.5 | 2.5 |
| —Consulting expenses | 1.8 | 2.2 |
| —Other net restructuring expenses | 2.3 | 2.0 |
| | **9.5** | **7.4** |
| Restructuring expenses in asset impairments: | | |
| —Impairment of fixed assets | 1.1 | 0.6 |
| Restructuring expenses in cost of sales: | | |
| —Impairment of inventory | 1.5 | 1.4 |
| **Total restructuring expenses** | **$ 12.1** | **$ 9.4** |
| Expenses related to other strategic initiatives: | | |
| —Severance expenses included in cost of sales | $ 0.8 | $ — |
| —Severance expenses included in SG&A | 0.5 | 0.7 |
| **Total expenses related to other strategic initiatives** | **$ 1.3** | **$ 0.7** |

Restructuring and other strategic initiatives during Fiscal 2022 related primarily to our ongoing European reorganization, including $2.5 million of labor, severance, and other costs related to relocating certain production activities within Europe during Fiscal 2022, in addition to severance costs of $2.4 million during the year related to relocation and integration of certain support functions into our regional shared service center. We also incurred $3.5 million of costs during Fiscal 2022 in relation to the suspension of our operations in Russia, which included severance costs of $0.7 million, an impairment of inventories of $1.1 million (recognized in cost of sales), and an impairment of fixed and other assets of $1.1 million (recognized in asset impairments). Other restructuring costs incurred during the period related to facility relocations and other legal and consulting costs.

Restructuring and other strategic initiative costs, including asset impairments, of $9.4 million were recognized during Fiscal 2021, including $3.4 million of primarily severance and other labor-related expenses related principally to our European reorganization involving office and distribution center closures or downsizings and the implementation of a regional shared service center, and $3.7 million of additional costs related to the closure in 2020 of a manufacturing facility in Korea, including impairment of fixed assets of $0.6 million. Also during Fiscal 2021, we incurred $1.4 million of inventory impairments, predominantly in North America as part of a strategic product line shift, and we recognized $1.0 million of expenses related to the consolidation of certain of our Middle East businesses. Partially offsetting these costs were gains of $3.1 million on the disposal of buildings in Korea and France that were no longer needed following the completion of certain restructuring initiatives.

*Restructuring activities*

As indicated above form a subset of our total expenses related to restructuring and other strategic initiatives. These expenses include the impairment of inventory, which is recognized in cost of sales. Analyzed by segment, our restructuring expenses were as follows:

| | For the year ended | |
|---|---|---|
| (dollars in millions) | December 31, 2022 | January 1, 2022 |
| Power Transmission | $ 5.8 | $ 5.6 |
| Fluid Power | 6.3 | 3.8 |
| **Continuing operations** | **$ 12.1** | **$ 9.4** |

The following summarizes the provisions for restructuring expenses for the year ended December 31, 2022 and January 1, 2022, respectively:

| | For the year ended | |
|---|---|---|
| (dollars in millions) | December 31, 2022 | January 1, 2022 |
| Balance as of the beginning of the period | $ 6.5 | $ 17.9 |
| Utilized during the period | (8.1) | (18.0) |
| Charge for the period | 9.6 | 8.0 |
| Released during the period | (0.1) | (0.6) |
| Foreign currency translation | (0.4) | (0.8) |
| **Balance as of the end of the period** | **$ 7.5** | **$ 6.5** |

Restructuring provisions, which are expected to be utilized during 2023, are included in the consolidated balance sheet within the accrued expenses and other current liabilities line.

## 7. Employees

Employee-related costs recognized in operating income from continuing operations during the year were as follows:

| (dollars in millions) | For the year ended December 31, 2022 | January 1, 2022 |
|---|---|---|
| Wages and salaries | $ 602.4 | $ 614.9 |
| Social security costs | 81.3 | 80.3 |
| Post-retirement benefits | 24.3 | 25.9 |
| Share-based incentives | 44.3 | 24.6 |
| Medical insurance costs | 28.2 | 34.0 |
| Other primarily insurance-related costs | 42.5 | 43.8 |
| **Aggregate remuneration** | **823.0** | **823.5** |
| Termination benefits | 6.3 | 3.2 |
| **Total employee-related costs** | **$ 829.3** | **$ 826.7** |

The average number of persons employed by Gates, excluding the Company's non-executive directors, was as follows:

| | For the year ended December 31, 2022 | January 1, 2022 |
|---|---|---|
| U.S. | 3,660 | 3,946 |
| Rest of North America | 3,316 | 3,287 |
| U.K. | 724 | 765 |
| Rest of EMEA | 3,452 | 3,759 |
| East Asia and India | 1,443 | 2,359 |
| Greater China | 1,661 | 2,187 |
| South America | 708 | 758 |
| | **14,964** | **17,061** |

The directors' remuneration, analyzed under the headings required by Company Law, is set out below.

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 (Restated)[1] |
|---|---|---|
| **Directors' remuneration:** | | |
| Emoluments | $ 2.8 | $ 3.8 |
| Stock options | 0.3 | 0.4 |
| Other long-term incentive schemes | 3.5 | 2.6 |
| Company contributions to money purchase pension schemes | 0.2 | 0.2 |
| | **$ 6.8** | **$ 7.0** |

| | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| **The number of directors who:** | | |
| Are members of a money purchase pension plan | 1 | 1 |
| Had awards receivable in the form of Parent Company shares under a long-term incentive plan | 9 | 8 |

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 (Restated)[2] |
|---|---|---|
| **Remuneration of the highest paid director:** | | |
| Emoluments | $ 2.1 | $ 3.2 |
| Stock options | 0.3 | 0.4 |
| Other long-term incentive schemes | 2.4 | 1.6 |
| Company contributions to money purchase schemes | 0.2 | 0.2 |
| | **$ 5.0** | **$ 5.4** |

(1) The amount for "Emoluments" has been restated, in order to separately analyze the amounts for "Stock options" and "Other long-term incentive schemes" which were previously included therein. The amount included in Other long-term incentive schemes (together with the total remuneration) has also been restated, to include the vesting of performance based restricted stock units ("PRSUs") amounting to $0.5 million, together with the vesting of time-based restricted stock units ("RSUs") which the relevant directors had elected to defer into the Gates Supplemental Retirement Plan in Fiscal 2021, resulting in an additional $0.4 million.

(2) The amount for "Emoluments" has been restated, in order to separately analyze the amounts for "Stock options" and "Other long-term incentive schemes" which were previously included therein. The amount included in Other long-term incentive schemes (together with the total remuneration) has also been restated, to include the vesting of PRSUs in Fiscal 2021, resulting in an additional $0.5 million.

**8. Auditor's remuneration**

The following table presents fees for professional services rendered by Deloitte LLP and affiliates ("Deloitte") for the audit of our consolidated financial statements and other services in Fiscal 2022 and Fiscal 2021.

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts | $ 4.8 | $ 4.1 |
| Audit of the Company's subsidiaries pursuant to legislation | 0.9 | 0.5 |
| Audit-related assurance services | 0.2 | 0.4 |
| **Total audit fees** | **5.9** | **5.0** |
| Taxation compliance services | 0.1 | 0.1 |
| Taxation advice | 0.5 | 0.2 |
| **Total non-audit fees** | **$ 0.6** | **$ 0.3** |
| | **$ 6.5** | **$ 5.3** |

In Fiscal 2022 and Fiscal 2021, all of Deloitte's services and fees were pre-approved by the Audit Committee. Fees payable to Deloitte LLP and their associates for non-audit services to the Parent Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

**9. Operating profit**

Operating profit is stated after charging/(crediting):

| | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Inventories: | | |
| – Cost of inventories recognized as an expense | $ 2,146.7 | $ 2,084.2 |
| – Write-down of inventories | 13.5 | 13.1 |
| Employee costs (see Note 7) | 829.3 | 826.7 |
| Amortization of other intangible assets (see Note 18) | 128.4 | 132.7 |
| Depreciation of property, plant and equipment (including amount included in restructuring expenses) (see Note 16) | 87.3 | 90.8 |
| Gain on sale of property, plant and equipment | (0.4) | (3.3) |
| Depreciation of right-of-use assets (see Note 21) | 26.8 | 26.7 |
| Short-term lease expenses (see Note 21) | 7.2 | 6.7 |
| Variable lease expenses (see Note 21) | 5.9 | 7.6 |
| Research and development costs | 69.4 | 70.7 |
| Net foreign exchange (gain) loss | (5.7) | 7.1 |

## 10. Interest expenses

Our interest expense was as follows:

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Debt: | | |
| Dollar Term Loan | $ 65.7 | $ 47.7 |
| Euro Term Loan | 16.4 | 21.5 |
| Dollar Senior Notes | 35.4 | 35.4 |
| Other Loans | 1.0 | — |
| Interest on lease liabilities | 5.5 | 5.5 |
| **Total interest expense for financial liabilities classified at amortized cost** | **124.0** | **110.1** |
| Amortization of finance costs and net fair value adjustment | 27.0 | (41.5) |
| Loss arising on interest rate swaps and interest rates caps as designated hedging instruments in cash flow hedges | 12.3 | 21.5 |
| Other interest expenses | 1.5 | 2.1 |
| | **$ 164.8** | **$ 92.2** |

Details of our long-term debt are presented in Note 23 to the consolidated financial statements included elsewhere in this report.

## 11. Other income (expenses)

Other income (expenses) was as follows:

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Interest income on bank deposits | $ 3.6 | $ 3.2 |
| **Total interest income for financial instruments classified at amortized cost** | **3.6** | **3.2** |
| Foreign currency gain (loss) on net debt (1) and hedging instruments | 10.2 | (7.6) |
| Net interest expense on defined benefit pension obligations | (1.4) | (2.0) |
| Other | (6.7) | (1.1) |
| **Other income (expenses)** | **2.1** | **(10.7)** |
| | $ 5.7 | $ (7.5) |

(1) "Net debt" is a non-GAAP measure representing the principal amount of our debt less the carrying amount of cash and cash equivalents.

## 12. Income taxes

### Provision for income taxes

Gates Industrial Corporation plc is domiciled in the United Kingdom. Income from continuing operations before income taxes and income tax (benefit) expense are summarized below based on the geographic location of the operation to which such earnings and income taxes are attributable.

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| U.K. | $ (11.9) | $ (33.7) |
| U.S. | 27.4 | 65.0 |
| Other | 228.8 | 364.4 |
| **Income from continuing operations before income taxes** | **$ 244.3** | **$ 395.7** |

Income tax (benefit) expense on income from continuing operations analyzed by tax jurisdiction is as follows:

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| **Current tax** | | |
| U.K. | $ (1.7) | $ 4.2 |
| U.S. | 42.0 | 14.8 |
| Other foreign | 52.9 | 102.6 |
| **Total current tax expense** | **$ 93.2** | **$ 121.6** |
| **Deferred income tax** | | |
| U.K. | $ (2.6) | $ (15.9) |
| U.S. | (48.2) | (62.9) |
| Other foreign | (23.1) | (26.2) |
| **Total deferred income tax benefit** | **(73.9)** | **(105.0)** |
| **Income tax (benefit) expense** | **$ 19.3** | **$ 16.6** |

Reconciliation of the applicable statutory income tax rate to the reported effective income tax rate:

| | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| U.K. corporation tax rate | 19.0% | 19.0% |
| Effect of: | | |
| —State tax provision, net of Federal benefit | (0.2%) | 1.3% |
| —Provision for unrecognized income tax benefits | (10.3%) | (0.4%) |
| —Company Owned Life Insurance | (3.3%) | (2.1%) |
| —Tax on international operations(1) | (4.1%) | (1.6%) |
| —Manufacturing incentives(2) | 23.3% | (30.6%) |
| —Change in valuation allowance(3) | (21.7%) | 32.1% |
| —Deferred income tax rate changes | (0.2%) | (15.0%) |
| —Currency exchange rate movements | 2.0% | 0.7% |
| —Other permanent differences | 3.4% | 0.8% |
| **Reported effective income tax rate** | **7.9%** | **4.2%** |

(1) "Tax on international operations" includes U.S. tax on foreign earnings, unremitted earnings of foreign subsidiaries, effects of global funding structures, and effects of differences between statutory and foreign tax rates. Fiscal 2021 includes $129.9 million benefit for additional net deferred tax assets, primarily finite-lived net operating losses for 2019 in Luxembourg.

(2) "Manufacturing incentives" for Fiscal 2022 totaled $10.0 million, primarily related to $6.7 million of incentives generated in Türkiye and the U.S. during the year.

(3) "Change in valuation allowance" is comprised primarily of:

| Expense (benefit) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Luxembourg finite-lived net operating losses | $ — | $ 126.8 |
| Luxembourg indefinite-lived net operating losses | $ (14.8) | $ 3.1 |
| U.S. foreign tax credits | $ (39.9) | $ (53.4) |
| Disallowed interest carryforwards | $ — | $ — |
| Rate change | $ — | $ 48.3 |

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognized in other comprehensive income:

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| **Current tax related to items recognised in OCI during in the year** | | |
| Foreign currency translation - Net translation (loss) gain on foreign operations | $ (2.5) | $ — |
| Post-retirement benefits - Current year actuarial movements | $ — | $ 0.2 |
| **Current tax charged to OCI** | **$ (2.5)** | **$ 0.2** |
| Deferred tax related to items recognised in OCI during in the year | | |
| Foreign currency translation - Net translation (loss) gain on foreign operations | $ — | $ — |
| Foreign currency translation - Gain (loss) on net investment hedges | $ 7.9 | $ 2.7 |
| Cash flow hedges (interest rate derivatives) - Gain (loss) arising in the period | $ (14.8) | $ (3.2) |
| Cash flow hedges (interest rate derivatives) - Reclassification to net income | $ (3.5) | $ (5.4) |
| Post-retirement benefits - Current year actuarial movements | $ 9.0 | $ (4.5) |
| Post-retirement benefits - Reclassification of prior year actuarial movements to net income | $ 0.5 | $ — |
| **Deferred tax charged to OCI** | **$ (0.9)** | **$ (10.4)** |
| Tax to other comprehensive income | $ (3.4) | $ (10.2) |

## 13. Earnings per share

Basic earnings per share represents net income attributable to shareholders divided by the weighted average number of shares outstanding during the period. Diluted earnings per share considers the dilutive effect of potential shares, unless the inclusion of the potential shares would have an anti-dilutive effect.

The computation of earnings per share is presented below:

| (dollars in millions, except share numbers and per share amounts) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Net income attributable to shareholders | $ 203.3 | $ 345.0 |
| Weighted average number of shares outstanding | 284,063,083 | 291,623,523 |
| Dilutive effect of share-based awards | 3,523,127 | 5,670,552 |
| **Diluted weighted average number of shares outstanding** | **287,586,210** | **297,294,075** |
| Number of anti-dilutive shares excluded from diluted earnings per share calculation | 7,538,260 | 3,981,424 |
| Basic earnings per share | 0.72 | 1.18 |
| Diluted earnings per share | 0.71 | 1.16 |

### 14. Trade and other receivables

| | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|
| **Current assets** | | | |
| —Trade receivables | $ 808.6 | $ 708.1 | $ 695.0 |
| —Prepayments | 23.7 | 21.8 | 27.3 |
| —Derivative financial instruments | 34.3 | 2.9 | 1.7 |
| —Restricted cash | 3.0 | 2.7 | 2.7 |
| —Available-for-sale investments | — | 0.6 | 2.1 |
| —VAT and Other Sales Taxes Receivable | 92.9 | 115.0 | 66.5 |
| —Other receivables | 44.8 | 54.1 | 48.3 |
| | **$ 1,007.3** | **$ 905.2** | **$ 843.6** |
| **Non-current assets** | | | |
| —Prepayments | $ 0.2 | $ 0.2 | $ 0.3 |
| —Derivative financial instruments | 17.7 | — | — |
| —Other receivables | 12.2 | 12.9 | 13.0 |
| —Investments in associates | 2.4 | 3.3 | 3.3 |
| | **$ 32.5** | **$ 16.4** | **$ 16.6** |

As of December 31, 2022, trade receivables amounted to $808.6 million (January 1, 2022: $708.1 million; January 3, 2021: $695.0 million), net of an allowance of $4.2 million (January 1, 2022: $5.1 million; January 3, 2021: $5.2 million) for doubtful debts.

Before accepting a new customer, we assess their credit quality and establish a credit limit. Credit quality is assessed by using data maintained by reputable credit rating agencies, by checking of references included in credit applications and, where they are available, by reviewing the customer's recent financial statements. Credit limits are subject to multiple levels of authorization and are reviewed on a regular basis.

Although Gates has a wide variety of customers from multinational original equipment manufacturers and distributors to small family-owned businesses, the majority of our sales are generated from large companies with low credit risk. Global developments related to the COVID-19 pandemic and its impact on our customers' ability to pay us continue to be closely monitored and taken into account in the determination of our expected credit loss estimates.

During 2021, the Company implemented a program with an unrelated third party under which we may periodically sell trade accounts receivable from one of our aftermarket customers with whom we have extended payment terms as part of a commercial agreement. The purpose of using this program is to offset the working capital impact resulting from this terms extension. All eligible accounts receivable from this customer are covered by the program, and any factoring is solely at our option. Following the factoring of a qualifying receivable, because we maintain no continuing involvement in the underlying receivable, and collectability risk is fully transferred to the unrelated third party, we account for these transactions as a sale of a financial asset and derecognize the asset. Cash received under the program is classified as operating cash inflows in the consolidated statement of cash flows. As of December 31, 2022, collection of $108.2 million of our trade accounts receivable had been accelerated under this program, compared to the accelerated collection of $106.9 million as of January 1, 2022. We incurred costs in respect of this program of $4.9 million during December 31, 2022, which are recorded under other (income) expense, and $1.4 million during January 1, 2022.

An allowance has been made for expected lifetime credit losses with reference to past default experience and management's assessment of credit worthiness over trade receivables. Movements in the allowance for expected credit losses of trade receivables were as follows:

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Balance at beginning of year | $ 5.1 | $ 5.2 |
| Current period provision for expected credit losses | 0.6 | 0.2 |
| Utilized during the period | (1.3) | (0.1) |
| Foreign currency translation | (0.2) | (0.2) |
| **Balance at end of year** | **$ 4.2** | **$ 5.1** |

Trade receivables are not generally interest-bearing although interest may be charged to customers on overdue accounts. In late January 2023, one of our customers filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. As of December 31, 2022, and at the time of filing, this customer's outstanding balance represented less than 2% of our outstanding accounts receivable.

Gates is the beneficiary of a number of corporate-owned life insurance policies against which it borrows from the relevant life insurance company. As of December 31, 2022, the surrender value of the policies was $969.7 million, compared to $966.1 million and $954.9 million as of January 1, 2022 and January 3, 2021, respectively. The amount outstanding on the related loans was $967.9 million, compared to $964.3 million and $953.2 million as of January 1, 2022 and January 3, 2021, respectively. For financial reporting purposes, these amounts are offset as a legal right of offset exists and the net receivable of $1.8 million, compared to $1.8 million and $1.7 million as of January 1, 2022 and January 3, 2021, is included in other receivables.

As of December 31, 2022, trade and other receivables amounting to $91.1 million (January 1, 2022: $106.2 million; January 3, 2021: $132.3 million) were pledged as security on the Group's asset-backed revolver. In addition, Gates' secured debt is jointly and severally, irrevocably and fully and unconditionally guaranteed by certain of its subsidiaries and are secured by liens on substantially all of their assets, including trade and other receivables.

**15. Inventories**

| (dollars in millions) | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|
| Raw materials and supplies | $ 195.9 | $ 199.7 | $ 135.1 |
| Work in progress | 42.3 | 43.4 | 34.3 |
| Finished goods | 446.7 | 448.8 | 338.8 |
| **Total inventories** | **$ 684.9** | **$ 691.9** | **$ 508.2** |

As of December 31, 2022, inventories with a carrying amount of $96.6 million (January 1, 2022: $111.3 million; January 3, 2021: $100.0 million) were pledged as security on the Group's asset-backed revolver.

## 16. Property, plant and equipment

| (dollars in millions) | Land and buildings | Plant, equipment and vehicles | Assets under construction | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **As of January 3, 2021** | $ 331.0 | $ 873.4 | $ 50.0 | $ 1,254.4 |
| Additions | 1.9 | 12.1 | 62.6 | 76.6 |
| Disposals | (8.5) | (19.0) | — | (27.5) |
| Reclassifications | 9.3 | 20.4 | (29.7) | — |
| Write-offs | — | — | (0.5) | (0.5) |
| Foreign currency translation | (7.2) | (16.9) | (1.8) | (25.9) |
| **As of January 1, 2022** | 326.5 | 870.0 | 80.6 | 1,277.1 |
| Additions | 2.3 | 14.3 | 61.0 | 77.6 |
| Disposals | (2.0) | (10.1) | (0.1) | (12.2) |
| Reclassifications | 1.9 | 39.0 | (40.9) | — |
| Write-offs | — | — | (0.2) | (0.2) |
| Foreign currency translation | (10.1) | (32.7) | (0.2) | (43.0) |
| **As of December 31, 2022** | $ 318.6 | $ 880.5 | $ 100.2 | $ 1,299.3 |
| Accumulated depreciation and impairment | | | | |
| **As of January 3, 2021** | $ (85.3) | $ (468.2) | $ — | $ (553.5) |
| Charge for the year | (14.4) | (76.4) | — | (90.8) |
| Disposals | 4.7 | 17.6 | — | 22.3 |
| Reclassifications | (4.6) | 4.6 | — | — |
| Non-operating impairments | — | (0.6) | — | (0.6) |
| Foreign currency translation | 1.5 | 10.2 | — | 11.7 |
| **As of January 1, 2022** | (98.1) | (512.8) | — | (610.9) |
| Charge for the year | (12.4) | (74.9) | — | (87.3) |
| Disposals | 1.2 | 9.2 | — | 10.4 |
| Reclassifications | 0.3 | (0.3) | — | — |
| Non-operating impairments | — | (0.1) | — | (0.1) |
| Foreign currency translation | 3.3 | 19.3 | — | 22.6 |
| **As of December 31, 2022** | $ (105.7) | $ (559.6) | $ — | $ (665.3) |
| **Net Book Value** | | | | |
| **As of January 3, 2021** | $ 245.7 | $ 405.2 | $ 50.0 | $ 700.9 |
| **As of January 1, 2022** | $ 228.4 | $ 357.2 | $ 80.6 | $ 666.2 |
| **As of December 31, 2022** | $ 212.9 | $ 320.9 | $ 100.2 | $ 634.0 |

Gates' secured debt is jointly and severally, irrevocably and fully and unconditionally guaranteed by certain of its subsidiaries and are secured by liens on substantially all of their assets, including property, plant and equipment.

## 17. Goodwill

For impairment testing goodwill acquired through business combinations with indefinite useful lives are allocated to the Power Transmission and Fluid Power CGUs, which are also operating and reportable segments. Carrying amount of goodwill allocated to each of the CGUs is as follows:

| (dollars in millions) | | Power Transmission | | Fluid Power | | Total |
|---|---|---|---|---|---|---|
| **Cost and carrying amount** | | | | | | |
| **As of January 3, 2021** | $ | **1,434.4** | $ | **685.8** | $ | **2,120.2** |
| Foreign currency translation | | (46.3) | | (10.9) | | **(57.2)** |
| **As of January 1, 2022** | | **1,388.1** | | **674.9** | | **2,063.0** |
| Foreign currency translation | | (72.9) | | (9.0) | | **(81.9)** |
| **As of December 31, 2022** | $ | **1,315.2** | $ | **665.9** | $ | **1,981.1** |

Goodwill is tested for impairment annually and whenever there are indications that it may have suffered an impairment. Goodwill is considered impaired to the extent that its carrying amount exceeds its recoverable amount, which is the higher of the value in use and the fair value less costs to sell of the CGU or group of CGUs to which it is allocated. Impairment tests were carried out in each of the periods presented and, in each case, the recoverable amount of all items of goodwill was determined based on value in use calculations.

Management based the value in use calculations on cash flow forecasts derived from the most recent three-year financial plans reviewed by the Board, in which the principal assumptions were those regarding sales growth rates based on past experience adjusted for market trend, strategic initiatives to grow sales in certain product lines and end markets, as well as decisions made in selling prices and changes in direct costs.

Forecasts for the future years were based on region-specific growth or decline assumptions determined by management, taking into account market trends and strategic initiatives. For Power Transmission, the growth rates for Fiscal 2023, Fiscal 2024, Fiscal 2025, Fiscal 2026 and Fiscal 2027 were (0.4%), 5.0%, 10.0%, (5.0%), and (7.1%) respectively. For Fluid Power, the growth rates for Fiscal 2023, Fiscal 2024 , Fiscal 2025, Fiscal 2026 and Fiscal 2027 were 1.0%, 3.5%, 7.0%, (3.0%) and (7.2%) respectively. The terminal growth rate for both CGUs was set at 2.5%, a rate that does not exceed the expected long-term growth rates in the respective principal end markets. The 2021 impairment analysis for Power Transmission used growth rates for Fiscal 2022, Fiscal 2023, Fiscal 2024, Fiscal 2025 and Fiscal 2026 of 5.7%, 4.5%, and 1.0%, 1.8% and 1.8% respectively. The 2021 impairment analysis for Fluid Power used growth rates for Fiscal 2022, Fiscal 2023, Fiscal 2024, Fiscal 2025 and Fiscal 2026 of 11.9%, 0.2%, (7.5)%, 1.2% and 1.2% respectively.

Management applied discount rates to the resulting cash flow projections that reflect current market assessments of the time value of money and the risks specific to the CGU or group of CGUs. In each case, the discount rate was determined using a capital asset pricing model. Pre-tax discount rates used in the impairment tests of Gates' goodwill during Fiscal 2022 were 12.6% and 12.7% for Power Transmission and Fluid Power CGUs, respectively (Fiscal 2021: Power Transmission 10.8%, Fluid Power 10.9%).

For both CGUs, the recoverable amount exceeded the carrying values and no goodwill impairments were therefore recognized during Fiscal 2022 or Fiscal 2021. For Fiscal 2022, a decline in the value in use of greater than 21% and 16% on our Power Transmission and Fluid Power CGUs, respectively, all else being equal, would result in an impairment of the goodwill allocated to those CGUs.

We base our value in use estimates on assumptions we believe to be reasonable at the time but that are unpredictable and inherently uncertain. In addition, we make certain judgments and assumptions in allocating goodwill between CGUs and in allocating shared assets and liabilities to determine the carrying values for each of our CGUs tested. Changes in assumptions or circumstances could result in an additional impairment in the period in which the change occurs and in future years. Management stress tested the goodwill model, generally changing individual variables incrementally and in combination. and assessing the impact on our conclusions. Variables considered and tested are considered severe downside scenarios given our operations and market outlook. No impairments for intangible assets were recognized as a result of the sensitivity analysis as of Fiscal 2022. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

## 18. Other intangible assets

| (dollars in millions) | Customer relationships | Technology | Capitalized software | Brands and trade names | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **As of January 3, 2021** | $ 2,073.0 | $ 90.9 | $ 89.8 | $ 513.4 | $ 2,767.1 |
| Additions | — | — | 10.3 | — | 10.3 |
| Disposals | — | — | (1.2) | — | (1.2) |
| Foreign currency translation | (41.3) | — | (1.1) | — | (42.4) |
| **As of January 1, 2022** | 2,031.7 | 90.9 | 97.8 | 513.4 | 2,733.8 |
| Additions | — | — | 9.6 | — | 9.6 |
| Disposals | — | — | (0.4) | — | (0.4) |
| Foreign currency translation | (58.0) | (0.5) | (1.7) | — | (60.2) |
| **As of December 31, 2022** | $ 1,973.7 | $ 90.4 | $ 105.3 | $ 513.4 | $ 2,682.8 |
| | | | | | |
| **Accumulated amortization** | | | | | |
| **As of January 3, 2021** | $ (796.8) | $ (88.6) | $ (49.0) | — | $ (934.4) |
| Amortization charge for the period | (122.5) | (0.8) | (9.4) | — | (132.7) |
| Disposals | — | — | 1.4 | — | 1.4 |
| Foreign currency translation | 17.7 | — | 0.4 | — | 18.1 |
| **As of January 1, 2022** | (901.6) | (89.4) | (56.6) | $ — | (1,047.6) |
| Amortization charge for the period | (117.6) | (0.7) | (10.1) | — | (128.4) |
| Disposals | — | — | 0.3 | — | 0.3 |
| Foreign currency translation | 26.0 | 0.4 | 0.9 | — | 27.3 |
| **As of December 31, 2022** | $ (993.2) | $ (89.7) | $ (65.5) | $ — | $ (1,148.4) |
| | | | | | |
| **Net Book Value** | | | | | |
| **As of January 3, 2021** | $ 1,276.2 | $ 2.3 | $ 40.8 | $ 513.4 | $ 1,832.7 |
| **As of January 1, 2022** | $ 1,130.1 | $ 1.5 | $ 41.2 | $ 513.4 | $ 1,686.2 |
| **As of December 31, 2022** | $ 980.5 | $ 0.7 | $ 39.8 | $ 513.4 | $ 1,534.4 |

During Fiscal 2022 and Fiscal 2021, no impairments were recognized.

During Fiscal 2022, the amortization expense recognized in respect of intangible assets was $128.4 million, compared to $132.6 million for Fiscal 2021. In addition, movements in foreign currency exchange rates resulted in a decrease in the net carrying value of total intangible assets of $32.9 million in Fiscal 2022, compared to a decrease of $24.3 million in Fiscal 2021. Amortization of intangible assets is primarily included under administrative expenses in the consolidated statement of profit or loss.

Brands and trade names are considered to have an indefinite life, given the strength and durability of the brands and the level of marketing support. The brands are in relatively similar stable and profitable market sectors, with similar risk profiles, and their size, diversification and market shares mean that the risk of market-related factors causing a reduction in the lives of the brands is considered to be relatively low. Brands and trade names are therefore not amortized but are tested for impairment annually and whenever there are indications that they may have suffered an impairment.

Except for brands and trade names, all other intangible assets included above have finite useful lives. As of December 31, 2022 and January 1, 2022, the weighted average remaining amortization period for customer relationship was 8.4 and 9.4 years, respectively. As of both December 31, 2022 and January 1, 2022, $336.8 million of intangible assets with indefinite useful lives were allocated to the Power Transmission CGU, and $176.6 million were allocated to Fluid Power CGU.

Management has assessed the recoverability of the carrying amount of the brands and trade names using the 'relief from royalty' valuation methodology in which the key assumptions included sales growth rates and an estimated royalty rate. Management has used a hypothetical royalty rate of 2.0% per annum. Sales forecasts were determined on the same basis as those used for the annual impairment testing of goodwill.

Management applied discount rates to the calculated royalty savings that reflect current market assessments of the time value of money and the risks specific to the CGU or group of CGUs in which those royalty savings arose. In each case, the discount rate was determined using a capital asset pricing model adjusted for a premium to reflect the higher risk specific to each region in which those royalty savings arose. The pre-tax discount rates used in Fiscal 2022 and Fiscal 2021 impairment test were 12.8% and 10.9%, respectively. All else being equal, a decline in the fair value of greater than 23% in the fair value of the brand and trade name intangible asset would result in an impairment.

We base our fair value estimates on assumptions we believe to be reasonable at the time but that are unpredictable and inherently uncertain. Changes in assumptions or circumstances could result in an additional impairment in the period in which the change occurs and in future years. Management stress tested the model, generally changing individual variables incrementally and in combination and assessing the impact on our conclusions. Variables considered and tested are considered worst case plausible scenarios given our operations and market outlook. No impairments for intangible assets were recognized as a result of the sensitivity analysis.

## 19. Interests in subsidiaries and associates

### A. Non-100% owned Subsidiaries

Several of the Group's subsidiaries are not 100% owned by the Group. The majority of these entities are 51% owned subsidiaries operating in various Asian countries with the same minority shareholder. Although these subsidiaries (the "***Unitta Subsidiaries***") represent a number of distinct legal entities established in each of the countries in which they are based, they are managed internally as a single business and are aligned in both structure and operations. For these reasons, the analysis below presents the Unitta Subsidiaries in aggregate. The Unitta Subsidiaries comprise the following legal entities:

| Entity name | Country of incorporation |
|---|---|
| Gates Unitta Asia Trading Co. Pte. Limited | Singapore |
| Gates Korea Company, Limited | Korea |
| Gates Unitta Korea Company Limited | Korea |
| Gates Nitta Belt Company, LLC | USA |
| Gates Unitta Power Transmission (Suzhou) Limited | China |
| Gates Unitta Power Transmission (Shanghai) Limited | China |
| Gates Unitta Asia Company | Japan |
| Gates Unitta Thailand Co., Ltd | Thailand |
| Gates Unitta India Company Private Limited | India |

The table below sets out summarized financial information for the Unitta Subsidiaries (51% owned by Gates):

| (dollars in millions) | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|
| Current assets | $ 378.9 | $ 401.0 | $ 370.2 |
| Non-current assets | 238.8 | 292.0 | 331.3 |
| Current liabilities | (151.0) | (170.6) | (159.9) |
| Non-current liabilities | (49.9) | (60.5) | (70.4) |
| Net assets | $ 416.8 | $ 461.9 | $ 471.2 |

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Revenue | $ 568.2 | $ 651.2 |
| Profit or loss | 66.1 | 80.6 |
| Other comprehensive loss | (26.8) | (5.2) |

There are no significant restrictions on the ability of the Group to access assets or settle liabilities of this or any of its non-100% owned subsidiaries.

An analysis of the movement in non-controlling interests relating to the Group's individually material non-100% owned subsidiaries and, in total, for all other non-100% subsidiaries, is set out below:

| (dollars in millions) | Unitta Subsidiaries (49% non-controlling interest) | Other individually immaterial non-controlling interests | Total non-controlling interests |
|---|---|---|---|
| **As of January 3, 2021** | $ **369.0** | $ **10.6** | $ **379.6** |
| Share of profit for the year | 32.2 | 1.9 | **34.1** |
| Share-based incentives | 0.1 | — | **0.1** |
| Payment of dividends | (24.9) | (1.6) | **(26.5)** |
| Foreign currency translation | (5.7) | 0.4 | **(5.3)** |
| **As of January 1, 2022** | **370.7** | **11.3** | **382.0** |
| Share of profit for the year | 20.5 | 0.8 | **21.3** |
| Share of other comprehensive income | 1.0 | (0.1) | **0.9** |
| Share-based incentives | 0.2 | — | **0.2** |
| Payment of dividends | (26.8) | (1.9) | **(28.7)** |
| Foreign currency translation | (40.9) | (1.2) | **(42.1)** |
| **As of December 31, 2022** | $ **324.7** | $ **8.9** | $ **333.6** |

## 20. Trade and other payables

| (dollars in millions) | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|
| **Current liabilities** | | | |
| —Trade payables | $ 469.6 | $ 506.6 | $ 417.4 |
| —Accruals and deferred income | 121.8 | 145.5 | 114.8 |
| —Provisions | 26.5 | 28.9 | 46.9 |
| —Sales, payroll and other taxes payable | 34.8 | 39.2 | 41.1 |
| —Derivative financial instruments | 1.4 | 34.4 | 16.4 |
| —Other payables | 5.9 | 6.6 | 6.6 |
| | $ **660.0** | $ **761.2** | $ **643.2** |
| | | | |
| **Non-current liabilities** | | | |
| —Derivative financial instruments | $ 51.1 | $ 18.2 | $ 85.4 |
| —Provisions | 12.7 | 10.9 | 12.7 |
| —Other payables | 19.5 | 20.8 | 20.2 |
| | $ **83.3** | $ **49.9** | $ **118.3** |

Trade payables are generally not interest-bearing but interest may be charged by suppliers on overdue accounts.

## 21. Leases

The Company has lease contracts for various items of land, buildings, vehicles and other equipments used in its operations. Leases of land and buildings generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 2 and 8 years. The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

| (dollars in millions) | Land and buildings | Equipments and vehicles | Other | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **As of January 3, 2021** | $ **119.8** | $ **14.8** | $ **1.0** | $ **135.6** |
| Additions | 17.7 | 7.9 | — | **25.6** |
| Modifications | 5.2 | 1.0 | — | **6.2** |
| Terminations | (1.8) | (0.1) | — | **(1.9)** |
| Expirations | (0.6) | (1.3) | (0.5) | **(2.4)** |
| Foreign currency translation | (2.6) | (1.0) | — | **(3.6)** |
| **As of January 1, 2022** | **137.7** | **21.3** | **0.5** | **159.5** |
| Additions | 21.2 | 5.0 | — | **26.2** |
| Modifications | 6.5 | — | — | **6.5** |
| Terminations | (0.6) | (0.5) | — | **(1.1)** |
| Expirations | (0.8) | (1.7) | — | **(2.5)** |
| Impairment | (2.0) | — | — | **(2.0)** |
| Foreign currency translation | (4.1) | (0.6) | — | **(4.7)** |
| **As of December 31, 2022** | $ **157.9** | $ **23.5** | $ **0.5** | $ **181.9** |
| | | | | |
| **Accumulated depreciation** | | | | |
| **As of January 3, 2021** | $ **1.4** | $ **1.0** | $ **—** | $ **2.4** |
| Charge for year | 18.7 | 7.3 | 0.7 | **26.7** |
| Terminations | (0.1) | (0.1) | — | **(0.2)** |
| Expirations | (0.7) | (1.2) | (0.5) | **(2.4)** |
| Foreign currency translation | (0.1) | (0.2) | — | **(0.3)** |
| **As of January 1, 2022** | **19.2** | **6.8** | **0.2** | **26.2** |
| Charge for year | 20.0 | 6.6 | 0.2 | **26.8** |
| Terminations | (1.6) | (0.3) | — | **(1.9)** |
| Expirations | (0.8) | (1.7) | — | **(2.5)** |
| Impairment | (1.1) | — | — | **(1.1)** |
| Foreign currency translation | (0.7) | (0.1) | — | **(0.8)** |
| **As of December 31, 2022** | $ **35.0** | $ **11.3** | $ **0.4** | $ **46.7** |
| | | | | |
| **Carrying amount** | | | | |
| **As of January 3, 2021** | $ **118.4** | $ **13.8** | $ **1.0** | $ **133.2** |
| **As of January 1, 2022** | $ **118.5** | $ **14.5** | $ **0.3** | $ **133.3** |
| **As of December 31, 2022** | $ **122.9** | $ **12.2** | $ **0.1** | $ **135.2** |

| | For the year ended | |
|---|---|---|
| | December 31, 2022 | January 1, 2022 |
| **Lease costs** | | |
| Depreciation expense of right-of-use assets | $ 26.8 | $ 26.7 |
| Interest expense on lease liabilities | 5.5 | 5.5 |
| Short-term lease expenses | 7.2 | 6.7 |
| Variable lease expenses | 5.9 | 7.6 |
| **Total lease cost** | **$ 45.4** | **$ 46.5** |
| **Other information** | | |
| (Gain) losses on sale and leaseback transactions, net | $ — | $ (9.3) |
| | **$ —** | **$ (9.3)** |

*Maturity analysis of liabilities*

| (dollars in millions) | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|
| Next 12 months | $ 30.8 | $ 26.2 | $ 28.9 |
| Year 2 | $ 26.0 | $ 23.9 | $ 23.4 |
| Year 3 | $ 23.6 | $ 20.1 | $ 18.5 |
| Year 4 | $ 18.4 | $ 18.2 | $ 15.6 |
| Year 5 | $ 16.3 | $ 14.8 | $ 13.6 |
| Year 6 and beyond | $ 69.8 | $ 82.0 | $ 90.4 |
| **Total lease payments** | **$ 184.9** | **$ 185.2** | **$ 190.4** |
| Interest | $ (29.3) | $ (35.0) | $ (40.9) |
| **Total present value of lease liabilities** | **$ 155.6** | **$ 150.2** | **$ 149.5** |

**22. Derivative financial instruments**

We are exposed to certain financial risks relating to our ongoing business operations. From time to time, we use derivative financial instruments, principally foreign currency swaps, forward foreign currency contracts, interest rate caps (options) and interest rate swaps, to reduce our exposure to foreign currency risk and interest rate risk. We do not hold or issue derivatives for speculative purposes and monitor closely the credit quality of the institutions with which we transact.

We recognize derivative instruments as either assets or liabilities in the consolidated balance sheet. We designate certain of our currency swaps as net investment hedges and designate our interest rate caps and interest rate swaps as cash flow hedges. The gain or loss on the designated derivative instrument is recognized in OCI and reclassified into net income in the same period or periods during which the hedged transaction affects earnings.

Derivative instruments that have not been designated in an effective hedging relationship are considered economic hedges, and their change in fair value is recognized in net income in each period.

The period end fair values of derivative financial instruments were as follows:

| (dollars in millions) | As of December 31, 2022 Trade and other receivables | Other non-current assets | Trade and other payables | Other non-current liabilities | Net |
|---|---|---|---|---|---|
| Derivatives designated as hedging instruments: | | | | | |
| —Currency swaps | $ 9.3 | $ — | $ — | $ (45.2) | $ (35.9) |
| —Interest rate swaps | 22.8 | 17.7 | — | (5.9) | 34.6 |
| Derivatives not designated as hedging instruments: | | | | | |
| —Currency forward contracts | 2.2 | — | (1.4) | — | 0.8 |
| | $ 34.3 | $ 17.7 | $ (1.4) | $ (51.1) | $ (0.5) |

| | As of January 1, 2022 Trade and other receivables | Other non-current assets | Trade and other payables | Other non-current liabilities | Net |
|---|---|---|---|---|---|
| Derivatives designated as hedging instruments: | | | | | |
| —Currency swaps | $ — | $ — | $ (19.8) | $ — | $ (19.8) |
| —Interest rate caps | — | — | (1.3) | (0.5) | (1.8) |
| —Interest rate swaps | — | — | (12.7) | (17.7) | (30.4) |
| Derivatives not designated as hedging instruments: | | | | | |
| —Currency forward contracts | 2.9 | — | (0.6) | — | 2.3 |
| | $ 2.9 | $ — | $ (34.4) | $ (18.2) | $ (49.7) |

| | As of January 3, 2021 Trade and other receivables | Other non-current assets | Trade and other payables | Other non-current liabilities | Net |
|---|---|---|---|---|---|
| Derivatives designated as hedging instruments: | | | | | |
| —Currency swaps | $ 1.1 | $ — | $ — | $ (42.6) | $ (41.5) |
| —Interest rate caps | — | — | (1.4) | (2.0) | (3.4) |
| —Interest rate swaps | — | — | (13.1) | (40.8) | (53.9) |
| Derivatives not designated as hedging instruments: | | | | | |
| —Currency forward contracts | 0.6 | — | (1.9) | — | (1.3) |
| | $ 1.7 | $ — | $ (16.4) | $ (85.4) | $ (100.1) |

| (dollars in millions) | Instruments designated as net investment hedges | | | Instruments designated as cash flow hedges | | | |
|---|---|---|---|---|---|---|---|
| | Net investment hedge reconciliation | | Cost of hedging | Cash flow hedging reconciliation | | Cost of hedging | |
| | Cross currency swaps | Euro-denominated debt | Currency basis | Interest rate swaps | Interest rate caps | Time value of options | Total |
| **As of January 3, 2021** | $ 28.0 | $ 26.6 | $ (0.5) | $ 50.3 | $ — | $ 3.1 | $ **107.5** |
| Change in fair value recorded in OCI | (22.7) | (12.4) | (0.4) | (10.1) | 0.1 | — | **(45.5)** |
| Reclassifications during the period | — | — | 0.8 | (20.1) | (0.1) | (1.3) | **(20.7)** |
| **As of January 2, 2022** | **5.3** | **14.2** | **(0.1)** | **20.1** | — | **1.8** | **41.3** |
| Change in fair value recorded in OCI | 15.0 | (10.6) | (2.2) | (60.3) | (0.8) | (0.3) | **(59.2)** |
| Reclassifications during the period | — | — | 0.9 | (11.2) | 0.3 | (1.5) | **(11.5)** |
| **As of December 31, 2022** | **$ 20.3** | **$ 3.6** | **$ (1.4)** | **$ (51.4)** | **$ (0.5)** | **$ —** | **$ (29.4)** |

**A. Instruments designated as net investment hedges**

We hold cross currency swaps that have been designated as net investment hedges of certain of our European operations. As of December 31, 2022 and January 1, 2022, the notional principal amount of these contracts was €756.1 million and €254.5 million, respectively.

In addition, as of January 1, 2022, we had designated €147.0 million of our Euro-denominated debt as a net investment hedge of certain of our European operations. We subsequently reduced the designated amount to €25.0 million during the second quarter of 2022. On November 16, 2022, we extinguished our Euro-denominated term loan and replaced with new Dollar-denominated term loans, and as a result, the net investment hedging designated on our Euro-denominated debt no longer exists as of December 31, 2022.

Concurrent with the refinancing transactions, we executed additional cross currency swaps that have been designated as net investment hedges of certain of our European operations, with the notional principal amount of €501.6 million and contract term from November 16, 2022 to November 16, 2027. During March 2022, we extended the term of our existing cross currency swaps with notional amount of €254.5 million that originally matured in March 2022, to now mature on March 31, 2027.

**B. Instruments designated as cash flow hedges**

We use interest rate swaps and interest rate caps as part of our interest rate risk management strategy to add stability to interest expense and to manage our exposure to interest rate movements. In November 2022, we executed additional pay-fixed, receive-floating interest rate swaps to hedge the cash flow risk of interest rate on our new U.S. Dollar debt, as further discussed in Note 23. These additional interest rates swaps have a notional amount of $385.0 million, and mature on November 16, 2027. These instruments are all designated as cash flow hedges. As of December 31, 2022, we held pay-fixed, receive-floating interest rate swaps with an aggregate notional amount of $1,255.0 million with an average strike rate at 5.4%, compared to an aggregate notional amount of $870.0 million with an average strike rate at 2.5% as of January 1, 2022. The existing interest rate swaps with notional amount of $870.0 million run from June 30, 2020 through June 30, 2025, while the new interest rate swaps of $385.0 million notional amount have the contract term from November 16, 2022 to November 16, 2027.

Our interest rate caps involve the receipt of variable rate payments from a counterparty if interest rates rise above the strike rate on the contract in exchange for a premium. As of January 1, 2022, the notional amount of our interest rate caps outstanding was €425.0 million with the average strike rate at 1.0%, covering the period from July 1, 2019 to June 30, 2023. During August 2022, we early terminated our interest rate caps.

**C. Derivative instruments not designated as hedging instruments**

We do not designate our currency forward contracts, which are used primarily in respect of operational currency exposures related to payables, receivables and material procurement, or the currency swap contracts that are used to manage the currency profile of Gates' cash as hedging instruments for the purposes of hedge accounting.

As of December 31, 2022 and January 1, 2022, there were no outstanding currency swaps.

As of December 31, 2022, the notional amount of outstanding currency forward contracts that are used to manage operational foreign exchange exposures was $150.5 million, compared to $171.9 million as of January 1, 2022.

### D. Other items

The Second Lien Notes include certain redemption options as detailed in Note 23. The unexpired options as of December 31, 2022 are considered to be closely related to the host contract and have therefore not been required to be separated from the host contract.

### 23. Total interest-bearing loans and borrowings

| (dollars in millions) | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|
| Secured debt at amortized cost: | | | |
| —Dollar Term Loan | $ 1,923.4 | $ 1,363.7 | $ 1,377.4 |
| —Euro Term Loan | — | 647.5 | 775.2 |
| Unsecured debt at amortized cost: | | | |
| —6.25% Dollar Senior Notes due 2026 | 568.0 | 568.0 | 568.0 |
| —Other loans | — | — | 0.2 |
| **Total principal of borrowings** | **2,491.4** | **2,579.2** | **2,720.8** |
| Unamortized finance costs and net fair value adjustment | (88.9) | (94.2) | (44.7) |
| Accrued interest | 17.0 | 16.9 | 17.3 |
| **Total carrying value of borrowings** | **2,419.5** | **2,501.9** | **2,693.4** |
| Current | 36.5 | 38.0 | 42.7 |
| Non-current | 2,383.0 | 2,463.9 | 2,650.7 |

Gate's secured debt is jointly and severally, irrevocably and fully and unconditionally guaranteed by certain of its subsidiaries and is secured by liens on substantially all of their assets.

Gates is subject to covenants, representations and warranties under certain of its debt facilities. During the periods covered by these consolidated financial statements, we were in compliance with the applicable financial covenants. Also under the agreements governing our debt facilities, our ability to engage in activities such as incurring certain additional indebtedness, making certain investments and paying certain dividends is dependent, in part, on our ability to satisfy tests based on measures determined under those agreements.

The principal payments due under our financing agreements over the next five years and thereafter are as follows:

| (dollars in millions) | Total |
|---|---|
| **Fiscal year** | |
| —2023 | $ 19.5 |
| —2024 | 19.5 |
| —2025 | 19.5 |
| —2026 | 587.5 |
| —2027 | 1,300.5 |
| Thereafter | 544.9 |
| | **$ 2,491.4** |

### Debt issuances and redemptions

During March 2022, we drew $70.0 million under our asset-backed revolving credit facility to partially fund the purchase of shares under our share repurchase program, as discussed further in Note 30 below. As of December 31, 2022, we paid down the borrowings on the asset-backed revolver and have no remaining outstanding balance.

On November 16, 2022, we issued a new tranche of $575.0 million of dollar denominated term loans (the "New Dollar Term Loans") pursuant to an amendment to the credit agreement governing our term loan facilities, using the proceeds to extinguish the entire outstanding principal balance of €563.8 million under our Euro Term Loan facility (the "Euro Term Loan") plus €1.0 million accrued interest. The New Dollar Term Loans have substantially similar terms as the Existing Dollar Term Loans (as defined herein), bearing interest at the borrower's option at either Term SOFR (as defined in the credit agreement) plus 3.50% margin per annum, subject to a 0.50% per annum Term SOFR floor, or at the base rate plus 2.50% per annum, subject to a 1.50% per annum base rate floor. The New Dollar Term Loans require scheduled quarterly amortization payments of 1% per annum based on the initial aggregate principal amount and mature in November 2029. The New Dollar Term Loans require a prepayment premium in connection with certain repricing transactions occurring within six months following the closing of the amendment. Issuance discount and costs totaling approximately $23.2 million related to the issuance of the New Dollar Term Loans have been deferred and will be amortized to interest expense over the remaining term of the related borrowings using the effective interest method. The repayment of Euro Term Loan resulted in the accelerated recognition of $9.1 million deferred financing costs (recognized in interest expense).

During June 2021, we made a principal debt repayment of €58.7 million ($69.5 million) against our Euro Term Loan facility. As a result of this repayment, we accelerated the recognition of $0.4 million of deferred issuance costs (recognized in interest expense).

**Dollar and Euro Term Loans**

Our secured credit facilities consist of two loans (collectively, the "Dollar Term Loans"), one of which was drawn on July 3, 2014 (the "Existing Dollar Term Loans"), and the New Dollar Term Loans drawn on November 16, 2022 as described above. These term loan facilities bear interest at a floating rate, which for U.S. dollar debt can be either a base rate as defined in the credit agreement plus an applicable margin, or at our option, LIBOR or Term SOFR (as applicable) plus an applicable margin. The New Dollar Term Loans mature on November 16, 2029.

On February 24, 2021, we made amendments to the Existing Dollar Term Loans' credit agreement, including extending the maturity date of the Existing Dollar Term Loans, from March 31, 2024 to March 31, 2027, reducing the floor applicable to the Existing Dollar Term Loans from 1.00% to 0.75% and modifying the applicable interest rate margin for the Existing Dollar Term Loans to include a 0.25% reduction if our consolidated total net leverage ratio (as defined in the credit agreement) is less than or equal to 3.75 times. In connection with these amendments, we paid accrued interest up to the date of the amendments of $3.7 million, in addition to fees of $8.6 million, of which $6.9 million qualified for deferral and will be amortized to interest expense over the new remaining term of the loan using the effective interest method. This transaction resulted in debt modification and a $60.3 million net fair value gain on the amendment date.

The Existing Dollar Term Loans' interest rate is currently LIBOR, subject to a floor of 0.75%, plus a margin of 2.50%, and as of December 31, 2022, borrowings under this facility bore interest at a rate of 6.88% per annum. This margin reflects the 0.25% reduction described above, as the consolidated total net leverage ratio (as defined in the credit agreement) dropped below 3.75 times during the third quarter of Fiscal 2021. The Existing Dollar Term Loan interest rate is re-set on the last business day of each month.

The New Dollar Term Loans' interest rate is currently at Term SOFR, subject to a floor of 0.50%, plus a margin of 3.50%, and as of December 31, 2022, borrowings under this facility bore interest at a rate of 7.82% per annum. The New Dollar Term Loans' interest rate is re-set on the last business day of each month.

Both Dollar Term Loans are subject to quarterly amortization payments of 0.25%, based on the original principal amount less certain repayments with the balance payable on maturity. During Fiscal 2022, we made amortization payments against the Existing Dollar Term Loans, the Euro Term Loans, and New Dollar Term Loans of $13.8 million, $5.1 million, and $1.4 million, respectively. During Fiscal 2021, we made amortization payments against the Dollar Term Loans and the original Euro Term Loan of $13.8 million and $7.6 million, respectively.

Under the terms of the credit agreement, we are obliged to offer annually to the term loan lenders an "excess cash flow" amount as defined under the agreement, based on the preceding year's final results. Based on our 2022 results, the leverage ratio as defined under the credit agreement was below the threshold above which payments are required, and therefore no excess cash flow payment is required to be made in 2023.

During the periods presented, foreign exchange gains were recognized in respect of the Euro Term Loans as summarized in the table below. As a portion of the facility was designated as a net investment hedge of certain of our Euro investments, a corresponding portion of the foreign exchange gain was recognized in OCI.

| (dollars in millions) | For the year ended December 31, 2022 | January 1, 2022 |
|---|---|---|
| Gain recognized in statement of operations | $ 45.2 | $ 38.2 |
| Gain recognized in OCI | 10.6 | 12.4 |
| **Total gain** | **$ 55.8** | **$ 50.6** |

The above net foreign exchange gain recognized in the Interest expense line of the consolidated statement of profit or loss have been substantially offset by net foreign exchange movements on Euro-denominated intercompany loans as part of our overall hedging strategy.

A wholly-owned U.S. subsidiary of Gates Global LLC is the principal obligor under the Dollar Term Loans for U.S. federal income tax purposes and makes the payments due on this tranche of debt. As a result, interest received by lenders of this tranche of debt is U.S. source income.

**Unsecured Senior Notes**

As of December 31, 2022, we had $568.0 million of Dollar Senior Notes outstanding that were issued in November 2019. These notes are scheduled to mature on January 15, 2026 and bear interest at an annual fixed rate of 6.25% with semi-annual interest payments.

We may redeem the Dollar Senior Notes, at our option, in whole at any time or in part from time to time, at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest to the redemption date:

| | Redemption Price |
|---|---|
| During the year commencing: | |
| —2023 | 101.563 % |
| —2024 and thereafter | 100.000 % |

Upon the occurrence of a change of control or a certain qualifying asset sale, the holders of the notes will have the right to require us to make an offer to repurchase each holder's notes at a price equal to 101% (in the case of a change of control) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest.

**Revolving credit facility**

We have a secured revolving credit facility that provides for multi-currency revolving loans. On November 18, 2021, we amended the credit agreement governing this facility to, among other things, increase the size of the facility from $185.0 million to $250.0 million, extend the maturity date from January 29, 2023 to November 18, 2026 (subject to certain springing maturities related to our Unsecured Senior Notes if more than $500.0 million is outstanding 91 days prior to its maturity), and increase the letter of credit sub-facility from $20.0 million to $75.0 million.

In connection with these amendments, we paid fees of $2.0 million, which have been deferred and will, together with existing deferred issuance costs related to this facility, be amortized to interest expense over the new term of the facility on a straight-line basis.

As of both December 31, 2022 and January 1, 2022, there were no drawings for cash under the revolving credit facility and there were no letters of credit outstanding.

Debt under the revolving credit facility bears interest at a floating rate, which can be either a base rate as defined in the credit agreement plus an applicable margin or, at our option, LIBOR, plus an applicable margin.

**Asset-backed revolver**

We also have a revolving credit facility backed by certain of our assets in North America. On November 18, 2021, we amended the credit agreement governing this facility to, among other things, reduce the maximum facility size from $325.0 million to $250.0 million ($214.7 million as of December 31, 2022, compared to $240.4 million as of January 1, 2022, based on the values of the secured assets on those dates), and extended the maturity date from January 29, 2023 to November 18, 2026 (subject to certain springing maturities related to our Unsecured Senior Notes if more than $500.0 million is outstanding 91 days prior to its maturity). The facility also allows for a letter of credit sub-facility of $150.0 million within the $250.0 million maximum.

In connection with these amendments, we paid fees of $1.3 million, which have been deferred and will, together with existing deferred issuance costs related to this facility, be amortized to interest expense over the new term of the facility on a straight-line basis.

As of both December 31, 2022 and January 1, 2022, there was no cash outstanding under the asset-backed revolver. We drew $70.0 million in March 2022 under this facility and fully paid down the balance during 2022. There were letters of credit outstanding of $25.8 million and $45.3 million, as of December 31, 2022 and January 1, 2022, respectively.

Debt under the facility bears interest at a floating rate, which can be either a base rate as defined in the credit agreement plus an applicable margin or, at our option, LIBOR, plus an applicable margin.

**24. Financial Instruments and Risk Management**

**A. Classes and categories of financial instruments and their fair values**

The following table combines information about:

• Classes of financial instruments based on their nature and characteristics

• The carrying amounts of financial instruments

• Fair values of financial instruments (except financial instruments when carrying amount approximates their fair value)

Fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed. Financial instruments held at fair value have been categorized into one of three levels to reflect the degree to which observable inputs are used in determining the fair values:

- 'Level 1' fair value measurements are those derived without adjustment from quoted prices in active markets for identical assets or liabilities.
- 'Level 2' fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- 'Level 3' fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**a) Summary of financial assets and liabilities**

The table below sets out the Group's accounting classification of each category of financial assets and liabilities and their carrying values:

| (dollars in millions) | December 31, 2022 | January 1, 2022 | January 3, 2021 |
|---|---|---|---|
| **Financial assets** | | | |
| **Classified as amortized cost:** | | | |
| Cash and cash equivalents | $ 578.4 | $ 658.2 | $ 521.4 |
| Restricted Cash | 3.0 | 2.7 | 2.7 |
| Trade receivables | 808.6 | 708.1 | 695.0 |
| **Classified as fair value:** | | | |
| Level 1: | | | |
| — Available-for-sale investments | — | 0.6 | 2.1 |
| Level 2: | | | |
| — Derivative financial assets | 52.0 | 2.9 | 1.7 |
| **Financial liabilities** | | | |
| **Classified as amortized cost:** | | | |
| Trade payables | 469.6 | 506.6 | 417.4 |
| Interest-bearing loans and borrowings | 2,419.5 | 2,501.9 | 2,693.4 |
| Lease obligations | 155.6 | 150.2 | 149.5 |
| **Classified as fair value:** | | | |
| Level 2: | | | |
| — Derivative financial liabilities | (52.5) | (52.6) | (101.8) |

Available-for-sale investments represent equity securities that are traded in an active market and therefore are measured using quoted prices in an active market. Derivative assets and liabilities included in Level 2 represent foreign currency exchange forward and swap contracts, and interest rate derivative contracts.

We value our foreign currency exchange derivatives using models consistent with those used by a market participant that maximize the use of market observable inputs including forward prices for currencies.

We value our interest rate derivative contracts using a widely accepted discounted cash flow valuation methodology that reflects the contractual terms of each derivative, including the period to maturity. The methodology derives the fair values of the derivatives using the market standard methodology of netting the discounted future cash payments and the discounted expected receipts. The inputs used in the calculation are based on observable market-based inputs, including interest rate curves, implied volatilities and credit spreads.

We incorporate credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

*Transfers between levels of the fair value hierarchy*

During the periods presented, there were no transfers between Levels 1 and 2, and Gates had no assets or liabilities measured at fair value on a recurring basis using Level 3 inputs.

**b) Financial instruments not held at fair value**

Certain financial assets and liabilities are not measured at fair value; however, items such as cash and cash equivalents, restricted cash, revolving credit facilities and bank overdrafts generally attract interest at floating rates and accordingly their carrying amounts are considered to approximate fair value. Due to their short maturities, the carrying amounts of accounts receivable and accounts payable are also considered to approximate their fair values.

Our debt is held at amortized costs. The carrying amount and fair value of debt are set out below:

| | As of December 31, 2022 | | As of January 1, 2022 | | As of January 3, 2021 | |
|---|---|---|---|---|---|---|
| (dollars in millions) | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Current | $ 36.5 | $ 36.2 | $ 38.0 | $ 37.9 | $ 42.7 | $ 42.3 |
| Non-current | 2,383.0 | 2,408.4 | 2,463.9 | 2,553.0 | 2,650.7 | 2,700.0 |
| | **$ 2,419.5** | **$ 2,444.6** | **$ 2,501.9** | **$ 2,590.9** | **$ 2,693.4** | **$ 2,742.3** |

Debt is comprised principally of borrowings under the secured credit facilities and the unsecured senior notes. Loans under the secured credit facilities pay interest at floating rates, subject to a 0.75% LIBOR floor and a 0.50% Term SOFR floor on the two dollar term loans as further described in Note 23. The fair values of the term loans are derived from a market price, discounted for illiquidity. The unsecured senior notes have fixed interest rates, are traded by "Qualified Institutional Buyers" and certain other eligible investors, and their fair value is derived from their quoted market price.

**c) Assets measured at fair value on a non-recurring basis**

Gates has non-recurring fair value measurements related to certain assets, including goodwill, intangible assets, and property, plant, and equipment. During Fiscal 2022, an impairment of fixed and other assets of $1.1 million was recognized in relation to the suspension of our operations in Russia. No significant impairment was recognized during Fiscal 2021.

**B. Financial risk management objectives**

The Group's central treasury function is responsible for procuring the Group's financial resources and maintaining an efficient capital structure, together with managing the Group's liquidity, foreign exchange and interest rate exposures.

All treasury operations are conducted within strict policies and guidelines that are approved by the Board. Compliance with those policies and guidelines is monitored by the regular reporting of treasury activities to the Board.

A key element of the Group's treasury philosophy is that funding, interest rate and currency decisions and the location of cash and debt balances are determined independently from each other. The Group's borrowing requirements are met by raising funds in the most favorable markets. Management aims to retain a portion of net debt in the foreign currencies in which the net assets of the Group's operations are denominated. Management does not hedge the proportion of foreign operations effectively funded by shareholders' equity. An analysis of the Group's exposure to currency risk and an analysis of the profile of net assets by currency are set out in part G of this note.

**C. Credit risk**

Our principal financial assets are cash and cash equivalents, derivatives, trade and other receivables and investments.

We regularly monitor third-party depository institutions that hold our cash and short-term investments, primarily for safety of principal and secondarily for maximizing yield on those funds. We diversify our cash and short-term investments among counterparties to minimize exposure to any one of these entities.

The credit risk on derivative financial instruments is limited because the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies.

To mitigate the credit risk attributable to our trade receivables we perform credit verifications and monitor closely the creditworthiness of new and existing customers. The amounts presented in the balance sheet for trade receivables are net of allowances for expected credit losses. We develop expected loss estimates based either on the aging profile of outstanding receivables or by applying an experience factor (either a percentage of sales or a percentage of open receivables). These methodologies are based primarily on historical trends and experience, but credit controllers also regularly assess individual customer accounts to identify any potential increases or decreases in the level of expected credit loss needed to be applied to each customer based on current circumstances and future expectations.

Two customers of our North America businesses accounted for 15.3% and 8.4%, respectively, of our total trade accounts receivable balance as of December 31, 2022, compared to 13.9% and 10.0%, respectively, as of January 1, 2022. These concentrations are due to the extended payment terms common in the industry in which these businesses operate. We have no other significant concentrations of credit risk as our exposure is spread over a large number of customers and counterparties

Management considers the Group's maximum exposure to credit risk to be as follows:

| (dollars in millions) | As of December 31, 2022 | January 1, 2022 | January 3, 2021 |
|---|---|---|---|
| Cash and cash equivalents | $ 578.4 | $ 658.2 | $ 521.4 |
| Derivative financial assets | 52.0 | 2.9 | 1.7 |
| Trade receivables | 808.6 | 708.1 | 695.0 |
| | **$ 1,439.0** | **$ 1,369.2** | **$ 1,218.1** |

We have no other significant concentrations of credit risk as our exposure is spread over a large number of customers and counterparties.

**D. Capital risk**

Management considers that the Company's capital equates to shareholders' equity and manages the Company's capital structure to maximize shareholder value whilst retaining flexibility to take advantage of opportunities that arise to grow the business. The equity attributable to the owners of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

**E. Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Our debt facilities are monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines. We aim to reduce liquidity risk by diversifying our funding sources, maintaining adequate headroom under our debt facilities and by staggering the maturities of our debt.

We have established long-term credit ratings of B1 Stable with Moody's and B+ Stable with Standard & Poor's. Credit ratings are subject to regular review by the credit rating agencies and may change in response to economic and commercial developments.

As of December 31, 2022, our asset-backed revolving credit facility had a borrowing base of $214.7 million, being the maximum amount we can draw down based on the current value of the secured assets. The facility was undrawn for cash, but there were letters of credit outstanding against the facility amounting to $25.8 million. We also have a secured revolving credit facility that provides for multi-currency revolving loans up to an aggregate principal amount of $250.0 million.

In total, our committed borrowing headroom was $438.9 million, in addition to cash balances of $578.4 million.

The expected timing of contractual cash flows relating to the Group's financial liabilities are as follows:

| (dollars in millions) | Total | Earliest period in which payments are due: Within one year | Within two to three years | Within four to five years | Thereafter |
|---|---|---|---|---|---|
| **As of December 31, 2022** | | | | | |
| Bank overdrafts and debt: | | | | | |
| —Principal | **$ 2,491.4** | $ 19.5 | $ 39.0 | $ 1,888.0 | $ 544.9 |
| —Interest payments(1) | **756.6** | 182.7 | 317.5 | 185.4 | 71.0 |
| Lease obligations | **184.9** | 30.8 | 49.6 | 34.7 | 69.8 |
| Post-retirement benefits(3) | **5.8** | 5.8 | — | — | — |
| Purchase obligations(4) | **44.0** | 33.9 | 10.1 | — | — |
| **As of January 1, 2022** | | | | | |
| Bank overdrafts and debt: | | | | | |
| —Principal | **$ 2,579.2** | $ 21.2 | $ 664.2 | $ 599.0 | $ 1,294.8 |
| —Interest payments(1) | **469.9** | 99.7 | 191.2 | 161.7 | 17.3 |
| Derivative financial instruments(2) | **62.4** | 34.0 | 22.6 | 5.8 | — |
| Lease obligations | **185.2** | 26.2 | 44.0 | 33.0 | 82.0 |
| Post-retirement benefits(3) | **6.3** | 6.3 | — | — | — |
| Purchase obligations(4) | **37.1** | 20.3 | 15.2 | 1.6 | — |
| **As of January 3, 2021** | | | | | |
| Bank overdrafts and debt: | | | | | |
| —Principal | **$ 2,720.8** | $ 25.4 | $ 50.5 | $ 2,076.9 | $ 568.0 |
| —Interest payments(1) | **441.7** | 113.6 | 221.0 | 89.3 | 17.8 |
| Derivative financial instruments(2) | **105.1** | 15.1 | 69.8 | 20.2 | — |
| Lease obligations | **190.4** | 28.9 | 41.9 | 29.2 | 90.4 |
| Post-retirement benefits(3) | **16.4** | 16.4 | — | — | — |
| Indemnified tax liabilities | **0.9** | 0.8 | 0.1 | — | — |
| Purchase obligations(4) | **30.2** | 14.1 | 11.8 | 4.2 | 0.1 |

(1) Future interest payments include payments on fixed and floating rate debt. Floating rate interest payments are estimated based on forward market interest rates and terms prevailing as of December 31, 2022, January 1, 2022, and January 3, 2021.

(2) Net payments on cross currency swaps, interest rate caps, interest rate swaps and currency forward contracts are estimated based on forward market rates prevailing as of January 1, 2022 and January 3, 2021. Based on forward market rates prevailing as of December 31, 2022, the derivative instruments are expected to net receipts in the future years.

(3) Post-retirement benefit obligations represent our expected cash contributions to defined benefit pension and other post-retirement benefit plans in 2023, 2022, and 2021, respectively. It is not practicable to present expected cash contributions for subsequent years because they are determined annually on an actuarial basis to provide for current and future benefits in accordance with federal law and other regulations.

(4) A purchase obligation is defined as an agreement to purchase goods or services that is enforceable and legally binding on us and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

Maturities of the financial liabilities in all of the liquidity tables above are based on the earliest date on which the counterparty has a contractual right to require payment.

Floating interest payments and payments and receipts on interest rate derivatives are estimated based on market interest rates prevailing at the balance sheet date. Amounts in respect of purchase obligations are items that we are obligated to pay in the future, but they are not required to be included on the consolidated balance sheet.

### F. Interest rate risk

Our prevailing market risk on interest rates is the potential fluctuation in interest costs and in the fair value of long-term debt resulting from movements in interest rates.

We use interest rate derivatives as part of our interest rate risk management strategy to add stability to interest expense and to manage our exposure to interest rate movements. The interest rate caps are designated as cash flow hedges and involve the receipt of variable rate payments from a counterparty if interest rates rise above the strike rate on the contract in exchange for a premium. The following table summarizes the key terms of the active interest rate derivatives held by the Company:

| | Notional principal amount (millions) | | Interest rate | | | | |
|---|---|---|---|---|---|---|---|
| | | | Payable | | Receivable | | |
| | | | Variable | Fixed | Variable | Fixed | Variable rate index |
| **As of December 31, 2022** | | | | | | | |
| Maturity date: | | | | | | | |
| —June 2025 | $ | 870.0 | — % | 2.5 % | 4.4 % | — % | 1 month LIBOR |
| —November 2027 | $ | 385.0 | — % | 7.6 % | 7.8 % | — % | 1 month Term SOFR |
| **As of January 1, 2022** | | | | | | | |
| Maturity date: | | | | | | | |
| —June 2025 | $ | 870.0 | — % | 2.5 % | 1.0 % | — % | 1 month LIBOR |
| —June 2023 | € | 425.0 | — % | 0.3 % | — % | — % | 3 month EURIBOR |
| **As of January 3, 2021** | | | | | | | |
| Maturity date: | | | | | | | |
| —June 2025 | $ | 870.0 | — % | 2.5 % | — % | 1.0 % | 1 month LIBOR |
| —June 2023 | € | 425.0 | — % | 0.3 % | — % | — % | 3 month EURIBOR |

The interest rate profile of the Company's financial assets and liabilities, after taking into account the effect of the interest rate hedging activities, was as follows:

| (dollars in millions) | As of December 31, 2022 | | | |
|---|---|---|---|---|
| | Interest-bearing | | | |
| | Floating rate | Fixed rate | Non-interest bearing | Total |
| Financial assets: | | | | |
| Cash and cash equivalents | $ 222.5 | $ — | $ 355.9 | $ **578.4** |
| Restricted cash | — | — | 3.0 | **3.0** |
| | **222.5** | — | **358.9** | **581.4** |
| Financial liabilities: | | | | |
| Debt | (668.4) | (1,823.0) | — | **(2,491.4)** |
| Lease obligations | — | (155.6) | — | **(155.6)** |
| | **(668.4)** | **(1,978.6)** | — | **(2,647.0)** |
| | $ **(445.9)** | $ **(1,978.6)** | $ **358.9** | $ **(2,065.6)** |

| (dollars in millions) | As of January 1, 2022 | | | |
|---|---|---|---|---|
| | Interest-bearing | | | |
| | Floating rate | Fixed rate | Non-interest bearing | Total |
| Financial assets: | | | | |
| Available-for-sale investments | $ — | $ — | $ 0.6 | $ **0.6** |
| Cash and cash equivalents | 203.5 | — | 454.7 | **658.2** |
| Restricted cash | — | — | 2.7 | **2.7** |
| | **203.5** | — | **458.0** | **661.5** |
| Financial liabilities: | | | | |
| Debt | (657.3) | (1,921.9) | — | **(2,579.2)** |
| Lease obligations | — | (150.2) | — | **(150.2)** |
| | **(657.3)** | **(2,072.1)** | — | **(2,729.4)** |
| | $ **(453.8)** | $ **(2,072.1)** | $ **458.0** | $ **(2,067.9)** |

| (dollars in millions) | As of January 3, 2021 | | | |
|---|---|---|---|---|
| | Interest-bearing | | | |
| | Floating rate | Fixed rate | Non-interest bearing | Total |
| Financial assets: | | | | |
| Available-for-sale investments | $ — | $ — | $ 2.1 | $ **2.1** |
| Cash and cash equivalents | 214.1 | — | 307.3 | **521.4** |
| Restricted cash | — | — | 2.7 | **2.7** |
| | **214.1** | — | **312.1** | **526.2** |
| Financial liabilities: | | | | |
| Debt | (762.9) | (1,957.7) | (0.2) | **(2,720.8)** |
| Lease obligations | — | (149.5) | — | **(149.5)** |
| | **(762.9)** | **(2,107.2)** | **(0.2)** | **(2,870.3)** |
| | $ **(548.8)** | $ **(2,107.2)** | $ **311.9** | $ **(2,344.1)** |

## G. Currency risk

We have global operations and thus make investments and enter into transactions denominated in various foreign currencies. Our operating results are impacted by buying, selling and financing in currencies other than the functional currency of our operating companies. We monitor exposure to transactions denominated in currencies other than the functional currency of each country in which we operate, and enter into forward contracts to mitigate that exposure as needed. We also naturally hedge foreign currency through our production in the countries in which we sell our products.

In addition, we are exposed to currency risk associated with translating our non-U.S. dollar financial statements into U.S. dollars, which is our reporting currency. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. dollar. Translational foreign exchange risks arise predominantly on the potential increase in our significant euro debt when translated to U.S. dollars, as well as on the potential decreases in the value of our earnings, cash balances and other net assets denominated in euro and other currencies when translated to U.S. dollars.

The currency profiles of our cash and debt are centrally managed as are decisions about the location of cash. The currency profile of cash and debt, after taking into account the effect of the currency swaps and forwards used to manage those profiles, were as follows:

| (dollars in millions) | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|
| **Cash and cash equivalents by currency:** | | | |
| —U.S. dollar | $ 244.6 | $ 346.2 | $ 199.5 |
| —Chinese Yuan Renminbi | 115.9 | 109.7 | 94.8 |
| —Indian Rupee | 17.4 | 14.9 | 49.6 |
| —Euro | 32.2 | 32.5 | 37.8 |
| —Japanese Yen | 29.6 | $ 42.1 | $ 30.6 |
| —Other | 138.7 | 112.8 | 109.1 |
| | **$ 578.4** | **$ 658.2** | **$ 521.4** |
| **Principal amount of debt by currency:** | | | |
| —U.S. dollar | $ 1,684.9 | $ 1,641.9 | $ 1,634.2 |
| —Euro | 806.5 | 937.3 | 1,086.6 |
| | **$ 2,491.4** | **$ 2,579.2** | **$ 2,720.8** |

As described in Note 23 to the audited consolidated financial statements included elsewhere in this annual report, during Fiscal 2022 we refinanced and replaced our Euro-denominated term loan with new U.S. Dollar term loans and executed additional cross currency swaps that have been designated as net investment hedges in the principal amount of €501.6 million, and as a result, the net investment hedging designated on our Euro-denominated debt no longer exists. During Fiscal 2021 we had designated a portion of our Euro Term Loans, as well as a €254.5 million cross currency swap, as hedges of a portion of our net investment in euro-denominated foreign operations. Changes in the value of these instruments resulting from fluctuations in the euro to U.S. dollar exchange rate are accordingly recorded as foreign currency translation adjustments within other comprehensive income.

## 25. Deferred Tax

### Deferred income tax (liabilities) assets

Deferred income tax (liabilities) assets recognized by the Company were as follows:

| (dollars in millions) | Intangibles | Interest | PP&E | Retirement | Losses | Credits | Accrued Other | Total |
|---|---|---|---|---|---|---|---|---|
| **At January 3, 2021** | **$ (442.9)** | **$ 88.6** | **$ (48.3)** | **$ 17.7** | **$ 657.4** | **$ 6.3** | **$ 31.2** | **$ 310.0** |
| Charge to profit (loss) | 29.7 | 18.6 | 7.2 | (2.2) | (56.4) | 19.0 | 35.1 | **51.0** |
| Charge related to tax rate change | 5.0 | 4.3 | 2.8 | (4.0) | 50.6 | — | 1.3 | **60.0** |
| Charge to other comprehensive income | — | (2.2) | — | (6.3) | — | — | (3.0) | **(11.5)** |
| Exchange differences | 6.5 | (0.8) | — | (0.1) | (46.1) | — | (1.3) | **(41.8)** |
| **At January 1 2022** | **(401.7)** | **108.5** | **(38.3)** | **5.1** | **605.5** | **25.3** | **63.3** | **367.7** |
| Charge to profit (loss) | 34.5 | 28.4 | 2.8 | (1.7) | 13.4 | 11.4 | 7.8 | **96.6** |
| Charge related to tax rate change | 1.2 | (0.9) | 0.1 | — | (0.3) | — | (0.6) | **(0.5)** |
| Charge to other comprehensive income | — | (11.1) | — | 9.5 | 8.8 | — | (10.6) | **(3.4)** |
| Exchange differences | 7.2 | (0.3) | 0.7 | 1.1 | (59.2) | — | (0.7) | **(51.2)** |
| **At December 31, 2022** | **$ (358.8)** | **$ 124.6** | **$ (34.7)** | **$ 14.0** | **$ 568.2** | **$ 36.7** | **$ 59.2** | **$ 409.2** |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| (dollars in millions) | As of December 31, 2022 | As of January 1, 2022 | As of January 2, 2021 |
|---|---|---|---|
| Deferred tax liabilities | $ (203.4) | $ (286.1) | $ (369.4) |
| Deferred tax assets | 612.7 | 653.8 | 679.4 |
| | **$ 409.3** | **$ 367.7** | **$ 310.0** |

As of December 31, 2022, the Company had the following loss and credit carryforward amounts:

- Gates had U.S. federal, U.K. and foreign operating tax losses amounting to $6,299.9 million and U.S. state operating tax losses amounting to $114.3 million. Operating losses of $3,128.4 million can be carried forward indefinitely and $3,285.8 million have expiration dates between 2023 and 2042. We recognized a related deferred income tax asset of $568.2 million after valuation allowance of $1,009.4 million;
- Gates had U.S. federal and U.K. capital tax losses amounting to $730.0 million, of which $717.9 million can be carried forward indefinitely and $12.1 million expire in 2026. We recognized no related deferred income tax asset after a valuation allowance of $182.1 million;
- Gates had U.S. federal, Luxembourg, Belgium and U.K. interest expense deductions which can be carried forward amounting to $609.1 million. Interest expense carried forward can be carried forward indefinitely. We recognized a related deferred tax asset of $124.6 million after valuation allowance of $26.3 million; and
- Gates had U.S. federal foreign tax credits amounting to $89.4 million, which expire between 2023 and 2027. We recognized a related deferred income tax asset of $34.6 million after valuation allowance of $54.8 million

As of December 31, 2022, income and withholding taxes in the various tax jurisdictions in which Gates operates have not been provided on approximately $1,660.4 million of taxable temporary differences related to the investments in the Company's subsidiaries. These temporary differences represent the estimated excess of the financial reporting over the tax basis in our investments in those subsidiaries, which are primarily the result of purchase accounting adjustments. These temporary differences are not expected to reverse in the foreseeable future, but could become subject to income and withholding taxes in the various tax jurisdictions in which Gates operates if they were to reverse. The amount of unrecognized deferred income tax liability on these taxable temporary differences has not been determined because the hypothetical calculation is not practicable due to the uncertainty as to how they may reverse. However, Gates has recognized a deferred income tax liability of $18.6 million on taxable temporary differences related to undistributed earnings of the Company's subsidiaries.

## 26. Post-retirement benefits

### A. Background

The Group operates pension plans throughout the world, covering the majority of its employees. The plans are structured in accordance with local conditions and practices in each country and include defined contribution plans and defined benefit plans.

The Group provides defined contribution pension benefits in most of the countries in which it operates; in particular, the majority of the Group's employees in the US are entitled to such benefits. During Fiscal 2022, the expense recognized by Gates in respect of defined contribution pension plans was $20.2 million, compared to $20.6 million in Fiscal 2021.

The Group operates defined benefit pension plans in several countries; in particular, in the U.S. and the U.K.. Generally, the pension benefits provided under these plans are based upon pensionable salary and the period of service of the individual employees. The assets of the plans are held separately from those of the Group in funds that are under the control of trustees. The extent of the powers of the trustees, in particular in respect of funding and investment strategy, varies and is dependent on local regulations and the specific rules of each defined benefit pension plan. Payments made to these plans principally comprise funding contributions which are determined in accordance with local regulations, including those negotiated with the trustees, to ensure that appropriate funding levels are maintained and funding deficits are closed over a reasonable period of time. All of the defined benefit pension plans operated by the Group are closed to new entrants. In addition to the funded defined benefit pension plans, the Group has unfunded defined benefit obligations to certain current and former employees.

Gates also provides other post-employment benefits, principally health and life insurance coverage, on an unfunded basis to certain of its employees in the U.S. and Canada. These plans, which are unfunded, are defined benefit plans.

### B. Summary of financial effect on comprehensive income

An analysis of the effect of providing post-employment benefits on the Group's results is set out below.

| Year ended December 31, 2022 | | Pensions | | Other post-employment benefits |
|---|---|---|---|---|
| **Defined benefit plans** | | | | |
| Recognized in profit or loss: | | | | |
| —Current service cost | $ | 3.4 | $ | — |
| —Net interest cost | $ | 0.2 | $ | 1.2 |
| —Administrative costs | $ | 0.1 | $ | — |
| —Plan amendments | $ | — | $ | (0.4) |
| | **$** | **3.7** | **$** | **0.8** |
| Recognized in OCI: | | | | |
| —Actuarial Gain arising from experience adjustments | $ | (128.5) | $ | (7.0) |
| —Actuarial Gain arising from changes in demographic assumptions | $ | (0.4) | $ | — |
| —Actuarial Gain arising from changes in financial assumptions | $ | (77.2) | $ | (6.8) |
| —Return on Plan Assets Less than the Discount Rate | $ | 258.2 | $ | — |
| —Currency Loss / (Gain) | $ | 4.9 | $ | (0.9) |
| **Remeasurement of the net defined benefit liability (asset)** | **$** | **57.0** | **$** | **(14.7)** |

| Year ended January 1, 2022 | Pensions | Other post-employment benefits |
|---|---|---|
| **Defined benefit plans** | | |
| Recognized in profit or loss: | | |
| —Current service cost | $ 4.3 | $ — |
| —Net interest cost | $ 0.8 | $ 1.2 |
| —Administrative costs | $ 0.1 | $ — |
| | $ 5.2 | $ 1.2 |
| Recognized in OCI: | | |
| —Actuarial Gain arising from experience adjustments | $ (16.0) | $ (2.4) |
| —Actuarial Loss / (Gain) arising from changes in demographic assumptions | $ 0.9 | $ (3.2) |
| —Actuarial Gain arising from changes in financial assumptions | $ (29.6) | $ (2.9) |
| —Return on Plan Assets Less than the Discount Rate | $ 19.5 | $ — |
| —Currency (Gain) / Loss | $ (1.5) | $ 0.2 |
| **Remeasurement of the net defined benefit asset** | $ (26.7) | $ (8.3) |

**C. Summary of financial effect on the balance sheet**

On the basis of legal advice, the directors have recognized the surplus below. The net liability recognized in the Group's balance sheet in respect of defined benefit plans and its presentation in the balance sheet are set out below:

| | As of December 31, 2022 | | | As of January 1, 2022 | | | As of January 3, 2021 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Pensions | Other benefits | Total | Pensions | Other benefits | Total | Pensions | Other benefits | Total |
| Surpluses | $ 10.6 | $ — | **$ 10.6** | $ 75.4 | $ — | **$ 75.4** | $ 69.4 | $ — | **$ 69.4** |
| Deficits | (53.9) | (28.5) | **(82.4)** | (67.0) | (46.0) | **(113.0)** | (93.6) | (56.8) | **(150.4)** |
| **Net liability** | **$ (43.3)** | **$ (28.5)** | **$ (71.8)** | **$ 8.4** | **$ (46.0)** | **$ (37.6)** | **$ (24.2)** | **$ (56.8)** | **$ (81.0)** |

**D. Pensions**

***Assumptions***

The significant financial assumptions used in the actuarial valuations of the defined benefit pension plans were as follows:

| | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|
| | % per annum | % per annum | % per annum |
| Discount rate | 5.066 % | 2.150 % | 1.656 % |
| Salary increases | 3.539 % | 3.128 % | 3.032 % |
| Increase to pensions in payment | 3.040 % | 3.543 % | 3.070 % |

The significant demographic assumptions underlying the benefit obligations of the Group's principal pension plans were as follows:

| | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|
| | Years | Years | Years |
| Life Expectancy of a Male aged 65 now | 21.8 | 21.4 | 21.3 |
| Life Expectancy of a Female aged 65 now | 24.2 | 23.9 | 23.7 |
| Life Expectancy of a Male aged 65 in 15 years | 23.3 | 22.4 | 22.6 |
| Life Expectancy of a Female aged 65 in 15 years | 25.7 | 24.7 | 25.0 |

***Sensitivity analysis***

The table below provides an indication of the potential impact on the defined benefit obligation as of December 31, 2022 of a reasonably possible change in each of the above assumptions:

| | Level of change in assumption | Impact |
|---|---|---|
| Discount rate | 0.5% Decrease | 2.3 % |
| Increase to pensions in payment | 0.5% Increase | 0.2 % |
| Salary increases | 0.5% Increase | 0.1 % |
| Mortality rates | 1 year | 1.7 % |

Although it is likely that any change in one of the significant assumptions will have an impact on one or more of the other assumptions, this relationship cannot be easily determined and hence the above analysis presents only the impact of such changes to each assumption in isolation.

***Benefit obligation***

Changes in the present value of the benefit obligation were as follows:

| | As of December 31, 2022 | As of January 1, 2022 |
|---|---|---|
| At the beginning of the period | $ 808.8 | $ 893.7 |
| Current service cost | $ 3.4 | $ 4.3 |
| Interest cost | $ 16.0 | $ 14.4 |
| Employees' contributions | $ 0.1 | $ 0.1 |
| Administrative expenses | $ 0.1 | $ 0.1 |
| Net actuarial loss/(gain) arising from: | | |
| —experience adjustment | $ (128.5) | $ (16.0) |
| —changes in demographic assumptions | $ (0.4) | $ 0.9 |
| —changes in financial assumptions | $ (77.2) | $ (29.6) |
| Benefits paid | $ (41.1) | $ (50.6) |
| Foreign currency translation | $ (55.6) | $ (8.9) |
| **At the end of the period** | **$ 525.6** | **$ 808.4** |

The weighted average active duration of the Group's pension plans as of December 31, 2022 is 8.4 years (January 1, 2022: 13.8 years).

***Plan assets***

Change in the fair value of plan assets were as follows:

| | As of December 31, 2022 | As of January 1, 2022 |
|---|---|---|
| At the beginning of the period | $ 816.8 | $ 869.3 |
| Interest income | $ 15.8 | $ 13.6 |
| Remeasurement loss: | | |
| — return on plan assets (excluding amounts included in net interest expense) | $ (258.2) | $ (19.5) |
| Employer's contributions | $ 9.2 | $ 11.3 |
| Employees' contributions | $ 0.1 | $ 0.1 |
| Benefits paid | $ (41.1) | $ (50.6) |
| Foreign currency translation | $ (60.3) | $ (7.4) |
| **At the end of the period** | **$ 482.3** | **$ 816.8** |

The fair value of plan assets by category were as follows:

| (dollars in millions) | As of December 31, 2022<br>Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|
| Collective investment trusts: | | | | |
| Equity Securities | $ — | $ 106.7 | $ — | $ 106.7 |
| Debt Securities | | | | |
| —Corporate bonds | — | 22.1 | — | 22.1 |
| —Government bonds | — | 93.0 | — | 93.0 |
| Annuities and insurance | — | — | 240.4 | 240.4 |
| Other | — | 4.7 | — | 4.7 |
| Cash and cash equivalents | 15.4 | — | — | 15.4 |
| **Total** | $ 15.4 | $ 226.5 | $ 240.4 | $ 482.3 |

| (dollars in millions) | As of January 1, 2022<br>Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|
| Collective investment trusts: | | | | |
| Equity Securities | $ — | $ 145.3 | $ — | $ 145.3 |
| Debt Securities | | | | |
| —Corporate bonds | — | 240.1 | — | 240.1 |
| —Government bonds | — | 199.6 | — | 199.6 |
| Annuities and insurance | — | 21.2 | 197.5 | 218.7 |
| Other | — | 5.6 | — | 5.6 |
| Cash and cash equivalents | 7.5 | — | — | 7.5 |
| **Total** | $ 7.5 | $ 611.8 | $ 197.5 | $ 816.8 |

| (dollars in millions) | As of January 3, 2021<br>Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|
| Collective investment trusts: | | | | |
| Equity Securities | $ — | $ 144.1 | $ — | $ 144.1 |
| Debt Securities | | | | |
| —Corporate bonds | — | 190.6 | — | 190.6 |
| —Government bonds | — | 249.5 | — | 249.5 |
| Annuities and insurance | — | 49.4 | 227.3 | 276.7 |
| Cash and cash equivalents | 8.4 | — | — | 8.4 |
| **Total** | $ 8.4 | $ 633.6 | $ 227.3 | $ 869.3 |

The return and risk expectations for each asset class incorporate assumptions about historical return relationships, current financial market conditions and the degree of global capital market integration. The assumptions used have been derived from rigorous historical performance analysis combined with forward-looking views of the financial markets as revealed through the yield on long-term bonds. The actuaries review analyses of historical risk and the correlation of the return on asset classes and apply subjective judgment based on their knowledge of the Group's plans. The result of this analysis is incorporated into a risk matrix from which expected long-term risk premiums for each asset class are developed.

The nominal return expectations are determined by combining the asset class risk premiums with expected inflation and real risk-free rate assumptions. As a final consideration, the nominal return assumptions are blended with current market conditions to develop long-term equilibrium expectations.

Gates' desired investment objectives for pension plan assets include maintaining an adequate level of diversification to reduce interest rate and market risk, and to provide adequate liquidity to meet immediate and future benefit payment requirements. Outside the U.S., Gates' defined benefit pension plans target a mix of growth seeking assets, comprising equities, and income generating assets, such as government and corporate bonds, that are considered by the trustees to be appropriate in the circumstances. Plan assets are rebalanced periodically to maintain target asset allocations. Certain benefit obligations outside the U.S. are matched by insurance contracts. During Fiscal 2022, the Group initiated an annuity purchase transaction, or commonly known as "buy-in", for two of our pension schemes in the U.K., when the pension obligations for the two pension schemes deemed to be fully covered and funded by the annuities assets. After the buy-in, the fair value of the insurance policies equates to the present value of the pension obligations.

Investments in equities and fixed income securities are held in pooled investment funds that are managed by investment managers on a passive (or "index-tracking") basis. The trustees ensure that there is no significant concentration of credit risk in any one financial institution. Plan assets do not include any financial instruments issued by, any property occupied by, or other assets used by Gates.

***Asset ceiling***

As of December 31, 2022, January 1, 2022 and January 3, 2021, no effect of the asset ceiling was recognized.

***Expected future contributions***

The Group expects to make contributions of approximately $5.8 million to defined benefit pension plans during 2023.

**E. Other post-employment benefits**

***Assumptions***

There are no significant demographic actuarial assumptions used in valuing the benefit obligation arising from other post-employment benefit plans. The weighted averages of the significant financial assumptions used in the actuarial valuations of these plans were as follows:

| | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|
| | % per annum | % per annum | % per annum |
| Discount rate | 5.442 % | 2.806 % | 2.299 % |
| Post-Retirement Health Care Trend Rate - Initial | 5.971 % | 5.745 % | 6.140 % |
| Post-Retirement Health Care Trend Rate - Ultimate | 4.822 % | 4.911 % | 4.901 % |

The significant demographic assumptions underlying the benefit obligations of the Group's principal pension plans were as follows:

| | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|
| | Years | Years | Years |
| Life Expectancy of a Male aged 65 now | 21.2 | 21.1 | 20.7 |
| Life Expectancy of a Female aged 65 now | 23.4 | 23.3 | 22.9 |
| Life Expectancy of a Male aged 65 in 15 years | 22.6 | 22.2 | 21.9 |
| Life Expectancy of a Female aged 65 in 15 years | 24.7 | 24.4 | 24.0 |

The Group's other post-employment benefit plans are unfunded. Accordingly, the liability recognized in the Group's balance sheet in respect of these plans represents the present value of the benefit obligation.

The sensitivity of the benefit obligation to changes in the significant assumptions used in the actuarial valuations as of December 31, 2022 may be summarized as follows:

| | Increase of one percentage point<br>% per annum | Decrease of one percentage point<br>% per annum |
|---|---|---|
| Discount rate | 0.5% Decrease | 3.6 % |
| Mortality rates | 1 year improvement | 3.1 % |

Although it is likely that any change in either of the significant assumptions above will have an impact on one or more of the other assumptions, this relationship cannot be easily determined and hence the above analysis presents only the impact of such changes to each assumption in isolation.

***Benefit obligation***

Changes in the present value of the benefit obligation were as follows:

| (dollars in millions) | As of December 31, 2022 | As of January 1, 2022 |
|---|---|---|
| At the beginning of the period | $ 46.0 | $ 56.8 |
| Interest cost | 1.2 | 1.2 |
| Net actuarial gain arising from: | | |
| —experience adjustment | (7.0) | (2.4) |
| —changes in demographic assumptions | — | (3.2) |
| —changes in financial assumptions | (6.8) | (2.9) |
| Benefits paid | (3.3) | (3.8) |
| Plan Amendments | (0.5) | — |
| Foreign currency translation | (1.1) | 0.3 |
| **At the end of the period** | **$ 28.5** | **$ 46.0** |

The weighted average active duration of the Group's other post-employment benefit plans as of December 31, 2022 is 7.5 years (January 1, 2022: 11.7 years).

***Expected future contributions***

The Group expects to make no contributions to the other post-employment benefit plans during 2023.

## 27. Share-based compensation

The Company operates a share-based incentive plan over its shares to provide incentives to Gates' senior executives and other eligible employees. During the year ended December 31, 2022, we recognized a charge of $44.3 million compared to $24.6 million in the prior year.

### Awards issued under the 2014 Omaha Topco Ltd. Stock Incentive Plan (the "2014 Plan")

Gates has a number of share-based incentive awards issued under the 2014 Plan, which was assumed by the Company and renamed the Gates Industrial Corporation plc Stock Incentive Plan in connection with our initial public offering in January 2018. No new awards have been granted under this plan since 2017. The options are split equally into four tiers, each with specific vesting conditions. Tier I options vest evenly over 5 years from the grant date, subject to the participant continuing to provide service to Gates on the vesting date. Tier II, III and IV options vest on achievement of specified investment returns by our majority owners, who are various investment funds managed by affiliates of Blackstone Inc. ("Blackstone" or our "Sponsor"), at the time of a defined liquidity event, which is also subject to the participant's continued provision of service to Gates on the vesting date. The performance conditions associated with Tiers II, III and IV must have been achieved on or prior to July 3, 2022 in order for vesting to occur. All the options expire ten years after the date of grant.

During March 2022, a liquidity event (as defined in the related grant agreements) occurred following the sale by Blackstone of a certain portion of their interest in Gates, resulting in the vesting of the Tier II and IV options as the specified investment returns related to these options had been met. In connection with this vesting, a one-time share-based compensation charge of $16.1 million was recognized. On July 3, 2022, the performance period for the Tier III options expired and, as the specified investment returns were not achieved, all Tier III awards expired during Fiscal 2022.

Due to Chinese regulatory restrictions on foreign stock ownership, awards granted under this plan to Chinese employees have been issued as stock appreciation rights ("SARs"). The terms of these SARs are identical to those of the options described above with the exception that no share is issued on exercise; instead, cash equivalent to the increase in the value of the shares from the date of grant to the date of exercise is paid to the employee. These awards are therefore treated as liability awards under IFRS 2 *Share-based Payment* and are revalued to their fair value at each period end.

Changes in the awards granted under this plan are summarized in the tables below.

**Awards issued under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan (the "2018 Plan")**

In conjunction with the initial public offering in January 2018, Gates adopted the 2018 Plan, which is a market-based long-term incentive program that allows for the issue of a variety of equity-based and cash-based awards, including stock options, SARs and RSUs.

The SARs issued under this plan take the form of options, except that no share is issued on exercise; instead, cash equivalent to the increase in the value of the shares from the date of grant to the date of exercise is paid to the employee. These awards are therefore treated as liability awards under IFRS 2 *Share-based Payment* and are revalued to their fair value at each period end. The SARs and the majority of the share options issued under this plan vest evenly over either three years or four years from the grant date. The remainder of the options and the premium-priced options vest evenly over a three year period, starting two years from the grant date. All options vest subject to the participant's continued employment by Gates on the vesting date and expire ten years after the date of grant.

The RSUs issued under the plan consist of time-vesting RSUs and PRSUs. The time-vesting RSUs vest evenly over either one or three years from the date of grant, subject to the participant's continued provision of service to Gates on the vesting date. The PRSUs issued prior to 2022 provide that 50% of the award will generally vest if Gates achieves a certain level of average annual adjusted return on invested capital as defined in the plan ("Adjusted ROIC") and the remaining 50% of the PRSUs will generally vest if Gates achieves certain relative total shareholder return ("Relative TSR") goals, in each case, measured over a three-year performance period and subject to the participant's continued employment through the end of the performance period. The total number of PRSUs that vest at the end of the performance period will range from 0% to 200% of the target based on actual performance against a pre-established scale. For PRSUs issued in 2022, the terms are identical, except that 75% of the award will generally vest based on the specified Adjusted ROIC achievement and the remaining 25% will generally vest based on Relative TSR goal attainment.

New awards and movements in existing awards granted under this plan are summarized in the tables below.

**Summary of movements in options outstanding**

| | Plan | Year ended December 31, 2022<br>Number of options | | Weighted average exercise price $ |
|---|---|---|---|---|
| **Outstanding at the beginning of the period:** | | | | |
| —Tier I | *2014 Plan* | 2,752,700 | $ | 6.91 |
| —Tier II | *2014 Plan* | 3,577,470 | $ | 6.90 |
| —Tier III | *2014 Plan* | 3,577,470 | $ | 6.90 |
| —Tier IV | *2014 Plan* | 3,577,470 | $ | 10.35 |
| —SARs | *Both plans* | 829,108 | $ | 9.31 |
| —Share options | *2018 Plan* | 3,254,097 | $ | 14.84 |
| —Premium-priced options | *2018 Plan* | 835,469 | $ | 18.88 |
| | | **18,403,784** | **$** | **9.63** |
| **Granted during the period:** | | | | |
| —SARs | *2018 Plan* | 62,055 | $ | 15.76 |
| | | **62,055** | **$** | **15.76** |
| **Forfeited during the period:** | | | | |
| —Tier III | *2014 Plan* | (188,157) | $ | 6.93 |
| —SARs | *Both Plans* | (20,004) | $ | 14.11 |
| —Share options | *2018 Plan* | (110,381) | $ | 14.18 |
| | | **(318,542)** | **$** | **9.89** |
| **Expired during the period:** | | | | |
| —Tier III | *2014 Plan* | (3,389,313) | $ | 6.90 |
| —Tier IV | *2014 Plan* | (79,760) | $ | 11.80 |
| —SARs | *Both Plans* | (183,908) | $ | 7.55 |
| —Share options | *2018 Plan* | (134,837) | $ | 15.14 |
| | | **(3,787,818)** | **$** | **7.33** |
| **Exercised during the period:** | | | | |
| —Tier I | *2014 Plan* | (231,527) | $ | 7.09 |
| —Tier II | *2014 Plan* | (887,919) | $ | 6.70 |
| —Tier IV | *2014 Plan* | (805,159) | $ | 9.84 |
| —SARs | *Both Plans* | (4,164) | $ | 11.00 |
| —Share options | *2018 Plan* | (28,745) | $ | 13.42 |
| | | **(1,957,514)** | **$** | **8.15** |
| **Outstanding at the end of the period:** | | | | |
| —Tier I | *2014 Plan* | 2,521,173 | $ | 6.89 |
| —Tier II | *2014 Plan* | 2,689,551 | $ | 6.97 |
| —Tier III | *2014 Plan* | — | $ | — |
| —Tier IV | *2014 Plan* | 2,692,551 | $ | 10.46 |
| —SARs | *Both plans* | 683,087 | $ | 10.22 |
| —Share options | *2018 Plan* | 2,980,134 | $ | 14.86 |
| —Premium-priced options | *2018 Plan* | 835,469 | $ | 18.88 |
| | | **12,401,965** | **$** | **10.59** |
| Exercisable at the end of the period | | 10,881,483 | $ | 9.85 |
| Vested and expected to vest at the end of the period | | 12,371,354 | $ | 10.57 |

As of December 31, 2022, the aggregate intrinsic value of options that were exercisable was $28.3 million, and these options had a weighted average remaining contractual term of 3.8 years. As of December 31, 2022, the aggregate intrinsic value of options that were vested or expected to vest was $28.3 million, and these options had a weighted average remaining contractual term of 4.2 years.

As of December 31, 2022, the unrecognized compensation charge relating to the nonvested options was $1.5 million, which is expected to be recognized over a weighted-average period of 0.9 years.

During Fiscal 2022, the aggregate fair value of options granted was $0 million, compared to $6.4 million during Fiscal 2021.

During Fiscal 2022, cash of $15.9 million was received in relation to the exercise of vested options, compared to $4.6 million during Fiscal 2021. The aggregate intrinsic value of options exercised during Fiscal 2022 was $1.0 million, compared to $4.8 million during Fiscal 2021.

**Summary of movements in RSUs and PRSUs outstanding**

| | Year ended December 31, 2022 | | |
|---|---|---|---|
| | Number of awards | | Weighted average grant date fair value $ |
| **Outstanding at the beginning of the period:** | | | |
| —RSUs | 1,744,405 | $ | 13.98 |
| —PRSUs | 883,978 | $ | 16.98 |
| | **2,628,383** | **$** | **14.99** |
| **Granted during the period:** | | | |
| —RSUs | 2,823,325 | $ | 13.67 |
| —PRSUs | 425,670 | $ | 17.23 |
| | **3,248,995** | **$** | **14.14** |
| **Forfeited during the period:** | | | |
| —RSUs | (242,925) | $ | 14.63 |
| —PRSUs | (152,780) | $ | 21.11 |
| | **(395,705)** | **$** | **17.13** |
| **Vested during the period:** | | | |
| —RSUs | (833,546) | $ | 13.83 |
| —PRSUs | (80,308) | | 16.46 |
| | **(913,854)** | **$** | **14.06** |
| **Outstanding at the end of the period:** | | | |
| —RSUs | 3,491,259 | $ | 13.72 |
| —PRSUs | 1,076,560 | $ | 16.53 |
| | **4,567,819** | **$** | **14.38** |

As of December 31, 2022, the unrecognized compensation charge relating to nonvested RSUs and PRSUs was $31.3 million, which is expected to be recognized over a weighted average period of 1.9 years, subject, where relevant, to the achievement of the performance conditions described above. The total fair value of RSUs and PRSUs vested during Fiscal 2022 was $12.9 million, compared to $12.3 million and $3.1 million during Fiscal 2021 and Fiscal 2020, respectively.

**Valuation of awards granted during the period**

The grant date fair value of the options and SARs are measured using a Black-Scholes valuation model. RSUs are valued at the share price on the date of grant. The premium-priced options and PRSUs were valued using Monte Carlo simulations. As Gates only has volatility data for its shares for the period since its initial public offering, this volatility has, where necessary, been weighted with the debt-levered volatility of a peer group of public companies in order to determine the expected volatility over the expected option life. The expected option life represents the period of time for which the options are expected to be outstanding and is based on consideration of the contractual life of the option, option vesting period, and historical exercise patterns. The weighted average fair values and relevant assumptions were as follows:

| | For the year ended | |
|---|---|---|
| | December 31, 2022 | January 1, 2022 |
| Weighted average grant date fair value: | | |
| —SARs | $ 6.94 | $ 6.66 |
| —Share options | n/a | $ 6.66 |
| —Premium-priced options | n/a | $ 6.36 |
| —RSUs | $ 13.67 | $ 15.16 |
| —PRSUs | $ 17.23 | $ 17.92 |
| | | |
| Inputs to the model: | | |
| —Expected volatility - SARs | 43.5 % | 46.1 % |
| —Expected volatility - share options | n/a | 46.1 % |
| —Expected volatility - premium-priced options | n/a | 46.1 % |
| —Expected volatility - PRSUs | 49.1 % | 50.8 % |
| —Expected option life for SARs (years) | 6.0 | 6.0 |
| —Expected option life for share options (years) | n/a | 6.0 |
| —Expected option life for premium-priced options (years) | n/a | 6.0 |
| —Risk-free interest rate: | | |
| SARs | 1.91 % | 0.95 % |
| Share options | n/a | 0.95 % |
| Premium-priced options | n/a | 0.95 % |
| PRSUs | 1.72 % | 0.27 % |

## 28. Provisions

Accrued expenses and other liabilities consisted of the following:

| (dollars in millions) | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|
| Warranty provisions | $ 17.6 | $ 18.7 | $ 19.8 |
| Restructuring provisions (Note 6) | 7.5 | 6.5 | 17.9 |
| Workers' compensation | 8.0 | 7.9 | 8.8 |
| Other provisions | 6.1 | 6.7 | 13.1 |
| | $ 39.2 | $ 39.8 | $ 59.6 |

The above liabilities are presented in Gates' balance sheet as follows:

| (dollars in millions) | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|
| —Accrued expenses and other current liabilities | $ 26.5 | $ 28.9 | $ 46.9 |
| —Other non-current liabilities | 12.7 | 10.9 | 12.7 |
| | $ 39.2 | $ 39.8 | $ 59.6 |

### Warranty provisions

Changes in warranty provisions (included in Trade and other payables and Other non-current liabilities) were as follows:

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Balance at the beginning of the period | $ 18.7 | $ 19.8 |
| Charge for the period | 10.8 | 10.3 |
| Utilized during the period | (10.9) | (9.6) |
| Released during the period | (0.3) | (1.9) |
| Foreign currency translation | (0.7) | 0.1 |
| **Balance at the end of the period** | $ 17.6 | $ 18.7 |

An accrual is made for warranty claims on various products depending on specific market expectations and the type of product. These estimates are established using historical information on the nature, frequency and average cost of warranty claims. The majority of the warranty accruals are expected to be utilized during 2023, with the remainder estimated to be utilized within the next three years.

An accrual is made for the cost of product recalls if management considers it probable that it will be necessary to recall a specific product and the amount can be reasonably estimated.

### Worker's compensation

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| **Balance at the beginning of the period** | $ 7.9 | $ 8.8 |
| Charge for the period | 4.7 | 3.1 |
| Utilized during the period | (2.7) | (2.4) |
| Released during the period | (1.9) | (1.6) |
| **Balance at the end of the period** | $ 8.0 | $ 7.9 |

The majority of the worker's compensation provisions are currently expected to be utilized within the next five years. Other provisions consist primarily of environmental, legal and insurance provisions. Further information on our restructuring provision is presented in Note 6.

**29. Commitments and contingencies**

**A. Capital and other commitments**

As of December 31, 2022, we had entered into contractual commitments for the purchase of property, plant and equipment amounting to $12.1 million, compared to $5.1 million as of January 1, 2022, and for the purchase of non-integral computer software amounting to $6.6 million, compared to $0.7 million as of January 1, 2022. As of December 31, 2022, we had entered into contractual commitments for non-capital items such as raw materials and supplies amounting to $25.3 million, compared to $31.3 million as of January 1, 2022.

**B. Performance bonds, letters of credit and bank guarantees**

As of December 31, 2022, letters of credit were outstanding against the asset-backed revolving facility amounting to $25.8 million, compared to $45.3 million as of January 1, 2022. We had additional outstanding performance bonds, letters of credit and bank guarantees amounting to $8.7 million as of December 31, 2022, compared to $6.3 million as of January 1, 2022.

**C. Contingencies**

The Company is, from time to time, party to general legal proceedings and claims, which arise in the ordinary course of business including those relating to environmental obligations, product liability, intellectual property, commercial and contractual disputes, employment matters and other business matters. When appropriate, management consults with legal counsel and other appropriate experts to assess claims. If, in management's opinion, we have incurred a probable loss as set forth by IFRS, an estimate is made of the loss and the appropriate provision is reflected in our consolidated financial statements. Currently, there are no material amounts accrued.

While it is not possible to quantify the financial impact or predict the outcome of all pending claims and litigation, management does not anticipate that the outcome of any current proceedings or known claims, either individually or in aggregate, will materially affect Gates' financial position, results of operations or cash flows.

**30. Share capital and reserves**

**A. Authorized and issued, fully paid shares of Gates Industrial Corporation plc**

| (dollars in millions except share numbers) | Ordinary shares of $0.01 each | |
|---|---|---|
| | Authorized number of shares | Issued number of shares |
| **As of January 3, 2021** | 3,000,000,000 | 290,853,067 |
| Issuance of shares | — | 1,085,521 |
| Cancellation of repurchased shares | — | (656,451) |
| **As of January 1, 2022** | **3,000,000,000** | **291,282,137** |
| Issuance of shares | — | 2,762,697 |
| Cancellation of repurchased shares | — | (11,465,917) |
| **As of December 31, 2022** | **3,000,000,000** | **282,578,917** |

**Shares capital and reserves**

Share capital represents the nominal value of the shares issued. The Company has one class of authorized and issued shares, with a par value of $0.01, and each share has equal voting rights. Share premium represents proceeds received in excess of the nominal value of shares issued, net of any share issue costs.

Retained earnings represents all other net gains, losses, and transactions with owners not recognized elsewhere.

Other reserves within equity includes translation and hedging reserve, and merger reserve. In order to provide useful information about the Group's hedging arrangements, the translation reserve and hedging reserve are combined, which includes exchange differences on the translation of subsidiaries with a functional currency other than USD, cumulative fair value gains and losses and costs of hedging on derivatives that hedge the Company's net investment in foreign subsidiaries, and cumulative fair value gains and losses and costs of hedging on derivatives for which cash flow hedge accounting has been applied. The merger reserve represents the differences on consolidation arising on the adoption of predecessor accounting. This comprises the difference between consideration paid and the book value of net assets acquired in the transaction.

**Shares repurchases**

In November 2021, the Company established a repurchase program allowing for up to $200 million in authorized share repurchases. 656,451 shares were repurchased and cancelled under this program, at an aggregate cost of $10.6 million.

On March 24, 2022, the Company, certain selling shareholders affiliated with Blackstone Inc. and Citigroup Global Markets Inc. ("Citigroup") entered into an underwriting agreement pursuant to which the selling shareholders agreed to sell to Citigroup 5,000,000 ordinary shares of the Company at a price of $15.14 per ordinary share (the "Offering"). The selling shareholders also granted to Citigroup an option to purchase up to 750,000 additional ordinary shares of the Company; this option was exercised in full on March 25, 2022. The Company did not receive any proceeds from the sale of ordinary shares in the Offering, which closed on March 30, 2022. In connection with the Offering, the Company repurchased 8,000,000 ordinary shares through Citigroup from the same selling shareholders at a price of $15.14 per ordinary share for an aggregate consideration of $121.1 million, plus costs directly related to the transaction of $0.8 million. This repurchase was funded by cash on hand and a borrowing of $70.0 million under Gates' asset-backed revolving credit facility.

During Fiscal 2022, Gates repurchased a total of 11,465,917 ordinary shares at an aggregate cost of $174.7 million, and incurred an additional $1.2 million of costs related directly to these repurchases. All shares repurchased have been cancelled and the program expired on December 31, 2022. On April 28, 2023, the Company's Board of Directors approved another share repurchase program for up to $250 million in authorized share repurchases, which expires in October 2024.

### 31. Note to cash flow statement

The table below details changes in liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated cash flow statement as cash from financing activities.

| (dollars in millions) | Interest-bearing loans and borrowings | Lease Liabilities | Derivative liabilities | Total |
|---|---|---|---|---|
| **As of January 3, 2021** | **$ 2,693.4** | **$ 149.5** | **$ 100.1** | **$ 2,943.0** |
| Repayment of debt | (91.0) | — | — | (91.0) |
| Debt issuance costs paid | (11.7) | — | — | (11.7) |
| Change in Fair Value | — | — | (50.4) | (50.4) |
| New and modified Leases | — | 32.1 | — | 32.1 |
| Cash payments | — | (31.9) | — | (31.9) |
| Foreign exchange movement | (50.6) | (3.0) | — | (53.6) |
| Other changes | (38.2) | 3.5 | — | (34.7) |
| **As of January 1, 2022** | **2,501.9** | **150.2** | **49.7** | **2,701.8** |
| Draw down of debt | 645.0 | — | — | 645.0 |
| Repayment of debt | (676.9) | — | — | (676.9) |
| Debt issuance costs paid | (23.3) | — | — | (23.3) |
| Change in Fair Value | — | — | (49.2) | (49.2) |
| New and modified Leases | — | 34.9 | — | 34.9 |
| Cash payments | — | (33.8) | — | (33.8) |
| Foreign exchange movement | (55.8) | (4.1) | — | (59.9) |
| Other changes | 28.6 | 8.4 | — | 37.0 |
| **As of December 31, 2022** | **$ 2,419.5** | **$ 155.6** | **$ 0.5** | **$ 2,575.6** |

### 32. Related party transactions

#### A. Entities affiliated with Blackstone

In January 2018, Gates and Blackstone Management Partners L.L.C. ("BMP") and Blackstone Tactical Opportunities Advisors L.L.C., each affiliates of our Sponsor (the "Managers"), entered into a Transaction and Monitoring Fee Agreement (the "Monitoring Fee Agreement"). Under this agreement, which terminated in January 2020 upon the second anniversary of the closing date of the initial public offering of Gates, the Company and certain of its direct and indirect subsidiaries (collectively the "Monitoring Service Recipients") engaged the Managers to provide certain monitoring, advisory and consulting services.

In connection with the initial public offering, we entered into a Support and Services Agreement with BMP, under which the Company and certain of its direct and indirect subsidiaries reimburse BMP for customary support services provided by Blackstone's portfolio operations group to the Company at BMP's direction. BMP will invoice the Company for such services based on the time spent by the relevant personnel providing such services during the applicable period and Blackstone's allocated costs of such personnel. During the periods presented, no amounts were paid or outstanding under this agreement. This agreement terminates on the date our Sponsor beneficially owns less than 5% of our ordinary shares and such shares have a fair market value of less than $25.0 million, or such earlier date as may be chosen by Blackstone.

As described in Note 30, in March 2022, the Company repurchased 8,000,000 ordinary shares through Citigroup from certain shareholders affiliated with Blackstone Inc. for an aggregate consideration of $121.1 million, plus costs directly related to the transaction of $0.8 million.

In connection with the issuance of the New Dollar Term Loan on November 16, 2022, Blackstone Alternative Credit Advisors LP, an affiliate of Blackstone, was an initial lender of $50.0 million and received fees of $0.3 million. This transaction was on terms equivalent to those of unaffiliated parties.

**B. Equity method investees**

Sales to and purchases from equity method investees were as follows:

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Sales | $ — | $ 0.1 |
| Purchases | $ (16.7) | $ (14.9) |

Amounts outstanding in respect of these transactions were payables of $2.4 million as of December 31, 2022, compared to $1.0 million as of January 1, 2022. No dividends were received from our equity method investees during the periods presented.

**C. Non-Gates entities controlled by non-controlling shareholders**

Sales to and purchases from non-Gates entities controlled by non-controlling shareholders were as follows:

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Sales | $ 59.0 | $ 67.3 |
| Purchases | $ (18.4) | $ (21.7) |

Amounts outstanding in respect of these transactions were as follows:

| (dollars in millions) | As of December 31, 2022 | As of January 1, 2022 | As of January 3, 2021 |
|---|---|---|---|
| Receivables | $ 4.7 | $ 5.4 | $ 0.4 |
| Payables | $ (3.2) | $ (3.6) | $ (4.5) |

**D. Majority-owned subsidiaries**

In early 2019, we finalized an agreement with the non-controlling interest holder in certain of our consolidated, majority-owned subsidiaries, regarding the scope of business of such subsidiaries, which will result in a smaller share of net income allocated to non-controlling interests. This change is retrospectively effective from the beginning of 2019 and includes a one-time adjustment of $15.0 million, which has been recorded in the first quarter of 2019 in the non-controlling interests line in the consolidated statement of operations.

**E. Remuneration of key management personnel**

The remuneration of the Directors of the Company and the executive officers of the Group, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24: "*Related party disclosures*". Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration report.

| (dollars in millions) | For the year ended December 31, 2022 | For the year ended January 1, 2022 |
|---|---|---|
| Short-term employee benefits | $ 10.7 | $ 12.5 |
| Post-employment benefits | 0.6 | 0.5 |
| Other long-term benefits | 0.1 | 0.1 |
| Share-based payments | 19.0 | 12.0 |
| | $ 30.4 | $ 25.1 |

## 33. Subsequent events

On February 11, 2023, Gates determined that it was the target of a malware attack. We promptly activated our incident response and business continuity plans and our normal global business operations resumed within a week of the incident. As part of our incident response, we among other things, initiated an investigation, engaged the services of cyber-security experts and outside advisors, and notified appropriate law enforcement authorities. We are engaged in an ongoing process of notifying regulatory agencies and potentially affected individuals, as appropriate, in the relevant geographic location. While we were able to quickly restore our operations, the incident resulted in some disruption to sales as well as non-recurring direct costs of $5.1 million during the quarter, some of which may be partially offset by insurance recoveries. We have and continue to make investments to enhance the protection of our information technology systems.

On March 1, 2023, the Company amended its Existing Dollar Term Loans, revolving credit facility and asset-backed revolver, which bore interests at LIBOR plus an applicable margin. The amendment modified the revolving credit facility and asset-backed revolver reference rates for borrowing in dollars from LIBOR to Term SOFR (as defined in the credit agreement), and the Existing Dollar Term Loans reference rate from LIBOR to Adjusted Term SOFR (defined in the credit agreement as Term SOFR with a credit spread adjustment of 0.10%). For further information on the facilities, see Note 23.

On April 28, 2023, the Company's Board of Directors approved another share repurchase program for up to $250 million in authorized share repurchases, which expires in October 2024.

The Company is not aware of any other events or transactions that occurred subsequent to the balance sheet date but prior to May 5, 2023 that would require recognition or disclosure in its consolidated financial statements.

**Gates Industrial Corporation plc**

**Parent Company Balance Sheets**

| (dollars in millions) | *Notes* | As of December 31, 2022 | As of January 1, 2022 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | *3* | $ 2,352.2 | $ 2,173.6 |
| Trade and other receivables | *4* | 3,973.1 | 3,969.8 |
| | | **6,325.3** | **6,143.4** |
| **Current assets** | | | |
| Cash and cash equivalents | | 6.4 | 12.6 |
| | | **6.4** | **12.6** |
| **Total assets** | | **6,331.7** | **6,156.0** |
| **Non-current liabilities** | | | |
| Amounts due to subsidiaries | *5* | (121.9) | — |
| | | **(121.9)** | — |
| **Current liabilities** | | | |
| Income tax liabilities | | (11.1) | (11.0) |
| Trade and other payables | *5* | (0.7) | (0.6) |
| **Total liabilities** | | **(133.7)** | **(11.6)** |
| **Net assets** | | **$ 6,198.0** | **$ 6,144.4** |
| **Capital and reserves** | | | |
| Ordinary share capital | *7* | 2.8 | 2.9 |
| Share premium | *7* | 23.8 | 7.8 |
| Accumulated surplus | *8* | 6,171.4 | 6,133.7 |
| **Shareholders' equity** | | **$ 6,198.0** | **$ 6,144.4** |

Gates Industrial Corporation plc reported a profit for the year ended December 31, 2022 of $169.2 million, compared to a profit of $166.3 million for the year ended January 1, 2022.

The accompanying notes form an integral part of these financial statements.

The financial statements of Gates Industrial Corporation plc (registered number 10980824) were approved by the board of directors and authorized for issue on May 5, 2023. They were signed on its behalf by:

Ivo Jurek
Director and Chief Executive Officer

## Gates Industrial Corporation plc

## Parent Company Statement of Changes in Equity

| (dollars in millions) | Notes | Share capital | Share premium | Accumulated surplus | Total |
|---|---|---|---|---|---|
| **Balance as of January 3, 2021** | | $ 2.9 | $ 3.3 | $ 5,953.7 | $ **5,959.9** |
| Shares issued on exercise of share options | 7 | — | 4.5 | — | **4.5** |
| Profit for the year attributable to equity shareholders | | — | — | 166.3 | **166.3** |
| Capital contribution to subsidiaries | | — | — | 23.5 | **23.5** |
| Repurchase of shares | 7,8 | — | — | (10.6) | **(10.6)** |
| Credit to equity for share-based compensation, including tax benefit | | — | — | 0.8 | **0.8** |
| **Balance as of January 1, 2022** | | **2.9** | **7.8** | **6,133.7** | **6,144.4** |
| Shares issued on exercise of share options | 7 | — | 16.0 | — | **16.0** |
| Profit for the year attributable to equity shareholders | | — | — | 169.2 | **169.2** |
| Capital contribution to subsidiaries | | — | — | 43.3 | **43.3** |
| Repurchase of shares | 7,8 | (0.1) | — | (175.8) | **(175.9)** |
| Credit to equity for share-based compensation, including tax benefit | | — | — | 1.0 | **1.0** |
| **Balance as of December 31, 2022** | | **$ 2.8** | **$ 23.8** | **$ 6,171.4** | **$ 6,198.0** |

**Gates Industrial Corporation plc**

**Notes to the Parent Company Financial Statements**

## 1. Background

Gates Industrial Corporation plc (the "Parent Company") is a public company limited by shares and is incorporated in the United Kingdom under the Companies Act 2006. It is registered in England and Wales and is listed on the New York Stock Exchange. The Parent Company was incorporated on September 25, 2017 and its registered office is 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom. Its registered number is 10980824.

In these financial statements and related notes, all references to the "Company", "Gates", "we", "us", "our" refer, unless the context requires otherwise, to the Parent Company and its subsidiaries.

The nature of the operations and principal activities of Gates are set out in the Strategic Report accompanying these financial statements. The Parent Company's principal activity is to act as a holding company.

These financial statements are presented in U.S. dollars which is the currency of the primary economic environment in which the Parent Company operates.

## 2. Principal accounting policies

### A. Basis of presentation

The Parent Company meets the definition of a qualifying entity under Financial Reporting Standard ("FRS") 100 "*Application of Financial Reporting Requirements*" issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 "*Reduced Disclosure Framework*".

As permitted by FRS 101, the Parent Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets and share capital, presentation of a cash flow statement, standards not yet effective, the requirements of paragraphs 91 - 99 of IFRS 13 "*Fair Value Measurement*", the requirements of paragraphs 10(d), 10(f) and 134 -136 of IAS 1 "*Presentation of Financial Statements*", impairment of assets and certain related party transactions, including compensation of key management personnel.

Where relevant, equivalent disclosures have been given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

There were no critical accounting judgments that would have a significant effect on the amounts recognized in these financial statements or key sources of estimation uncertainty as of the balance sheet date that would have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Parent Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of International Financial Reporting Standard 2 "*Share-based payment.*"

As permitted by s408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the Parent Company. The profit attributable to the Parent Company is disclosed in the footnote to the Parent Company's balance sheet. There were no other gains or losses in the period in other comprehensive income.

**B. Accounting periods**

The Parent Company prepares its annual financial statements as of the Saturday nearest December 31. Accordingly, the Parent Company balance sheet is presented as of December 31, 2022 and January 1, 2022 and the related statement of changes in equity is presented for the year ended December 31, 2022 and the year ended January 1, 2022.

**C. Going concern**

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also describes the financial position of the Company, its cash-flows, liquidity position and borrowing facilities, the Company's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Parent Company meets its day to day working capital requirements through access to funds from its subsidiaries. The Parent Company's forecasts and projections, including those of its subsidiaries on a consolidated basis, show that it should be able to operate within the level of support available to it. The directors have a reasonable expectation that the Parent Company has adequate resources to continue in operational existence for the foreseeable future, and therefore continue to adopt the going concern basis of accounting in preparing these financial statements.

**D. Investments in subsidiaries**

Investments in subsidiaries represent interests in the Parent Company's subsidiaries that are owned directly by it and are stated at cost less any provision for impairment.

**E. Share-based compensation**

Share-based compensation has been provided to certain of our employees under share option, bonus and other share award plans. All share-award plans are equity settled.

We recognize compensation expense based on the fair value of the awards, measured using either the share price on the date of grant, a Black-Scholes option-pricing model or a Monte-Carlo valuation model, depending on the nature of the award. Fair value is determined at the date of grant and reflects market and performance conditions and all non-vesting conditions.

Generally, the compensation expense for each separately vesting portion of the award is recognized on a straight-line basis over the vesting period for that portion of the award based on the Parent Company's estimate of equity instruments that will eventually vest. Compensation expense is recognized for awards containing performance conditions only to the extent that it is probable that those performance conditions will be met.

Fair value is not subsequently remeasured unless the conditions on which the award was granted are modified. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or performance conditions. The impact of revisions to the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The fair value of the compensation given to employees of subsidiaries in the form of awards over the Parent Company's equity instruments is recognized as a capital contribution to those subsidiaries over the vesting period. The capital contribution is reduced by any payments received from the subsidiaries in respect of these share-based payments.

**F. Income taxes**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted by the balance sheet date.

### G. Financial instruments

Financial assets and financial liabilities are recognized in the Parent Company's balance sheet when it becomes a party to the contractual provisions of the instrument.

Equity instruments issued by the Parent Company are recorded at the proceeds received net of direct issue costs.

*Financial assets*

Financial assets are initially recorded at fair value net of transaction costs. The Parent Company classifies its financial assets as loans and receivables, except for derivative financial instruments which are accounted for at fair value through profit or loss.

Loans and receivables, which comprise trade receivables and other receivables which have fixed or determinable payments, are measured at amortized cost, using the effective interest method, less impairment.

Trade and other receivables are short-term in nature and hence the recognition of interest would be immaterial.

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

*Financial liabilities*

All the Parent Company's financial liabilities are classified as other financial liabilities. Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost, using the effective interest method, with interest expense recognized on an effective yield basis, except where such liabilities are short-term in nature and the recognition of interest would be immaterial.

*Interest income and finance costs*

Interest income and expense are credited or charged to the profit and loss account, using the effective interest method, during the year in which they are earned or incurred.

### 3. Investments in subsidiaries

| (dollars in millions) | As of December 31, 2022 | As of January 1, 2022 |
|---|---|---|
| **Cost and net book value** | | |
| Balance at beginning of the period | $ 2,173.6 | $ 2,031.1 |
| —Additions | 178.6 | 142.5 |
| **Balance at the end of the period** | **$ 2,352.2** | **$ 2,173.6** |

A complete list of the Parent Company's direct and indirect subsidiaries is set out in Note 9.

**4. Trade and other receivables**

| (dollars in millions) | | As of December 31, 2022 | | As of January 1, 2022 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Receivables due from subsidiaries | | 3,973.1 | | 3,969.8 |
| | **$** | **3,973.1** | **$** | **3,969.8** |

**Receivables due from subsidiaries**

The amounts owed by subsidiaries that are classified as non-current assets relate to loan notes that were issued in January 2018. Early in Fiscal 2021, these loan notes were refinanced on similar terms, with a maturity date of February 2026. The refinanced loans bear interest at LIBOR plus 3.75%, subject to a 1% LIBOR floor.

**5. Trade and other payables**

| (dollars in millions) | | As of December 31, 2022 | | As of January 1, 2022 |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| Payables due to subsidiaries | $ | (121.9) | $ | — |
| **Current liabilities** | | | | |
| Accruals and other payables | | (0.7) | | (0.6) |
| | **$** | **(122.6)** | **$** | **(0.6)** |

In March 2022, the Parent Company borrowed $121.9 million from one of its subsidiaries to fund the share repurchase transaction as further discussed in Note 7. The loan bears interest at a fixed rate of 1.08% per annum and is set to be repaid as options are exercised and matures March 2027.

**6. Share-based compensation**

The Parent Company operates stock-based incentive plans over its shares to provide incentives to Gates' senior executives and other eligible employees. During Fiscal 2022, the total compensation cost for share-based arrangements recognized by the Parent Company was $1.0 million, compared with $0.8 million during the prior period.

**Awards issued under the 2014 Omaha Topco Ltd. Stock Incentive Plan (the "2014 Plan")**

Gates has a number of awards issued under the 2014 Plan, which was assumed by the Parent Company and renamed the Gates Industrial Corporation plc Stock Incentive Plan in connection with our initial public offering in January 2018. No new awards have been granted under this plan since 2017. The options are split equally into four tiers, each with specific vesting conditions. The Parent Company's non-executive directors were issued only Tier I options, which vest evenly over 5 years from the grant date, subject to the participant continuing to provide service to Gates on the vesting date. No Tier II, III or IV awards were issued to or are held by the Parent Company's employees or directors in their capacity as directors. All the options granted under this plan expire ten years after the date of grant.

Details of options granted under this plan to the non-executive directors are set out in the table below.

***Summary of movements in options outstanding***

| | For the year ended December 31, 2022 | | | For the year ended January 1, 2022 | | |
|---|---|---|---|---|---|---|
| | Number of options | | Weighted average exercise price $ | Number of options | | Weighted average exercise price $ |
| Outstanding at the beginning of the period | 76,293 | $ | 6.56 | 152,586 | $ | 6.56 |
| Exercised during the period | — | $ | — | (76,293) | $ | 6.56 |
| **Outstanding at the end of the period** | **76,293** | **$** | **6.56** | **76,293** | **$** | **6.56** |
| Exercisable at the end of the period | 76,293 | $ | 6.56 | 76,293 | $ | 6.56 |
| Vested and expected to vest at the end of the period | 76,293 | $ | 6.56 | 76,293 | $ | 6.56 |

As of December 31, 2022, all options outstanding had vested and were exercisable, and there was no unrecognized compensation relating to these options. The aggregate intrinsic value of the options was $0.4 million and they had a weighted-average remaining contractual term of 0.2 years.

**Awards issued under the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan (the "2018 Plan")**

In conjunction with the initial public offering in January 2018, Gates adopted a new equity-based compensation plan, which is a market-based long-term incentive program that allows for the issue of a variety of equity-based and cash-based awards, including stock options, performance awards and restricted stock units ("RSUs").

The RSUs issued under this plan to the Parent Company's non-executive directors vest one year from the date of grant, subject to the participant continuing to serve in their position through to the applicable vesting date. RSUs are valued at the share price on the date of grant.

New awards and movements in existing awards granted under the 2018 Plan to the Parent Company's non-executive directors are summarized in the table below.

***Summary of movements in RSUs outstanding***

| | For the year ended December 31, 2022 | | | For the period ended January 1, 2022 | | |
|---|---|---|---|---|---|---|
| | Number of awards | | Weighted average grant date fair value $ | Number of awards | | Weighted average grant date fair value $ |
| Outstanding at the beginning of the period | 56,009 | $ | 15.60 | 60,281 | $ | 10.37 |
| Granted during the period | 67,080 | $ | 14.91 | 56,009 | $ | 15.60 |
| Vested during the period | (71,961) | $ | 15.63 | (60,281) | $ | 10.37 |
| **Outstanding at the end of the period** | **51,128** | **$** | **14.64** | **56,009** | **$** | **15.60** |

As of December 31, 2022, the unrecognized compensation relating to nonvested RSUs was $0.2 million, which is expected to be recognized over a weighted average period of 0.3 years. The total fair value of RSUs vested during Fiscal 2022 was $1.1 million, compared to $0.6 million during Fiscal 2021.

**7. Equity**

The Parent Company has one class of authorized and issued shares, with a par value of $0.01 and each share has equal voting rights but carries no right to fixed income. Total authorized share capital as of December 31, 2022 was 3,000,000,000 with a nominal value of $30,000,000.

In November 2021, the Company established a repurchase program allowing for up to $200 million in authorized share repurchases. During Fiscal 2021, 656,451 shares were repurchased and cancelled under this program, at an aggregate cost of $10.6 million.

On March 24, 2022, the Company, certain selling shareholders affiliated with Blackstone Inc. and Citigroup Global Markets Inc. ("Citigroup") entered into an underwriting agreement pursuant to which the selling shareholders agreed to sell to Citigroup

5,000,000 ordinary shares of the Company at a price of $15.14 per ordinary share (the "Offering"). The selling shareholders also granted to Citigroup an option to purchase up to 750,000 additional ordinary shares of the Company; this option was exercised in full on March 25, 2022. The Company did not receive any proceeds from the sale of ordinary shares in the Offering, which closed on March 30, 2022. In connection with the Offering, the Company repurchased 8,000,000 ordinary shares through Citigroup from the same selling shareholders at a price of $15.14 per ordinary share for an aggregate consideration of $121.1 million, plus costs directly related to the transaction of $0.8 million. This repurchase was funded by cash on hand and a borrowing of $121.9 million from the Parent Company's wholly owned subsidiary.

During Fiscal 2022, Gates repurchased a total of 11,465,917 ordinary shares at an aggregate cost of $174.7 million, and incurred an additional $1.2 million of costs related directly to these repurchases. All shares repurchased have been cancelled and the program expired on December 31, 2022.

Movements in the Parent Company's number of fully paid shares outstanding, share capital and share premium were as follows:

| (dollars in millions except share numbers) | Number of ordinary shares | Ordinary share capital | Share premium | Total |
|---|---|---|---|---|
| **Balance as of January 3, 2021** | 290,853,067 | $ 2.9 | $ 3.3 | $ **6.2** |
| Exercise of share options | 518,600 | — | 4.5 | **4.5** |
| Vesting of restricted stock units | 566,921 | — | — | — |
| Shares repurchased and cancelled | (656,451) | — | — | — |
| **Balance as of January 1, 2022** | **291,282,137** | **2.9** | **7.8** | **10.7** |
| Exercise of share options | 1,953,350 | — | 16.0 | **16.0** |
| Vesting of restricted stock units | 809,347 | — | — | — |
| Shares repurchased and cancelled | (11,465,917) | (0.1) | — | **(0.1)** |
| **Balance as of December 31, 2022** | **282,578,917** | **$ 2.8** | **$ 23.8** | **$ 26.6** |

Share capital represents the nominal value of the shares issued. The Company has one class of authorized and issued shares, with a par value of $0.01, and each share has equal voting rights. Share premium represents proceeds received in excess of the nominal value of shares issued, net of any share issue costs.

Accumulated surplus represents all other net gains, losses, and transactions with owners not recognized elsewhere.

## 8. Other reserves

| (dollars in millions) | Accumulated surplus |
|---|---|
| **Balance as of January 3, 2021** | $ 5,953.7 |
| Profit for the year attributable to equity shareholders | 166.3 |
| Capital contribution to subsidiaries | 23.5 |
| Repurchase of shares | (10.6) |
| Credit to equity for share-based compensation, including tax benefit | 0.8 |
| **Balance as of January 1, 2022** | **6,133.7** |
| Profit for the year attributable to equity shareholders | 169.2 |
| Capital contribution to subsidiaries | 43.3 |
| Repurchase of shares | (175.8) |
| Credit to equity for share-based compensation, including tax benefit | 1.0 |
| **Balance as of December 31, 2022** | **$ 6,171.4** |

## 9. Listing of subsidiaries and associates

The following entities are included in the consolidated financial statements of the Company as of December 31, 2022. There are no subsidiaries excluded from consolidation. All entities listed below are indirectly held, with the exception of Gates Industrial Holdco Limited.

| Name | Ownership Interest | Jurisdiction of Organization or Incorporation | Nature of Business | Registered Address |
|---|---|---|---|---|
| Gates Argentina S.A. | 100% | Argentina | Sales office and warehouse | Cecilia Grierson 255, Floor 6<br>City of Buenos Aires<br>Argentina, C1107CPE |
| Gates Australia Pty, Limited | 100% | Australia | Wholesaler of industrial and automotive hose, belts and fittings | 1-15 Hydrive Close<br>Dandenong<br>South Victoria 3175 |
| Gates E&S Bahrain WLL | 49% * | Bahrain | Repair and sale of machinery, equipment and parts | Flat 1, Street 1638, Building 2141, Block 116, Hidd, Bahrain |
| Gates Distribution Centre N.V. | 100% | Belgium | Distribution center | Korte Keppesstraat 21/51<br>9320 Erembodegem-Aalst<br>Oost-Vlaanderen |
| Gates do Brasil Industria e Commercio Ltda | 100% | Brazil | Manufacturer and distributor of Power Transmission and Fluid Power products | 1703, Florida Street - 11th Floor<br>Sao Paolo<br>Brazil 04565-909 |
| Atlas Hydraulics Inc. | 100% | Canada | Design, manufacture and supply of hydraulic tube and hose assemblies | 66 Wellington Street W., Suite 5300, Toronto, ON M5K 1E6 |
| Gates Canada Inc. | 100% | Canada | Power Transmission product manufacturing and distribution | 4000-421 7th Avenue SW<br>Calgary Alberta T2P4K9<br>Canada |
| Gates Industrial Canada Ltd | 100% | Canada | Corporate functions | 66 Wellington Street W., Suite 5300, Toronto, ON M5K 1E6 |
| Gates Auto Parts (Suzhou) Co., Ltd | 100% | China | Power Transmission product manufacturing and distribution | No. 155 Qian Ren Street, Weiting Town,<br>Suzhou Industrial Park<br>Suzhou, China |
| Gates Fluid Power Technologies (Changzhou) Co., Ltd | 100% | China | Manufacturer and distributor of Power Transmission and Fluid Power products | #11 Kohler Road<br>Changzhou<br>JiangSu 213022 |
| Gates Trading (Shanghai) Co., Ltd. | 100% | China | Corporate offices and distribution | Room 2215 No.28 Jiafeng Road,<br>Waigaoqiao Free Trade Zone,<br>Shanghai |
| Gates Unitta Power Transmission (Shanghai) Limited | 51% | China | Power Transmission product manufacturing | Apartment A, 233 Huashen Road, China (Shanghai) Pilot Free Trade Zone<br>Shanghai, China |
| Gates Unitta Power Transmission (Suzhou) Limited | 51% | China | Corporate functions and Power Transmission product manufacturing and distribution | No. 15 Hai Tang Street<br>Suzhou Industrial Park<br>Suzhou 215021 |
| Gates Winhere Automotive Pump Products (Yantai) Co. Ltd | 60% | China | Manufacture of automotive water pumps and accessories | 51 Jialingjiang Road<br>Yantai ETDZ, 264006<br>Shandong |
| Gates Hydraulics s.r.o | 100% | Czech Republic | Manufacture and supply of couplings, hose and tube assemblies | Detmarovicka 409/1<br>Karvina 733 01 |
| Gates France S.a.r.l. | 100% | France | Sales/service center | 12 Rue de la Briqueterie<br>Zone Industrielle Louvres<br>F-95380<br>Louvres |
| Gates S.A.S. | 100% | France | Manufacture of belts | 12 Rue de la Briqueterie<br>Zone Industrielle Louvres<br>F-95380<br>Louvres |
| Gates Service Center S.A.S. | 100% | France | Distribution of belts and metal parts | 21 Boulevard Monge<br>F-69330<br>Meyzieu<br>Lyon |

| Name | Ownership Interest | Jurisdiction of Organization or Incorporation | Nature of Business | Registered Address |
|---|---|---|---|---|
| Gates GmbH | 100% | Germany | Sales office and technical center | Eisenbahnweg 50<br>D-52068<br>Aachen |
| Gates Holding GmbH | 100% | Germany | Holding company | Kolumbusstrasse 54<br>Euskirchen<br>NRW D-53881 |
| Gates TPU GmbH | 100% | Germany | Manufacture of polyurethane belts | Werner von Siemens Strasse 2<br>Pfungstadt , Germany 64319 |
| Gates Tube Fittings GmbH | 100% | Germany | Manufacture of hydraulic fittings | Kolumbusstrasse 54<br>Euskirchen<br>NRW D-53881 |
| Gates India Private Limited | 100% | India | Manufacture and assembly of industrial and hydraulic hose and assembly | Village Sarsani Lalru<br>Ambala-Chandigarh Highway<br>Lalru<br>District Patiala (Punjab)<br>140501 |
| Gates Unitta India Company Private Limited | 51% | India | Manufacture and distribution of Power Transmission products | F-19, Sipcot Industrial Park<br>Sriperumbudur<br>Chennai 602105 |
| PT Gates Industrial Indonesia | 100% | Indonesia | Dormant company | Jl. T.B. Simatupang Kav 23-24, Alamanda Tower PT Karya Central Bisnis, M15, Floor 25, Indonesia |
| Tomkins Insurance Limited | 100% | Isle of Man | Captive insurance company | Suite 2, 4th Floor<br>Peveril Buildings<br>Loch Promenade<br>Douglas IM1 2BS |
| Gates S.r.l. | 100% | Italy | Sales office | Via Senigalia 18<br>I-20161<br>Milano |
| Gates Japan KK | 100% | Japan | Sales office | 20-9, Akatsukashinmachi 3-chome<br>Itabashi-ku<br>Tokyo |
| Gates Unitta Asia Company (aka Gates Unitta Asia Kabushikikaisha) | 51% | Japan | Manufacture of belts, tensioners and associated products | 4-26 Sakuragawa 4-chome<br>Naniwa-ku<br>Osaka 556-002 |
| Gates Korea Company, Limited | 51% | Korea | Manufacture and distribution of belts and tensioners | 523, Nongong-ro, Nongong-eup, Dalsung-gun<br>Daegu, Republic of Korea |
| Gates Unitta Korea Co., Ltd. | 51% | Korea | Sales office | 1006-71, Doksan-dong<br>Keumcheon-gu<br>Seoul |
| Pyung Hwa CMB Co. Limited ** | 21% | Korea | Manufacturer of industrial non-hardening rubber products | 29-11, Bonri-Ri, Nongong-Eup<br>Dalseong-Gun<br>Daegu, Korea, Republic of,<br>Republic of Korea |
| Gates Holding Luxembourg SARL | 100% | Luxembourg | Holding company | 16, Boulevard d'Avranches<br>L-1160 Luxembourg |
| Gates Industrial Europe SARL | 100% | Luxembourg | Holding company and European corporate center | 16, Boulevard d'Avranches<br>L-1160 Luxembourg |
| Gates Investments SARL | 100% | Luxembourg | Holding company | 16, Boulevard d'Avranches<br>L-1160 Luxembourg |
| Gates Luxembourg SARL | 100% | Luxembourg | Treasury company | 16, Boulevard d'Avranches<br>L-1160 Luxembourg |
| Gates Worldwide Holdings SARL | 100% | Luxembourg | Holding company | 16, Boulevard d'Avranches<br>L-1160 Luxembourg |
| Gates Worldwide SARL | 100% | Luxembourg | Holding company | 16, Boulevard d'Avranches<br>L-1160 Luxembourg |
| Gates Industrial & Automotive (Malaysia) SDN. BHD. | 100% | Malaysia | Distribution center | Level 19-1, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Wilayah Persekutuan, Kuala Lumpur, Malaysia 50490 |

| Name | Ownership Interest | Jurisdiction of Organization or Incorporation | Nature of Business | Registered Address |
|---|---|---|---|---|
| Gates de Mexico, S.A. de C.V. | 100% | Mexico | Manufacture and sale of hoses, connectors and other industrial and automotive products | Av. Vasco de Quiroga No. 3200, Piso 1. Centro Ciudad Santa Fe, Mexico, D.F. 01210 Mexico |
| Gates de Mexico Services, S. de R.L. de C.V. | 100% | Mexico | Marketing shared service center | Av. Vasco de Quiroga No. 3200, Piso 1. Centro Ciudad Santa Fe, Mexico, D.F. 01210 Mexico |
| Gates E&S Mexico, S.A. de C.V. | 100% | Mexico | Sale of oil & gas products and engineering services | Carretera Reforma Dos Bocas KM 17+920, Circuito Tabasco Sur M2, L4, 5, 6,Tabasco, Mexico, Mexico |
| Industrias Atlas Hydraulics S de RL de CV | 100% | Mexico | Design, manufacture and supply of hydraulic tube and hose assemblies | Paseo de Tamarindos 150-PB Mosques DE leis Lamas Cuajimalpa de Morelos México, D.F. 05120 Mexico |
| Lerma Hose Plant S.A. de C.V. | 100% | Mexico | Manufacture and sale of industrial hoses | Blvd. Aeropuerto Miguel Aleman Nro. 164 Zona Industrial Lerma 50200 Mexico D.F. |
| Servicios IAHS S de RL de CV | 100% | Mexico | Design, manufacture and supply of hydraulic tube and hose assemblies | Paseo de Tamarindos 150-PB Bosques de las Lomas Cuajimalpa de Morelos México, D.F. 05120 Mexico |
| Tomkins Poly Belt Mexicana SA de CV | 100% | Mexico | Design, manufacture and supply of hydraulic tube and hose assemblies | Km 96.5, Carretera Mexico-Cuautla #133, Fracc. Los Faroles, Tetelcingo, Cuautla Morelos, Mexico 62571 |
| Gates Engineering & Services (Muscat) LLC | 70% | Oman | Sale and maintenance of hose and accessory products | P.O. Box 68 Madinat Sultan Qaboos Postal Code 115 Muscat Sultanate of Oman |
| Gates Business Services Europe sp. z o.o. | 100% | Poland | Corporate functions | ul. Fabryczna 6 52-007 Wroclaw |
| Gates Polska Sp. z o.o. | 100% | Poland | Manufacture of hose products | ul. Jaworzynska 301 59-220 Legnica |
| Gates CIS LLC | 100% | Russian Federation | Wholesale and distribution | Kosmodamianskaya Nab., 52, Bld. 4, 6th Floor Moscow 115054 |
| Gates Engineering & Services Co. Closed Joint Stock Company | 75% | Saudi Arabia | Manufacture of tensioners and other Power Transmission products | CR No. 2051043879 PO Box 4258, Al Khobar Kingdom of Saudi Arabia |
| Gates Engineering & Services PTE Limited | 100% | Singapore | Oil & Gas Engineering & Services | 3A International Business Park #10-01/05 ICON@IBP, Tower A |
| Gates Industrial Singapore PTE. LTD. | 100% | Singapore | Holding company and corporate offices | 3A International Business Park #10-01/05 ICON@IBP, Tower A |
| Gates Rubber Company (S) Pte Limited | 100% | Singapore | Distribution center | 3A International Business Park #10-01/05 ICON@IBP, Tower A |
| Gates Unitta Asia Trading Company Pte Ltd | 51% | Singapore | Marketing and sales support for other Gates entities | 3A International Business Park #10-01/05 ICON@IBP, Tower A |
| Gates Industrial Africa (Pty) Ltd | 100% | South Africa | Sales and distribution center | Executive City, Cross St & Charmaine Ave, President Ridge, Randburg, South Africa 2194 |
| Gates PT Spain SA | 100% | Spain | Manufacture of Power Transmission products | Pol.Ind. les Malloles, s/n Balsareny Barcelona |
| Gates (Thailand) Co., Ltd. | 100% | Thailand | Corporate functions | 64/86 Moo 4 Eastern Seaboard Industrial Estate (Rayong), Pluakdaeng, Rayong, 21140 |

| Name | Ownership Interest | Jurisdiction of Organization or Incorporation | Nature of Business | Registered Address |
|---|---|---|---|---|
| Gates Unitta (Thailand) Co., Ltd | 51% | Thailand | Manufacture of industrial and automotive Power Transmission belts | 64/86 Moo 4 Eastern Seaboard Industrial Estate (Rayong), Pluakdaeng, Rayong, 21140 |
| Gates Endüstriyel Metal Kauçuk Sanayi ve Ticaret Anonim Şirketi | 100% | Turkey | Manufacture of tensioners and other Power Transmission products | Ege Serbest Bölgesi Zafer SB Mah. Yalçın Yolu No:21 35410 Gaziemir-İZMİR TURKEY |
| Gates Güç Aktarim Sistemleri Dagitim Sanayi Ve Ticaret Limited Şirketi | 100% | Turkey | Sales office and technical center | Fatih Mahallesi Yakacik Cad. No. 38 Sancaktepe Istanbul |
| Gates Hortum Sanayi ve Ticaret Limited Şirketi | 100% | Turkey | Manufacture of Fluid Power products | Adiye Koyu Bilecik Yolu Uzeri Nul Koy Sokagi No: 51 Arfiye Sakarya |
| Rapro Kauçuk ve Plastik Ürünleri İthalat Ihracat Mümessillik Pazarlama Ticaret Limited Şirketi | 100% | Turkey | Sales of molded and branched hoses and other Fluid Power products | Ankara Asfalti 26. Km Kuyucak Yolu Kumeevler No. 226 Kemalpasa O.S.B. Kemalpasa, Izmir |
| Rapro Kimya Turizm Bilişim Sanayi ve Ticaret Anonim Şirketi | 100% | Turkey | Manufacture and sales of molded and branched hoses and other Fluid Power products | Kemalpaþa OSB Mahallesi Kuyucak Yolu, Dýþ Kapý No:226 Kemalpaþa,Izmir, Izmir, Turkey |
| Gates Engineering & Services FZCO | 100% | UAE | Manufacture and support for oil & gas field equipment, and hose assembly | MENA Headquarters Jebel Ali Free Zone (South) P.O. Box 61046 Dubai, Jebel Ali Free Zone Authority, UAE |
| Gates Fleximak Oilfield Services Establishment | 0% * | UAE | Oil & gas field services, and sale of hoses and related accessories | Mussafah Industrial Area 20 P.O. Box 8543 Abu Dhabi, UAE |
| Finco Omaha Limited | 100% | UK | Treasury company | c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom |
| Gates (U.K.) Limited | 100% | UK | Research, development, manufacture and sales of synchronous timing belts and assembly of hydraulic hose fitments. | Tinwald Downs Road Heathhall Dumfries DG1 1TS Scotland |
| Gates Acquisitions Limited | 100% | UK | Holding company | c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom |
| Gates Auto Parts Holdings China Limited | 100% | UK | Holding company | c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom |
| Gates EMEA Holdings Limited | 100% | UK | Holding company | c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom |
| Gates Engineering & Services Global Limited | 100% | UK | Holding company | c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom |
| Gates Engineering & Services UK Holdings Limited | 100% | UK | Holding company | c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom |
| Gates Engineering & Services UK Limited | 100% | UK | Design, manufacture and assembly of rubber hose products for use in the oil & gas industry | c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom |
| Gates Finance Limited | 100% | UK | Treasury company | c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom |

| Name | Ownership Interest | Jurisdiction of Organization or Incorporation | Nature of Business | Registered Address |
|---|---|---|---|---|
| Gates Fluid Power Technologies Investments Ltd | 100% | UK | Holding company | c/o Intertrust UK<br>1 Bartholomew Lane,<br>London, EC2N 2AX<br>United Kingdom |
| Gates Holdings Limited | 100% | UK | Holding company | c/o Intertrust UK<br>1 Bartholomew Lane,<br>London, EC2N 2AX<br>United Kingdom |
| Gates Industrial Holdco Limited | 100% | UK | Holding company | c/o Intertrust UK<br>1 Bartholomew Lane,<br>London, EC2N 2AX<br>United Kingdom |
| Gates Treasury (Brazilian Real) Limited | 100% | UK | Treasury company | c/o Intertrust UK<br>1 Bartholomew Lane,<br>London, EC2N 2AX<br>United Kingdom |
| Gates Treasury (Canadian Dollar) Company | 100% | UK | Treasury company | c/o Intertrust UK<br>1 Bartholomew Lane,<br>London, EC2N 2AX<br>United Kingdom |
| Gates Treasury (Dollar) Company | 100% | UK | Treasury company | c/o Intertrust UK<br>1 Bartholomew Lane,<br>London, EC2N 2AX<br>United Kingdom |
| Gates Treasury (Euro) Company | 100% | UK | Treasury company | c/o Intertrust UK<br>1 Bartholomew Lane,<br>London, EC2N 2AX<br>United Kingdom |
| Gates Treasury (TRY) Limited | 100% | UK | Treasury company | c/o Intertrust UK<br>1 Bartholomew Lane,<br>London, EC2N 2AX<br>United Kingdom |
| Gates UK Finance Limited | 100% | UK | Treasury company | c/o Intertrust UK<br>1 Bartholomew Lane,<br>London, EC2N 2AX<br>United Kingdom |
| Gates Worldwide Limited | 100% | UK | Holding company | c/o Intertrust UK<br>1 Bartholomew Lane,<br>London, EC2N 2AX<br>United Kingdom |
| Tomkins BP UK Holdings Limited ‡ | 100% | UK | Holding company | c/o Intertrust UK<br>1 Bartholomew Lane,<br>London, EC2N 2AX<br>United Kingdom |
| Tomkins Engineering Limited | 100% | UK | Holding company | c/o Intertrust UK<br>1 Bartholomew Lane,<br>London, EC2N 2AX<br>United Kingdom |
| Tomkins Investments Limited | 100% | UK | Holding company | c/o Intertrust UK<br>1 Bartholomew Lane,<br>London, EC2N 2AX<br>United Kingdom |
| Tomkins Overseas Investments Limited | 100% | UK | Holding company | c/o Intertrust UK<br>1 Bartholomew Lane,<br>London, EC2N 2AX<br>United Kingdom |
| Gates International Holdings LLC | 100% | Colorado, U.S. | Holding company | 7700 East Arapahoe Rd, Suite 220<br>Centennial, CO 80112 |
| Gates Nitta Belt Company, LLC | 51% | Colorado, U.S. | Holding company | 7700 East Arapahoe Rd<br>Suite 220<br>Centennial, CO 80112 |
| CoLinx, LLC ** † | 20% | Delaware, U.S. | Provider of e-commerce and logistics services | 1209 Orange Street<br>Corporation Trust Center<br>Wilmington, DE 19801 |

| Name | Ownership Interest | Jurisdiction of Organization or Incorporation | Nature of Business | Registered Address |
|---|---|---|---|---|
| Gates Administration Corp. | 100% | Delaware, U.S. | Corporate functions | 1209 Orange Street Corporation Trust Center Wilmington, DE 19801 |
| Gates Corporation | 100% | Delaware, U.S. | Corporate offices, and research, development, manufacture, distribution and sale of Power Transmission and Fluid Power products | 1209 Orange Street Corporation Trust Center Wilmington, DE 19801 |
| Gates E&S North America, Inc. | 100% | Delaware, U.S. | Sale of Fluid Power products | 1209 Orange Street Corporation Trust Center Wilmington, DE 19801 |
| Gates Global Co. | 100% | Delaware, U.S. | Holding company | 1209 Orange Street Corporation Trust Center Wilmington, DE 19801 |
| Gates Global LLC | 100% | Delaware, U.S. | Holding company | 1209 Orange Street Corporation Trust Center Wilmington, DE 19801 |
| Gates Holdings 1 LLC | 100% | Delaware, U.S. | Treasury company | 1209 Orange Street Corporation Trust Center Wilmington, DE 19801 |
| Gates Investments, LLC | 100% | Delaware, U.S. | Treasury company | 1209 Orange Street Corporation Trust Center Wilmington, DE 19801 |
| Gates TPU, Inc. | 100% | Delaware, U.S. | Manufacture and sale of thermoplastic polyurethane belt products | 1209 Orange Street Corporation Trust Center Wilmington, DE 19801 |
| Gates Winhere LLC | 60% | Delaware, U.S. | Manufacture and sale of water pumps | 1209 Orange Street Corporation Trust Center Wilmington, DE 19801 |
| Omaha Acquisition Inc. | 100% | Delaware, U.S. | Holding company | 1209 Orange Street Corporation Trust Center Wilmington, DE 19801 |
| Omaha Holdings LLC | 100% | Delaware, U.S. | Holding company | 1209 Orange Street Corporation Trust Center Wilmington, DE 19801 |
| Philips Holding Corporation | 100% | Delaware, U.S. | Holding company | 1209 Orange Street Corporation Trust Center Wilmington, DE 19801 |
| Tomkins BP US Holding Corporation | 100% | Delaware, U.S. | Holding company | 1209 Orange Street Corporation Trust Center Wilmington, DE 19801 |
| Atlas Hydraulics, LLC. | 100% | South Dakota, U.S. | Design, manufacture and supply of hydraulic tube and hose assemblies | 1209 Orange Street Corporation Trust Center Wilmington, DE 19801 |

* These entities are subsidiary undertakings and are consolidated by the Company on the basis that it has the right to exercise a dominant influence over the undertaking by virtue of a control contract whereby it has exercises control over it

** Associate.

† CoLinx, LLC owns 100% of CoLinx Holding Company, a corporation registered in Delaware, U.S., which in turn owns 100% of CoLinx Canada Unlimited Liability Company, a company registered in Canada.

‡ These are dormant U.K. companies whose financial statements are not required to be audited

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