COMPANY REGISTRATION NUMBER 00313862

TOMKINS INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 1 January 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

BANK

CITIBANK NA
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

REGISTERED OFFICE

1 Bartholomew Lane
London
EC2N 2AX

The directors present their report and the financial statements of Tomkins Investments Limited ('the Company') for the period ended 1 January 2022. The Directors' report has been prepared in accordance with the special provisions relating to small companies under section 444(5) of the Companies Act 2006 and the company is therefore exempt from preparing a Strategic Report.

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 listed on the New York Stock Exchange.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company during the period continued to be to act as an investment company.

The directors are satisfied with the results for the period, and consider the Company's financial position at the end of the period to have been satisfactory.

RESULTS AND DIVIDENDS

The results for the period and the Company's financial position at the end of the period are shown in the attached financial statements.

No dividends were paid during the period (2020: £nil).

GOING CONCERN

Based on the internal forecasts and projections that take into account reasonable 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.

FINANCIAL INSTRUMENTS

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risks the directors consider relevant to this Company are credit risk and liquidity risk. These risks are mitigated by the nature of the debtor balances owed, with these due from other Group companies who are able to repay these if required.

THE 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

DISCLOSURE OF INFORMATION TO 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.

Approved by the directors on December 6, 2022 and signed on their behalf by:

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 Tomkins Investment Limited ('the Company') for the period ended 1 January 2022, which comprise the profit and loss account, balance sheet, the statement of changes in equity and the related notes 1 to 12, 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 1 January 2022 and of its loss for the period then ended;
- has been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- has 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;
- assessed whether judgements and assumptions made in determining the accounting estimates 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;
- 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 in the course of the audit:

- the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with those financial statements; and
- the Directors' report has 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 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 4 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 on the basis of 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
7 December 2022

	Note	**Period ended 1 January 2022 £000**	Period ended 2 January 2021 £000
Administration expenses		**(14)**	(12)
OPERATING LOSS	3	**(14)**	(12)
Finance income	5	**7**	8
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION AND FOR THE FINANCIAL PERIOD		**(7)**	(4)
Tax on loss on ordinary activities	6	**1**	1
LOSS FOR THE FINANCIAL PERIOD		**(6)**	(3)

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

During the current and prior periods, the Company had no other comprehensive income attributable to the shareholders other than those presented in the profit and loss account above and therefore no separate other comprehensive income statement has been prepared.

Tomkins Investments Limited
Balance sheet
As at 1 January 2022

	Note	As at 1 January 2022 £000	As at 2 January 2021 £000
FIXED ASSETS			
Investments	7	-	-
CURRENT ASSETS			
Debtors due within one year	8	1	1
Debtor due in more than one year	8	673	681
		674	682
CREDITORS: Amounts falling due within one year	9	-	(2)
NET CURRENT ASSETS		674	680
NET ASSETS		674	680
CAPITAL AND RESERVES			
Ordinary share capital	10	-	-
Profit and loss account reserve		674	680
SHAREHOLDER'S FUNDS		674	680

The financial statements of Tomkins Investments Limited (registered number 00313862) were approved by the board of directors and authorised for issue on December 6, 2022. They were signed on its behalf by:

N.A. Rogers
Director

EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

	Ordinary share capital £000	Profit and loss account reserve £000	Total: Shareholder's funds £000
As at 28 December 2019	**-**	**683**	**683**
Loss for the financial period	-	(3)	(3)
As at 2 January 2021	-	**680**	**680**
Loss for the financial period	-	(6)	(6)
As at 1 January 2022	**-**	**674**	**674**

1. PRINCIPAL ACCOUNTING POLICIES

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

General information and basis of preparation

Tomkins Investments 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, England, EC2N 2AX. The nature of the Company's operations and its principle activities are set out in the directors' report on page 3.

The Company's financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Tomkins Investments Limited is considered to be Sterling because that is the currency of the primary economic environment in which the Company operates.

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 US GAAP that are available on the Companies House website.

Accounting period

The Company's annual financial statements period were drawn up to the 1 January 2022. Accordingly, these financial statements cover the period from 3 January 2021 to 1 January 2022 ('2021') with comparative figures for the year from 29 December 2019 to 2 January 2021 ('2020').

Investments

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.

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 substantially 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.

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 and those involving estimations 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.

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. OPERATING LOSS

Fees of £2,907 payable to the Company's auditor, Armstrong Watson Audit Limited, in respect of the audit of the Company's financial statements in the current period were borne by another Group company (2021: £2,907).

4. EMPLOYEES

There were no employees in the current or prior period and no part of the directors' remuneration was specifically attributable to their services to the Company.

5. FINANCE INCOME

	2021 £000	2020 £000
Interest receivable on loans to Group undertakings	**7**	8
	7	8

6. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of income tax credit in the period

	2021 £000	2020 £000
Current tax:		
- UK Corporation tax on the results for the period	**1**	1
Total current tax credit	**1**	1

(b) Factors affecting the current tax credit

The total current tax credit shown above can be calculated by applying the standard rate of UK Corporation tax to the loss on ordinary activities before taxation as follows:

	2021 £000	2020 £000
Loss on ordinary activities before taxation	**(7)**	(4)
Tax at the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	**1**	1
Total current tax credit	**1**	1

An increase to the UK corporation tax rate has been enacted by the Finance Act 2021, It shall increase to 25% with effect from 1 April 2023.

7. INVESTMENTS

	£000
Cost	
As at 2 January 2021 and 1 January 2022	**6,095**
Accumulated impairment	
As at 2 January 2021 and 1 January 2022	**(6,095)**
Net book value	
As at 2 January 2021	-
As at 1 January 2022	**-**

Details of the Company's investments as at 1 January 2022 were as follows:

Name of company	Country of incorporation	Holding	Nature of business
Gates E&S Mexico, S.A. de C.V	Mexico	5%	Sale of oil & gas products and engineering services
Gates Hortum Sanayi ve Ticaret Limited Sirketi	Turkey	100%	Manufacture of Fluid Power products
Gates Guc Aktarim Sistemleri Dagitim Sanayi ve Ticaret Limited Sirketi	Turkey	<1%	Sales office and technical center
Industrias Atlas Hydraulics, S de RL de CV	Mexico	<1%	Design, manufacture and supply of hydraulic tube and hose accessories
Servicios IAHS, S de RL de CV	Mexico	<1%	Design, manufacture and supply of hydraulic tube and hose accessories
Gates Treasury (Euro) Company	United Kingdom	<1%	Treasury company
Gates Treasury (Dollar) Company	United Kingdom	50%	Treasury company
Gates (Thailand) Co., Ltd	Thailand	<1%	Corporate functions
Tomkins Overseas Investments Limited	United Kingdom	<1%	Holding company

8. DEBTORS

	As at 1 January 2022 £000	As at 2 January 2021 £000
Due within one year		
Amounts owed by Group undertakings	**1**	1
Due in more than one year		
Amounts owed by Group undertakings	**673**	681

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.

9. CREDITORS: Amounts falling due within one year

	As at 1 January 2022 £000	As at 2 January 2021 £000
Amounts owed to Group undertakings	**-**	**2**

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.

10. ORDINARY SHARE CAPITAL

Authorised share capital

	Nominal value £000
As at 2 January 2021 and 1 January 2022	
- 100,000 ordinary shares of £0.001 each	**0.1**

Allotted, issued and fully paid

	Number of shares	£000
As at 2 January 2021 and 1 January 2022:		
- Ordinary shares of £0.001 each	**72,008**	**-**

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

11. ULTIMATE PARENT UNDERTAKING

Tomkins Engineering Limited, 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/UK-Annual-Reports). Gates Industrial Corporation plc prepares consolidated financial statements in accordance with US GAAP and is the parent undertaking of the smallest group in which the Company is consolidated.

12. 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
January 1, 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 January 1, 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 "Company," "we," "us" and "our" refer to Gates Industrial Corporation plc and its consolidated subsidiaries;
- "Fiscal 2021" refers to the fiscal year ended January 1, 2022, "Fiscal 2020" refers to the fiscal year ended January 2, 2021, "Fiscal 2019" refers to the fiscal year ended December 28, 2019; and
- "Blackstone" or "our Sponsor" refer to investment funds affiliated with The Blackstone Group 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 January 1, 2022. This report is comprised of the following sections:

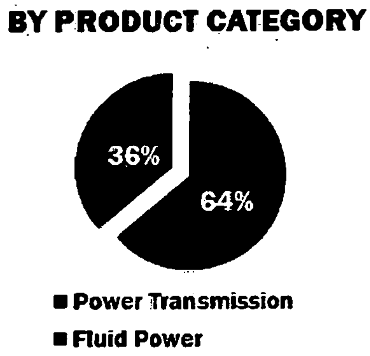
This Strategic Report has been prepared for the Group for the year ended January 1, 2022 consistent with the basis of preparation of the accompanying consolidated financial statements.

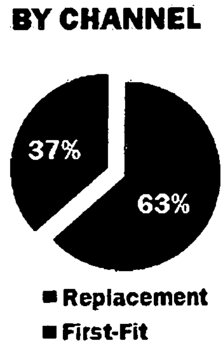
I. Strategy and Outlook

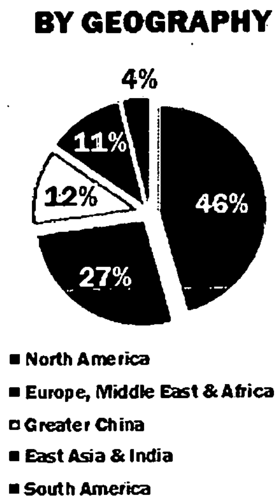
We are a global manufacturer of innovative, highly engineered power transmission and fluid power solutions. We offer a broad portfolio of products to diverse replacement channel customers, and to original equipment ("first-fit") manufacturers as specified components, with the majority of our revenue 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 mobility and recreation. 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 2021 net sales of $3,474.4 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, 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 54% of Fiscal 2021 net sales originating from outside of North America, and approximately 36% of our Fiscal 2021 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 \$2,216.3 million of Fiscal 2021 net sales in Power Transmission and \$1,258.1 million of Fiscal 2021 net sales in Fluid Power, we believe we are the top global player in power transmission belts, as well as a top-three global player in industrial hydraulic hose and couplings, engine systems, metals and oil and gas drilling hose. 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 2021 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. We believe that our regional commercial teams have established one of the broadest distribution networks in our industry, 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 have a demonstrated track record of building our presence in replacement channels in emerging markets such as Eastern Europe and South America. In regions such as Southeast Asia and China, we are continuing to build our channel presence and leveraging our experience in other emerging markets such as Africa and the Middle East. 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 one of the largest replacement footprints in the industry, 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 99% of the North American, European and Chinese car parcs. These car parcs comprise over 70% of the global car parc of over 1.4 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 to enable remote monitoring and predictive diagnostics. We believe these programs, along with other digital tools, 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. As a result of our management team's operating initiatives and our ongoing focus on continuous improvement, we have demonstrated a track record of margin improvement. Our 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. In 2017 and 2018, we undertook a large investment in manufacturing capacity to expand geographically and position the business to capitalize on future demand, as well as enable footprint optimization initiatives. 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 leading aftermarket catalog coverage for electric vehicles, which includes coolant hose technologies we acquired in our 2018 acquisition of Rapro.

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 will 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 many of the operating environment challenges described below in "VII. Business Performance" to persist as we work through the first quarter of 2022, we expect these issues will start to abate in the second quarter. While we are taking a pragmatic view of the operating environment given the ongoing uncertainties and price/cost headwinds, we expect to deliver another strong performance in 2022.

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").

We maintain an active acquisition pipeline. In 2018, we acquired Rapro, based in Turkey, and in 2017 we closed two transactions, Techflow Flexibles in the U.K. and Atlas Hydraulics in North America. All three of these acquisitions have been focused on expanding our presence in industrial markets with new products, capabilities, capacity and geographic reach. In addition, we continue to invest organically in new production capacity. During Fiscal 2018, we opened two new facilities located in Poland and in Mexico, and we also expanded our Changzhou facility in China.

Our Solutions

We operate our business on a product-line basis through our two reporting segments - *Power Transmission* and *Fluid Power*. See note 4 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. 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 64% of our total net sales for Fiscal 2021. 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 used to regulate the conveyance of various fluids. Our fluid power products represented approximately 36% of our net sales for Fiscal 2021.

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 enable 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;

- *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; and
- *Vertical lift:* elevators, cargo lifts and other applications in which a belt, cable, chain or other lifting mechanism is used to carry load.

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. In applications where these advantages are valued, customers frequently choose belts over other forms of power transmission solutions.

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.

Asynchronous Belts. Asynchronous belts are our highest-volume products and are used in a broad range of applications. Asynchronous belts are made of proprietary rubber formulations, textiles and embedded cords for reinforcement. 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 through lower friction losses.

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.

During Fiscal 2018, Gates introduced a new Micro-V® platform for engine accessory drive systems. The combination of newly developed material compounds and product design reduces belt weight and results in lower bending stiffness. These improvements enable tighter pulley configurations and reduced drive bending losses as compared to existing belt technologies; lower losses result in 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 teeth molded onto the inner surface 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. Our synchronous belts are made of a flexible polymer over fabric reinforcement, which often consists of Kevlar, aramid or carbon fibers.

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 equipment, 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 and parking brake systems which are present in internal-combustion, hybrid and electric vehicles.

During Fiscal 2019, Gates launched a new 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 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.

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 transportation, diversified industrial, energy, automotive and consumer products. The majority of our Fiscal 2021 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 serve a wide variety of blue-chip first-fit customers across all of our end markets. The majority of our automotive first-fit revenues in power transmission tend to come from emerging markets, where we selectively participate to further strengthen our brand and reinforce the strong position from which we serve the growing base of installed equipment, as the nascent replacement channels continue to develop. These markets are generally higher-growth and result in higher-margin business compared to our developed regions.

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 synthetic rubber and 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.

During Fiscal 2018, 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. During Fiscal 2019, 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. Also in Fiscal 2019, we 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.

Thermal and Emissions Management. Our thermal and emissions management and related products perform a variety of 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, exhaust filtration hose to reduce harmful emissions and hoses for functions that improve air intake and engine efficiency.

Industrial Hose. Our industrial hoses are capable of transferring 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, including off-highway end markets such as construction and agriculture, on-highway end markets such as transportation, diversified industrial, energy, automotive and consumer products. The largest portion of our Fiscal 2021 fluid power revenue came from replacement markets. Within these replacement markets, the majority of our revenue came from industrial applications. Approximately 16% of our Fiscal 2021 fluid power revenue came from products sold into the automotive end market, almost all of which was served through the higher-margin replacement channel.

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 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 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. 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.

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 2021, 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 68% and 70% of our Fiscal 2021 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 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 2021 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 maximizing 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 has been a vital part of our response during the COVID-19 pandemic. Our products can be found on everything from the equipment harvesting, producing and transporting food to generating energy, handling e-commerce packages and keeping the delivery trucks running, driving the HVAC systems in hospitals and even on some of the medical equipment that front line workers have been using to fight the virus. As such, 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

We have a global, "in region, for region" manufacturing footprint and regional service model that enable us to operate efficiently and effectively in proximity to our customers. 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, geographic scope, 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

Applied R&D is important to our businesses and integral to our leading market positions. We have engineering teams in the U.S., Canada, the U.K., Germany, Spain, Poland, Turkey, Japan, China, Brazil, India, Mexico, Korea and Thailand that focus on the introduction of new and improved products with a particular emphasis on energy efficiency, safety, the application of technology to reduce unit and operating costs and improving services to our customers.

As of January 1, 2022, we held more than 2,500 patents and patent applications and 3,200 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. During Fiscal 2020 and Fiscal 2021, our teams worked closely with suppliers to ensure sufficient quantities of materials were available for us to continue to serve our customers. Restrictions and added safety measures introduced in many regions created pressure on freight costs and availability, which, together with increases in certain input prices due to constrained supply, created challenges for our supply chain and procurement teams, particularly as demand has grew in the second half of Fiscal 2020 and during Fiscal 2021. Under normal circumstances, we do not typically carry significant inventories of raw materials in excess of those required to meet our production schedules.

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 the insights from regular supplier feedback and review, as communicated by executive management to the Board as part of regular operational updates, are factored into their decisions. 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 and greenhouse gas emissions" in the Directors' Report.

Employees

Details of our employees can be found under section XI 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 XI 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 the highest 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, 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 January 1, 2022, our Sponsor held approximately 66% 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 • 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, only one of the Company's directors is a designee 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 their compensation is share-based (except for the Sponsor designated director, who does not receive compensation from the Company for serving on the Board). 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 2021, in addition to quarterly earnings calls, our senior management team participated in eleven investor conferences and a number of other investor meetings including two marketed secondary offerings. 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. We welcome investor interaction and feedback and also engage with our shareholders through our active investor relations program. Each year the Board receives a report after the Annual General Meeting ("AGM") giving a breakdown of the votes and investor feedback on its voting decisions to inform it on any issues arising. At the most recent AGM, all resolutions were passed and no issues were raised by investors. 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 of Directors. 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. 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 is being used to create additional capital allocation flexibility to provide value to shareholders. During Fiscal 2021, 656,451 shares were repurchased and cancelled under this program, at an aggregate cost of $10.6 million.

Stakeholder group	Key issues	How we engage with our stakeholders
Employees		
Globally, we have over 15,050 full time employees and more than 1,500 temporary employees. Each of these employees is a vital element in our success.	• Health and safety • Development and training • Diversity and inclusion	Information on our engagement with employees can be found in section XI of the Strategic Report. 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 • Product innovation • Reliability of supply • 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 • Building relationships • Innovation	Information on our engagement with suppliers can be found in section II of the Strategic Report.
Communities & environment		
Supporting the communities in which we operate, and respecting our environment are central to Gates' values as a company	• Sustainability • Leading community improvement • Community support	Information on our engagement with our communities and environment can be found in section XI of the Strategic Report and under "Environment" in the Directors' Report. 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. In 2021, Gates initiated a sustainability materiality assessment process involving an independent third-party consulting firm. This included stakeholder identification, prioritization, and in-depth engagement activities to gain feedback. Additionally, Gates' internal sustainability team worked in collaboration with Gates business leaders to create a dedicated steering committee to engage different parts of the organization that play a role in our sustainability journey. Our Board oversees and has responsibility for environmental, social and governance issues, and is committed to integrating these principles into the Company's long-term strategic vision. Gates' Board has a formal schedule for consideration of environmental, social and governance matters, including review of related metrics, and is briefed regularly on emerging issues and trends as they arise.

Principal decisions

The principal decisions taken by the Board during 2021 included the Company's COVID-19 response strategy with respect to key stakeholders, capital allocation strategy and budget approval, product innovation and portfolio enhancement, employee compensation setting, debt repayment considerations, and key employee/director changes. We describe below some of these decisions in more detail, including their impacts on our key stakeholders.

Ongoing COVID-19 response strategy decisions

Some of our Board's most critical decisions during 2021 continued to be in relation to the Company's response to the COVID-19 pandemic, including the emergence of variants. Employee health and safety was a key focus for these decisions as well as ensuring strong internal and external communication channels. The Board has continued to be actively involved in the Company's response to the pandemic, working closely with the management team to ensure that the Company's response appropriately addressed concerns of all stakeholders, including keeping employees safe, ensuring supply of products to customers (especially those providing essential products and services), working with suppliers to minimize supply chain interruptions, and communicating with government and local regulatory bodies to ensure that we adhered to or exceeded local government mandates and guidance provided by health authorities. As vaccines became more widely available in 2021, we actively encouraged and supported our employees in getting vaccinations, including facilitating on-site vaccinations in some locations. We also updated our internal travel policies in response to the loosening of national and international travel restrictions in order to continue to keep our employees and the stakeholders they meet as safe as possible.

Our quarterly financial filings with the SEC and the earnings calls held with investors and analysts, as well investor conferences we attended, helped to keep our shareholders and potential shareholders up to date with the impacts of COVID-19 on our business and our expectations for the near term.

The Board continues to receive regular reports on the impact of COVID-19 and management's ongoing response to the pandemic.

Capital allocation decisions

In November 2021, the Board authorized the establishment of a share repurchase program of up to $200 million of the Company's ordinary shares, valid through December 31, 2022. Under this program, repurchases may be made from time to time using a variety of methods such as open market purchases and privately negotiated transactions, in compliance with relevant rules and regulations. In establishing this program, 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 addition, the Board considered the allocation of cash to debt repayment opportunities during the year to continue to improve the Company's financial leverage, and thereby generate shareholder value through a stronger balance sheet. During June 2021, we made a voluntary principal debt repayment of €58.7 million ($69.5 million) against our Euro Term Loan facility.

Product innovation and portfolio enhancement

The Board regularly receives updates regarding product innovation and enhancement of our product portfolio and continues to make strategic decisions around the repositioning of the product portfolio towards industrial end markets and replacement channels. Our chain-to-belt and mobility initiatives have been a focus during the current year, with a number of key new business wins as a result of our innovative product portfolio. The Board also supported the continuing focus on electrification trends and the importance of these to our customers, shareholders and the environment. These trends complement the Board's strategy on portfolio enhancement which includes designing and building products that improve efficiencies through reduced weight, improved energy consumption, and/ or reduced maintenance and lubrication requirements. We continue to develop 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.

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	XI. 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	XI. Employees	Community involvement
	Directors' Report	Environment
Maintaining a reputation for high standards of business conduct	II. Business Overview	Materials and Suppliers
		Code of Ethics
	XI. 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. Each committee charged with risk oversight reports to the Board on those matters.

Additionally, with respect to cybersecurity risk oversight, our Board receives 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 January 1, 2022.

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 2021, approximately 64% 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, 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 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 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 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.

In December 2020, the United Kingdom and the European Union announced they had entered into a post-Brexit deal on certain aspects of trade and other strategic and political issues. Following the termination of a transition period, the United Kingdom and the European Union entered into a trade and cooperation agreement to govern the future relationship between the parties, which was provisionally applied as of January 1, 2021 and entered into force on May 1, 2021 following ratification by the European Union. There remains uncertainty around the post-Brexit regulatory environment.

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 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 also 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 offences for 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 our compliance 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.

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 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 and 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 for energy, metal alloys, polymers and certain other of our raw materials have fluctuated significantly, exacerbated by the current inflationary environment. While we strive to avoid this risk by using price escalation mechanisms with respect to our raw materials in certain of our customer contracts, and we also seek to offset our increased costs with gains achieved through operational efficiencies, 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 operational efficiencies are not achieved, 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.

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 such as the COVID-19 pandemic, 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.

Failure to develop, obtain, enforce and protect intellectual property rights could adversely affect our business.

Our success depends on our ability to develop technologies and inventions used in our products and to brand such products to obtain intellectual property rights and to protect and enforce such intellectual property rights worldwide. In this regard, we rely on U.S. and foreign patent, trademark, copyright, and trade secret laws, as well as license agreements, nondisclosure agreements, and confidentiality and other contractual provisions.

Although we rely on U.S. and foreign intellectual property rights, procuring, enforcing, and defending patents on our products in all jurisdictions throughout the world would be prohibitively expensive, and the laws of certain foreign countries may not protect or allow enforcement of intellectual property rights to the same extent as the laws of the U.S.

Even if we do obtain patents or other intellectual property rights in our new technologies and inventions, the scope of such rights may not be sufficiently broad to afford us any significant commercial advantage over our competitors. In addition, the technologies and inventions developed by our engineers in the future may not prove to be as valuable as those of competitors, or competitors may develop similar or identical technologies and inventions independently of us and before we do.

Further, our efforts to enforce our intellectual property rights against infringers may not prove successful and will likely be time consuming and expensive. Successful assertion of our intellectual property rights depends on the judicial strength and willingness of the issuing jurisdictions to enact and enforce sufficient intellectual property laws.

Competitors and other third parties may also challenge the ownership, validity, and/or enforceability of our patents or other intellectual property rights.

The loss or financial instability of any significant customer or customers could adversely affect our business.

A substantial part of our business is concentrated with a few customers, and we have certain customers that are significant to our business. During Fiscal 2021, our top ten customers accounted for approximately 22% of our consolidated net sales and accounted for approximately 31% of our trade accounts receivable balance as of January 1, 2022, and our largest customer accounted for approximately 8% and 10% of our Fiscal 2021 consolidated net sales and trade accounts receivable balance as of January 1, 2022, respectively. The loss of one or more of these customers or other major customers, a deterioration in our relationship with any of them, or their failure to pay amounts due to us could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Our contracted backlog is comprised of future orders for our products from a broad number of customers. Defaults by any of the customers that have placed significant orders with us could have a significant adverse effect on our net sales, profitability and cash flow. Our customers may in the future default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons deriving from the general economic environment or circumstances affecting those customers in particular. If a customer defaults on its obligations to us, it could have a material adverse effect on our business, financial condition, results of operations or cash flows.

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 January 1, 2022, the total principal amount of our debt was $2,579.2 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.

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.

Societal responses to sustainability issues, including those related to climate change, could adversely affect our business and performance, including indirectly through impacts on our customers.

Concerns over environmental, safety, social and other sustainability issues, including the long-term impacts of climate change, have led and will continue to lead to governmental efforts around the world to reduce or mitigate those issues. Consumers and businesses also may change their behavior on their own as a result of these concerns. We and our customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from sustainability concerns. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain sectors. There is also a risk that we are unable to meet our sustainability objectives or the increasing expectations of our customers, suppliers, employees, shareholders, and other stakeholders. Our efforts to take these risks into account, including by investing in sustainability initiatives, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior.

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 2021, 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 2021, 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. Among our automotive first-fit customers, a majority of our net sales are to emerging market customers, where we believe our first-fit presence provides us with a strategic advantage in developing those markets and ultimately increasing our higher margin replacement channel sales.

We continue to make progress on our restructuring program, which is primarily intended to optimize our manufacturing and distribution footprint over the mid-term by removing structural fixed costs and, to a lesser degree, streamlining our selling, general and administrative ("SG&A") back-office functions. We anticipate that most of the remaining costs associated with these actions will be incurred during 2022. Some of these costs will, in accordance with U.S. GAAP, be classified in cost of sales, negatively impacting gross margin, but due to their nature and impact of hindering comparison of the performance of our businesses on a period-over-period basis or with other businesses, they will be excluded from Adjusted EBITDA, consistent with the treatment of similar costs in prior periods.

During 2021, we experienced challenges from raw material and freight inflation, which we expect to continue in the near term. We have remained price/cost neutral on a dollar basis relative to these impacts in Fiscal 2021 and expect this to continue in 2022. In addition, we have experienced production disruptions and input shortages on labor, raw materials and freight. We continue to prioritize supporting our customers and anticipate that the margin impact of incremental costs incurred as a result of doing so will be temporary. While we believe we can continue to manage through these challenges, this may impact our ability to deliver products to our customers.

Russia-Ukraine conflict

As the military conflict between Russia and Ukraine continues to evolve, we are closely monitoring the impact on our business and our people. Gates has a single distribution center in Russia that sells primarily to customers based in Russia. We have not shipped additional product into Russia since late February 2022, but have continued to fulfill limited contractual obligations through this distribution center while complying with all current, applicable sanctions and regulations. However, the sanctions regime will make it prohibitive for us to continue our business in Russia in the near future and we have begun reviewing plans for the cessation of our commercial activities, which we do not expect to result in material charges. This crisis, 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. 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, heightened cybersecurity threats and the possibility of recording restructuring charges. We currently anticipate a headwind of approximately 2% to our 2022 global revenues resulting directly from this conflict.

Impact of COVID-19 Pandemic

The first quarter of 2020 marked the beginning of an unprecedented environment for the global economy, which has continued throughout 2021, though impacting our business in different ways at different times. We continue to prioritize 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 are adhering to local government mandates and guidance provided by health authorities and, where necessary, continue to implement quarantine protocols, social distancing policies, working from home arrangements, travel limitations, frequent and extensive disinfecting of our workspaces, provision of personal protective equipment, and mandatory temperature monitoring at our facilities. Where possible, we have made COVID-19 vaccines available to our employees, holding on-site vaccination clinics at a number of facilities. 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 disruptions to date, certain Gates suppliers have, or may in the future, temporarily close operations, delay order fulfillment or limit production due to the pandemic. 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 those cases where local production supports demand in other regions, contingency plans have been activated as appropriate. In addition to the handful of plants that were temporarily closed by government mandates, 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. 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, and resulted in a modest loss of production, sales and profitability. It is currently unclear how long this latest series of shutdowns will continue and 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 constraints on our ability to produce or deliver our products and meet customer demand or increase our costs.

As shelter-in-place requirements eased in various jurisdictions, we saw sequential quarterly improvements in the second half of 2020 and this continued during the first half of 2021. We expect the pace of these improvements to slow as the global economy continues to normalize, which we began to experience during the second half of 2021. During this crisis, we have maintained our ability to respond to demand improvements and we continue to fund key initiatives, which we believe will serve us well as our end markets continue to recover.

We have strength and flexibility in our liquidity position, which includes committed borrowing headroom of $445.1 million under our lines of credit, in addition to cash balances of $658.2 million as of January 1, 2022. In addition, our business has a demonstrated ability to generate free cash flow even in challenging environments.

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". We refer to these measures throughout this annual report and use them in presentations to investors. In this section, we explain the relevance of each of the key performance indicators and, if they cannot be derived directly from the consolidated financial statements, show how they are calculated. Some of these measures are not explicitly defined under accounting principles generally accepted in the United States of America ("U.S. GAAP") and are therefore termed "non-GAAP" measures. We present a reconciliation of each non-GAAP measure to the most directly comparable measure defined under U.S. GAAP. We do not regard these non-GAAP measures as a substitute for, or superior to, the equivalent measures defined under U.S. GAAP. The non-GAAP measures described below may not be directly comparable with similarly-titled measures used by other companies.

EBITDA and Adjusted EBITDA

"EBITDA" is a non-GAAP measure that represents net income or loss 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-GAAP 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 our peer companies with a similar leveraged, private equity ownership history. 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 from Adjusted EBITDA acquisition-related costs that are required to be expensed in accordance with U.S. GAAP. In particular, we exclude the effect on cost of sales of the uplift to the carrying amount of inventory held by entities acquired by Gates. We also 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 (income) expenses and severance-related expenses that reflect specific, strategic actions taken by management to shutdown, downsize, or otherwise fundamentally reorganize areas of Gates' business; impairments of intangibles and of other assets, representing the excess of their carrying amounts over the amounts that are expected to be recovered from them in the future; and fees paid to our private equity sponsor.

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 net income from continuing operations, the most directly comparable GAAP measure, to EBITDA and Adjusted EBITDA:

(dollars in millions)	For the year ended January 1, 2022	January 2, 2021	December 28, 2019
Net income from continuing operations	$ 331.3	$ 90.3	$ 694.7
Income tax expense (benefit)	18.4	(19.3)	(495.9)
Net interest and other expenses	134.4	140.1	148.0
Depreciation and amortization	222.6	218.6	222.2
EBITDA	**706.7**	**429.7**	**569.0**
Transaction-related expenses [1]	3.7	5.2	2.6
Asset impairments	0.6	5.2	0.7
Restructuring expenses	7.4	37.3	6.0
Share-based compensation expense	24.6	19.8	15.0
Sponsor fees (included in other operating expense)	—	1.9	6.5
Inventory impairments (included in cost of sales)	1.4	1.4	1.2
Severance expenses (included in cost of sales)	—	1.0	4.0
Severance expenses (included in SG&A)	0.7	8.0	3.4
Other items not directly related to current operations [2]	(9.3)	(2.9)	2.6
Adjusted EBITDA	**$ 735.8**	**$ 506.6**	**$ 611.0**

(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.

(2) During Fiscal 2021, we realized a net gain of $9.3 million related to the sale of a purchase option on a building that we lease in Europe.

Adjusted EBITDA Margin

Adjusted EBITDA margin is a non-GAAP 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 January 1, 2022	January 2, 2021	December 28, 2019
Net sales	$ 3,474.4	$ 2,793.0	$ 3,087.1
Adjusted EBITDA	$ 735.8	$ 506.6	$ 611.0
Adjusted EBITDA margin	21.2 %	18.1 %	19.8 %

Core growth reconciliations

Core revenue growth is a non-GAAP measure that 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 GAAP measure is net sales.

(dollars in millions)	For the 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 %

(dollars in millions)	For the year ended January 2, 2021 Power Transmission	Fluid Power	Total
Net sales for the year ended January 2, 2021	$ 1,800.2	$ 992.8	$ 2,793.0
Impact on net sales of movements in currency rates	18.4	16.1	34.5
Core revenue for the year ended January 2, 2021	1,818.6	1,008.9	2,827.5
Net sales for the year ended December 28, 2019	1,945.7	1,141.4	3,087.1
Decrease in net sales on a core basis (core revenue)	$ (127.1)	$ (132.5)	$ (259.6)
Core revenue decline	(6.5)%	(11.6)%	(8.4)%

Net Debt

Management uses net debt, rather than the narrower measure of cash and cash equivalents and restricted cash which forms the basis for the consolidated statement of cash flows, as a measure of our liquidity and in assessing the strength of our balance sheet.

Management analyzes the key cash flow items driving the movement in net debt to better understand and assess Gates' cash performance and utilization in order to maximize the efficiency with which resources are allocated. The analysis of cash movements in net debt also allows management to more clearly identify the level of cash generated from operations that remains available for distribution after servicing our debt and post-employment benefit obligations and after the cash impacts of acquisitions and disposals.

Net debt represents the net total of:

- the principal amount of our debt; and
- the carrying amount of cash and cash equivalents.

Net debt was as follows:

(dollars in millions)	As of January 1, 2022	As of January 2, 2021
Principal amount of debt	$ 2,579.2	$ 2,720.8
Less: Cash and cash equivalents	(658.2)	(521.4)
Net debt	$ 1,921.0	$ 2,199.4

The principal amount of debt is reconciled to the carrying amount of debt as follows:

(dollars in millions)		As of January 1, 2022		As of January 2, 2021
Principal amount of debt	$	2,579.2	$	2,720.8
Accrued interest		16.9		17.3
Deferred issuance costs		(31.5)		(29.4)
Carrying amount of debt	**$**	**2,564.6**	**$**	**2,708.7**

Adjusted EBITDA adjustments for ratio calculation purposes .

The financial maintenance ratio in our revolving credit agreement and other ratios related to incurrence-based covenants (measured only upon the taking of certain actions, including the incurrence of additional indebtedness) under our revolving credit facility, our term loan facility and the indenture governing our outstanding notes are calculated in part based on financial measures similar to Adjusted EBITDA as presented elsewhere in this report, which financial measures are determined at the Gates Global LLC level and adjust for certain additional items such as severance costs, the pro forma impacts of acquisitions and the pro forma impacts of cost-saving initiatives. These additional adjustments during the last 12 months, as calculated pursuant to such agreements, resulted in a net benefit to Adjusted EBITDA for ratio calculation purposes of $4.7 million.

Gates Industrial Corporation plc is not an obligor under our revolving credit facility, our term loan facility or the indenture governing our outstanding notes. Gates Global LLC, an indirect subsidiary of Gates Industrial Corporation plc, is the borrower under our revolving credit facility and our term loan facility and the issuer of our outstanding notes. The only significant difference between the results of operations and net assets that would be shown in the consolidated financial statements of Gates Global LLC and those for the Company that are included elsewhere in this report is a receivable of $0.9 million due to Gates Global LLC and its subsidiaries from indirect parent entities of Gates Global LLC as of January 1, 2022, compared to a receivable of $0.6 million as of January 2, 2021, and additional cash and cash equivalents held by the Company and other indirect parents of Gates Global LLC of $12.7 million and $4.2 million as of January 1, 2022 and January 2, 2021, respectively.

VII. Business Performance

Results for the year ended January 1, 2022 compared to the results for the year ended January 2, 2021

Summary Gates Performance

(dollars in millions)	For the year ended January 1, 2022	January 2, 2021
Net sales	$ 3,474.4	$ 2,793.0
Cost of sales	2,135.2	1,758.3
Gross profit	**1,339.2**	**1,034.7**
Selling, general and administrative expenses	852.7	776.9
Transaction-related expenses	3.7	5.2
Asset impairments	0.6	5.2
Restructuring expenses	7.4	37.3
Other operating income	(9.3)	(1.0)
Operating income from continuing operations	**484.1**	**211.1**
Interest expense	133.5	154.3
Other expense (income)	0.9	(14.2)
Income from continuing operations before taxes	**349.7**	**71.0**
Income tax expense (benefit)	18.4	(19.3)
Net income from continuing operations	**$ 331.3**	**$ 90.3**
Adjusted EBITDA[1]	$ 735.8	$ 506.6
Adjusted EBITDA margin	21.2 %	18.1 %

(1) See "VI. Key Performance Indicators" for a reconciliation of Adjusted EBITDA to net income from continuing operations, the closest comparable GAAP measure, for each of the periods presented.

Net sales

Net sales during Fiscal 2021 were $3,474.4 million, compared to $2,793.0 million during the prior year, an increase of 24.4%, or $681.4 million. Our net sales for Fiscal 2021 were favorably impacted by movements in average currency exchange rates of $76.3 million compared to the prior year, due principally to the weakening of the U.S. dollar against a number of currencies, in particular the Euro, Chinese Renminbi and the Canadian Dollar. Excluding this impact, core sales increased by $605.1 million, or 21.7%, during Fiscal 2021 compared to the prior year, driven primarily by higher volumes, but with a $103.7 million benefit from favorable pricing.

Core sales in our Power Transmission and Fluid Power businesses increased by 20.4% and 24.0%, respectively, during Fiscal 2021 compared to the prior year. These improvements, predominantly a function of the significant economic impact from the COVID-19 pandemic in the prior year, were driven primarily by increases in sales to customers in our industrial channels, with industrial first-fit sales up by 34.1% and industrial replacement sales up by 30.7%. The majority of this growth was focused in North America and EMEA, where industrial sales grew by 27.1% and 42.7%, respectively, during Fiscal 2021 compared to the prior year. The diversified industrial end markets, which grew strongly in all regions, but particularly in North America and EMEA, drove most of the industrial channel growth during Fiscal 2021, compared to the prior year, increasing by 35.8% globally. Sales to industrial off-highway end markets grew by 26.7% during Fiscal 2021 compared to the prior year, primarily in North America. Sales to automotive replacement customers increased across all regions, growing globally by 15.0% during Fiscal 2021 compared to the prior year, with over half of this growth coming from EMEA. Sales growth in the automotive first-fit channel was more muted at 2.4% during Fiscal 2021 compared to the prior year, due primarily to a stronger prior year performance in Greater China due to the earlier start to the recovery in this region in 2020, and 2021 impacts from softening customer demand resulting from the global semiconductor chip shortage, and the impact of government-mandated power outages in Greater China.

Cost of sales

Cost of sales for Fiscal 2021 was $2,135.2 million, compared to $1,758.3 million for the prior year, an increase of 21.4%, or $376.9 million. Higher volumes contributed $308.5 million of this increase, with higher inflation-related costs, including higher inbound freight costs, driving an additional $100.9 million of the increase. Unfavorable movements in average currency exchange rates added a further $41.6 million to cost of sales during Fiscal 2021 compared to the prior year. These increases were offset partially by the improved manufacturing performance due to the higher absorption of fixed costs on higher volumes.

Gross profit

Gross profit for Fiscal 2021 was $1,339.2 million, up by $304.5 million or 29.4% from $1,034.7 million for the prior year. As described above, this change was driven primarily by higher volumes, improved manufacturing performance, and a benefit from favorable pricing, offset by higher inflation-related costs.

Our gross profit margin for Fiscal 2021 improved by 150 basis points from prior year to 38.5%.

Selling, general and administrative expenses

SG&A expenses for Fiscal 2021 were $852.7 million compared to $776.9 million for the prior year. This increase of $75.8 million was driven primarily by higher labor costs of $30.4 million and unfavorable movements in average currency exchange rates of $13.7 million. The remainder of the increase resulted largely from various volume-related increases driven by the rebound in demand during the current period compared to the prior year.

Transaction-related expenses

Transaction-related expenses of $3.7 million were incurred during Fiscal 2021, related primarily to the amendment to our Dollar Term Loan credit facility completed in February 2021, as well as certain other corporate transactions during the year. Transaction-related expenses of $5.2 million were incurred during the prior year, related primarily to payments made on resolution of certain contingencies that affected the purchase price paid by Blackstone upon acquiring Gates in July 2014.

Restructuring expenses

As described further under the "Business Trends" section above, we continue to make progress on our previously announced restructuring program, which is primarily intended to optimize our manufacturing and distribution footprint over the mid-term by removing structural fixed costs, and to streamline our SG&A back-office functions.

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 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 (recognized in cost of sales), 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 and other strategic initiative costs, including asset impairments, of $43.9 million were recognized during the prior year, related primarily to the closure of a manufacturing facility in Korea, our European reorganization involving office and distribution center closures or downsizings and implementation of a regional shared service center, the closure of two North American manufacturing facilities, and reductions in workforce, primarily in EMEA and North America. The closure of the Korean facility resulted in an accrual for severance and other labor costs of $13.2 million, an impairment of inventory of $1.4 million (recognized in cost of sales) and an impairment of fixed assets of $4.8 million (included in asset impairments). Restructuring costs related to our European reorganization were $12.6 million, of which $11.4 million related to estimated severance.

Other operating income

Other operating income of $9.3 million was recognized during Fiscal 2021, related primarily to a net gain on the sale of a purchase option on a building that we lease in Europe.

Interest expense

(dollars in millions)	For the year ended January 1, 2022	For the year ended January 2, 2021
Debt:		
—Dollar Term Loan	$ 65.0	$ 77.2
—Euro Term Loan	24.1	24.2
—Dollar Senior Notes	35.4	35.9
—Other loans	—	0.1
	124.5	**137.4**
Amortization of deferred issuance costs	5.9	13.5
Other interest expense	3.1	3.4
	$ 133.5	**$ 154.3**

Details of our long-term debt are presented in note 17 to the consolidated financial statements included elsewhere in this report.

Interest on debt for Fiscal 2021 decreased by $12.9 million when compared to the prior year due primarily to interest savings on debt repayments and the benefit from lower interest rates on the Dollar Term Loan, offset partially by the impact of derivatives. The benefit from the repayment of €58.7 million ($69.5 million) of our Euro Term Loan during June 2021 was offset by a combination of the impact of derivatives and an increase in interest caused by unfavorable movements in average currency exchange rates.

Amortization of deferred issuance costs has decreased during Fiscal 2021 due primarily to the extension of the maturity of the Dollar Term Loan completed in February 2021, in addition to the accelerated amortization of $3.7 million incurred in Fiscal 2020 due to the repayment of $300.0 million of our Dollar Term Loan facility on December 31, 2020.

Other expense (income)

(dollars in millions)	For the year ended January 1, 2022	For the year ended January 2, 2021
Interest income on bank deposits	$ (3.2)	$ (4.3)
Foreign currency loss (gain) on net debt and hedging instruments	7.6	(5.3)
Net adjustments related to post-retirement benefits	(4.6)	(4.5)
Other	1.1	(0.1)
	$ 0.9	**$ (14.2)**

Other expense for Fiscal 2021 was $0.9 million, compared to an income of $14.2 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 in addition to lower interest income on cash balances, and fees incurred in relation to our trade accounts receivable factoring program.

Income tax expense (benefit)

For Fiscal 2021, we had an income tax expense of $18.4 million on pre-tax income of $349.7 million, which resulted in an effective tax rate of 5.3% compared to an income tax benefit of $19.3 million on pre-tax income of $71.0 million, which resulted in an effective tax rate of (27.2)% for Fiscal 2020.

The effective tax rate for Fiscal 2021 was driven primarily by tax benefits of $26.4 million related to the partial valuation allowance release 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 from deferred tax rate changes.

The effective tax rate for Fiscal 2020 was driven primarily by tax benefits of $32.3 million related to audit settlements, changes in valuation allowance and tax law changes.

Deferred Income Tax Assets and Liabilities

We recognize deferred tax assets and liabilities for future tax consequences arising from differences between the carrying amounts of existing assets and liabilities under U.S. GAAP and their respective tax bases, and for net operating loss carryforwards and tax credit carryforwards. We evaluate the recoverability of our deferred tax assets, weighing all positive and negative evidence, and are required to establish or maintain a valuation allowance for these assets if we determine that it is more likely than not that some or all of the deferred tax assets will not be realized.

As of each reporting date, we consider new evidence, both positive and negative, that could impact our view with regard to the future realization of deferred tax assets. We will maintain our positions with regard to future realization of deferred tax assets, including those with respect to which we continue maintaining valuation allowances, until there is sufficient new evidence to support a change in expectations. Such a change in expectations could arise due to many factors, including those impacting our forecasts of future earnings, as well as changes in the international tax laws under which we operate and tax planning. It is not reasonably possible to forecast any such changes at the present time, but it is possible that, should they arise, our view of their effect on the future realization of deferred tax assets may impact materially our financial statements.

After weighing all of the evidence, giving more weight to the evidence that was objectively verifiable, we determined in Fiscal 2021 that it was more likely than not that deferred income tax assets in the U.S. related to foreign tax credits totaling $53.4 million are realizable as a result of changes in estimates of taxable profits against which these credits can be utilized. Similarly, we determined that it was more likely than not that deferred income tax assets in Fiscal 2020 primarily related to disallowed interest carryforwards in the U.K., Luxembourg, and Belgium totaling $29.5 million were realizable.

In Fiscal 2020, the deferred tax assets above include $26.0 million of assets which have no expiration in these jurisdictions. As a result of changes in estimates of future taxable profits in the third quarter of Fiscal 2020, due primarily to anticipated changes to the composition of our intercompany financing arrangements related to proposed international tax law changes, our judgment changed regarding valuation allowances on these deferred tax assets.

Significant Events

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was enacted and signed into law in the U.S. in response to the COVID-19 pandemic. One of the provisions of this law is an increase to the allowable business interest deduction from 30% of adjusted taxable income to 50% of adjusted taxable income for the 2019 and 2020 tax years. This modification significantly increased the current deductible interest expense of the Company for both years, which resulted in a cash benefit while increasing our effective tax rate through requirements to allocate and apportion interest expense for certain other tax purposes, including in determining our global intangible low-taxed income inclusion, deduction for foreign derived intangible income, and the utilization of foreign tax credits.

Adjusted EBITDA

Adjusted EBITDA for Fiscal 2021 was $735.8 million, compared to $506.6 million in the prior year, an increase of 45.2% or $229.2 million. The Adjusted EBITDA margin was 21.2% for Fiscal 2021, a 310 basis point increase from the prior year. The increase in Adjusted EBITDA was driven primarily by the increase in volumes, pricing benefits and improvement in manufacturing performance, as described above, together driving an increase in gross profit of $359.4 million, which was offset partially by higher inflation-related costs, including inbound freight, and higher SG&A expenses, as noted above.

For a reconciliation of net income to Adjusted EBITDA 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 (63.8% of Gates' net sales for the year ended January 1, 2022)

(dollars in millions)	For the year ended January 1, 2022	For the year ended January 2, 2021	Period over period change
Net sales	$ 2,216.3	$ 1,800.2	23.1%
Adjusted EBITDA	$ 500.6	$ 353.0	41.8%
Adjusted EBITDA margin	22.6 %	19.6 %	

Net sales in Power Transmission for Fiscal 2021 increased by 23.1%, or $416.1 million, compared to the prior year. Excluding the favorable impact of movements in average currency exchange rates of $49.2 million, core sales increased by 20.4%, or $366.9 million, compared to the prior year, driven primarily by higher volumes, but with a $57.5 million benefit from favorable pricing.

Power Transmission's core sales to industrial customers grew by 33.8% during Fiscal 2021, compared to the prior year, driven by growth in industrial first-fit sales, particularly in North America and EMEA, and strong industrial replacement growth in East Asia & India. This industrial growth was predominantly focused in the diversified industrial end market, which grew by 35.9% during Fiscal 2021 compared to the prior year, primarily in North America, EMEA and Greater China. Industrial on-highway end market sales increased globally by 19.7% compared to the prior year, driven by growth in North America and EMEA, while industrial off-highway end market sales were more mixed, with strong growth in North America offset partially by moderate declines in Greater China, due primarily to the stronger prior year performance in Greater China due to the earlier start to the recovery in this region in 2020. Automotive replacement sales also drove growth during Fiscal 2021, increasing by 18.4% globally, compared to the prior year, with strong growth in all regions, but primarily in EMEA, which grew by 24.7% in Fiscal 2021 compared to the prior year. Sales to automotive first-fit customers grew more modestly at 2.8% compared to the prior year, with strong growth in East Asia & India largely offset by declines in Greater China, due to softening customer demand resulting from the global semiconductor chip shortage, and the impact of government-mandated power outages.

Power Transmission Adjusted EBITDA for Fiscal 2021 increased by 41.8% or $147.6 million compared to the prior year, driven primarily by a combination of higher volumes, improved manufacturing performance and pricing benefits. These increases were offset partially by higher inflation-related costs and increased SG&A spending, related primarily to labor. As a result, the Adjusted EBITDA margin for Fiscal 2021 was 22.6%, a 300 basis point improvement from the prior year.

Fluid Power (36.2% of Gates' net sales for the year ended January 1, 2022)

(dollars in millions)	For the year ended January 1, 2022	For the year ended January 2, 2021	Period over period change
Net sales	$ 1,258.1	$ 992.8	26.7%
Adjusted EBITDA	$ 235.2	$ 153.6	53.1%
Adjusted EBITDA margin	18.7 %	15.5 %	

Net sales in Fluid Power for Fiscal 2021 increased by 26.7%, or $265.3 million, compared to the prior year. Excluding the favorable impact of movements in average currency exchange rates of $27.1 million, core sales increased by 24.0%, or $238.2 million, compared to the prior year, driven primarily by higher volumes, but with a $46.2 million benefit from favorable pricing.

Fluid Power's core sales growth in Fiscal 2021 was driven almost entirely by increased sales to industrial customers, which grew by 30.8% compared to the prior year, with industrial replacement sales outperforming sales to industrial first-fit customers. This growth was driven primarily by sales to the industrial off-highway end market, which grew across most regions, but predominantly in EMEA and North America, and in the construction end market in particular, which grew by 62.8% and 25.3%, respectively, in these two regions. Growth in sales to the diversified industrial end market, which grew by 35.6% globally, primarily in North America, also contributed to the overall industrial sales growth in Fiscal 2021 compared to the prior year. Growth in automotive replacement sales was more modest during Fiscal 2021 at 4.7% compared to the prior year, driven primarily by EMEA.

Fluid Power Adjusted EBITDA for Fiscal 2021 increased by 53.1%, or $81.6 million compared to the prior year, driven primarily by a combination of higher volumes, improved manufacturing performance and pricing benefits. These increases were offset partially by higher inflation-related costs and increased SG&A spending, related primarily to labor. As a result, the Adjusted EBITDA margin for Fiscal 2021 was 18.7%, a 320 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 2024; 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 January 1, 2022 compared to the year ended January 2, 2021

Cash provided by operating activities was $382.4 million during Fiscal 2021 compared to cash provided by operating activities of $309.0 million during the prior year. This increase was driven primarily by higher operating performance during the current year, offset partially by an increase in trade working capital of $131.3 million more than in the prior year, driven by the increase in production and sales, and an increase of $22.6 million in cash taxes paid.

Net cash used in investing activities during Fiscal 2021 was $86.0 million, compared to $77.5 million in the prior year. This increase was driven primarily by higher capital expenditures, which increased by $19.6 million from $67.4 million in the prior year to $87.0 million in Fiscal 2021, offset partially by proceeds of $8.4 million on disposal of fixed assets.

Net cash used in financing activities was $148.6 million during Fiscal 2021, compared to $353.8 million in the prior year. This lower cash outflow was driven primarily by the $300.0 million repayment of our Dollar Term Loan facility in December 2020, offset partially by the $69.5 million repayment made in June 2021 against our Euro Term Loan facility, $11.4 million of higher debt issuance costs, related primarily to the amendments made to the credit agreement during February 2021, and $10.6 million paid to acquire shares under our share repurchase program.

Indebtedness

Our long-term debt, consisting principally of two term loans and U.S. dollar denominated unsecured notes, was as follows:

	Carrying amount		Principal amount	
(dollars in millions)	As of January 1, 2022	As of January 2, 2021	As of January 1, 2022	As of January 2, 2021
Debt:				
—Secured				
Term Loans (U.S. dollar and Euro denominated)	$ 1,986.1	$ 2,131.2	$ 2,011.2	$ 2,152.6
—Unsecured				
Senior Notes (U.S. dollar)	578.5	577.3	568.0	568.0
Other debt	—	0.2	—	0.2
	$ 2,564.6	$ 2,708.7	$ 2,579.2	$ 2,720.8

Details of our long-term debt are presented in note 17 to the consolidated financial statements included elsewhere in this annual report.

Debt redemptions

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 Term Loan credit agreement amendments

On February 24, 2021, we made amendments to the Dollar Term Loan credit agreement, including extending its maturity date from March 31, 2024 to March 31, 2027, reducing the floor applicable to the Dollar Term Loan from 1.00% to 0.75% and modifying the applicable interest rate margin for the Dollar Term Loan 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 approximately $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 Dollar Term Loan using the effective interest method.

During the third quarter, as a consequence of the amendments described above, the margin on the Dollar Term Loan was reduced by 0.25% as the consolidated total net leverage ratio (as defined in the credit agreement) dropped below 3.75 times.

Revolver extensions

On November 18, 2021, we amended the credit agreements governing both of our revolving credit facilities to, among other things, increase the size of the cash flow revolving credit facility from $185.0 million to $250.0 million, and decrease the maximum commitments available under the asset-backed revolver from $325.0 million to $250.0 million. In addition, the letter of credit sub-facility under the cash flow revolving credit facility was increased from $20.0 million to $75.0 million. The maturity dates of both revolving credit facilities were also extended from January 29, 2023 to November 18, 2026 (subject to certain springing maturities related to our Euro Term Loan and Unsecured Senior Notes if more than $500.0 million is outstanding in respect of either such facility 91 days prior to their respective maturities).

In connection with these amendments, we paid fees of $3.3 million, which have been deferred and will, together with existing deferred issuance costs related to these facilities, be amortized to interest expense over the new term of the facilities on a straight-line basis.

Non-guarantor subsidiaries

The majority of the Company's U.S. subsidiaries are guarantors of the senior secured credit facilities.

For the twelve months ended January 1, 2022, before intercompany eliminations, our non-guarantor subsidiaries represented approximately 74% of our net sales and 69% of our EBITDA as defined in the financial covenants attaching to the senior secured credit facilities. As of January 1, 2022, before intercompany eliminations, our non-guarantor subsidiaries represented approximately 62% of our total assets and approximately 28% of our total liabilities.

Net Debt

Net debt is a non-GAAP measure representing the principal amount of our debt less the carrying amount of cash and cash equivalents. During Fiscal 2021, our net debt decreased by $278.4 million from $2,199.4 million as of January 2, 2021 to $1,921.0 million as of January 1, 2022. Net debt was impacted favorably by $39.6 million due to movements in currency exchange rates, related primarily to the impact of the weakening of the Euro against the U.S. dollar on our Euro-denominated debt. Excluding this impact, net debt decreased by $238.8 million, which was driven primarily by cash provided by operating activities of $382.4 million, offset partially by a number of cash outflows, including capital expenditures of $87.0 million, dividends paid to non-controlling shareholders of $26.6 million, debt issuance costs of $11.7 million paid primarily in respect of the amendments to the credit agreement in February 2021, and $10.6 million paid to acquire shares under our share repurchase program.

Borrowing Headroom

As of January 1, 2022, our asset-backed revolving credit facility had a borrowing base of $240.4 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 $45.3 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 $445.1 million, in addition to cash balances of $658.2 million.

Cash Balances

As of January 1, 2022, our total cash and cash equivalents were $658.2 million, compared to $521.4 million as of January 2, 2021.

Restricted cash was $2.7 million as of January 1, 2022, compared to $2.7 million as of January 2, 2021, including $1.0 million as of January 1, 2022 and $1.0 million as of January 2, 2021, which was held in escrow for insurance purposes. Cash held in our non-wholly owned Asian subsidiaries was $168.4 million and $152.7 million as of January 1, 2022 and January 2, 2021, respectively.

Other Assets and Liabilities

Goodwill

As of January 1, 2022, the carrying amount of goodwill was $2,063.0 million, compared to $2,120.2 million as of January 2, 2021. The majority of this goodwill arose on the acquisition of Gates by Blackstone in 2014. During Fiscal 2021, movements in currency exchange rates resulted in a decrease in goodwill of $57.2 million.

The goodwill at January 1, 2022 is attributable principally to expected future opportunities to improve sales and margins by further developing Gates' product range and service capabilities, extending the Group's global presence by further penetrating markets in emerging economies, and by pursuing performance improvement initiatives.

Other intangible assets

As of January 1, 2022, the carrying amount of other intangible assets was $1,642.2 million, compared to $1,788.6 million as of January 2, 2021. Details of these intangible assets, which are comprised primarily of customer relationship intangibles and a brand and trade name intangible, are set out in note 13 to the consolidated financial statements included elsewhere in this annual report. During Fiscal 2021, we recognized a decrease of $146.4 million in intangible assets other than goodwill, due primarily to amortization of $132.6 million, offset partially by additions of $9.3 million. The remainder of the decrease was due primarily to movements in average foreign currency exchange rates.

Property, plant and equipment

As of January 1, 2022, the carrying amount of property, plant and equipment was $670.3 million, compared to $705.0 million as of January 2, 2021. During Fiscal 2021, we recognized additions of $79.2 million, including finance leases. Offsetting this increase was depreciation of $90.0 million and disposals of property, plant and equipment of $5.2 million, with the remainder of the decrease due primarily to movements in average foreign currency exchange rates.

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.

In November 2021, the Company established a repurchase program allowing for up to $200 million in authorized share repurchases of our ordinary shares, exclusive of commissions, through to December 31, 2022. During Fiscal 2021, 656,451 shares were repurchased and cancelled under this program, at an aggregate cost of $10.6 million.

Distributable Reserves

Under the laws of England and Wales, future dividend payments or share repurchases may only be made out of "distributable reserves" on the Company's statutory balance sheet. During August 2019, the High Court of Justice in London sanctioned a reduction in the Company's statutory capital for the purpose of creating distributable reserves by approving the cancellation of the deferred shares in issue and the cancellation of the entire amount standing to the credit of the Company's share premium account, creating $5.5 billion of distributable reserves. These transactions, which have no impact on the consolidated U.S. GAAP financial statements, facilitate the possible future payment of dividends to shareholders of the Company or possible future share repurchases.

IX. Critical Accounting Estimates and Judgments

Details of our significant accounting policies are set out in note 2 to our audited consolidated financial statements included elsewhere in this annual report.

When applying our accounting policies, we must make assumptions, judgments and estimates concerning the future that affect reported amounts of assets, liabilities, revenue and expenses. We make these assumptions, estimates and judgments based on factors such as historical experience, the observance of trends in the industries in which we operate and information available from our customers and other outside sources. Due to the inherent uncertainty involved in making assumptions, estimates and judgments, the actual outcomes could be different. The policies discussed below are considered by management to be more critical than other policies because their application involves a significant amount of estimation uncertainty that increases the risk of a material adjustment to the carrying amounts of our assets and liabilities.

Net Sales

We derive our net sales 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.

In most 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 estimates 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 amount of 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 or similar binding contract 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.

Impairment of Goodwill and Other Indefinite-Lived Assets

Goodwill and other indefinite-lived intangible assets are subject to an annual impairment test but are also tested for impairment if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount.

Goodwill

Goodwill arising in a business combination is allocated to the reporting unit that is expected to benefit from the synergies of the acquisition. Where goodwill is attributable to more than one reporting unit, the goodwill 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 reporting unit.

Goodwill is not amortized but is tested for impairment on the first day of the fourth quarter or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable and is carried at cost less any recognized impairment.

To identify a potential impairment of goodwill, the fair value of the reporting unit to which the goodwill is allocated is compared to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered impaired. If the fair value is lower than the carrying amount, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, limited to the amount of goodwill allocated to that reporting unit.

Management based the fair value calculations on a weighted blend of the income and market approaches. The income approach was based on cash flow forecasts derived from the most recent financial plans approved by the board of directors, in which the principal assumptions were those regarding sales growth rates, selling prices and changes in direct costs. Forecasts for the following two years were based on region-specific growth assumptions determined by management, taking into account strategic initiatives.

Cash flows for each of the reporting units for the years beyond this period were projected to grow at compound annual growth rates reflecting annual changes over the next seven years from the 2024 growth rates to the terminal growth rate. For Gates as a whole, this growth rate was calculated to be 1.6%. The terminal growth rate for both reporting units was set at 2.5%, a rate that does not exceed the expected long-term growth rates in the respective principal end markets.

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 each reporting unit. In each case, the discount rate was determined using a capital asset pricing model. The discount rates used in the impairment tests of goodwill during Fiscal 2021 were 9.0% for both reporting units.

For both reporting units, the fair values exceeded the carrying values and no goodwill impairments were therefore recognized during Fiscal 2021.

We base our fair value 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 reporting units and in allocating shared assets and liabilities to determine the carrying values for each of our reporting units tested. Changes in assumptions or circumstances could result in an additional impairment in the period in which the change occurs and in future years.

Indefinite-Lived Assets Other than Goodwill

To identify a potential impairment of indefinite-lived assets other than goodwill, the fair value of the asset is compared to its carrying amount. If the fair value of the indefinite-lived asset exceeds its carrying amount, it is not considered impaired. Fair value is calculated based on the anticipated net cash inflows and outflows related to the indefinite-lived asset.

During the periods covered by this annual report, we held an indefinite-lived brand and trade name intangible asset. We test the intangible for impairment on the first day of the fourth quarter or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable and is carried at cost less any recognized impairment.

The fair value for our indefinite-lived brand and trade name intangible asset was determined using a relief from royalty valuation methodology in which the key assumptions included sales growth rates and an estimated royalty rate. Sales forecasts were determined on the same basis as those used for the annual impairment testing of goodwill (as described above).

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 each region 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 the nature of the intangible asset. The discount rate used in Fiscal 2021 impairment test was 10.0%. As a result of the impairment testing, no impairment was recognized during Fiscal 2021.

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.

Taxation

We are subject to income tax in most of the jurisdictions in which we operate. Management is required to exercise significant judgment in determining our provision for income taxes. Management's judgment is required in relation to unrecognized income tax benefits whereby additional current tax may become payable in the future following the audit by tax authorities of previously-filed tax returns. It is possible that the final outcome of these unrecognized income tax benefits may differ from management's estimates.

Management assesses unrecognized income tax benefits based upon an evaluation of the facts, circumstances and information available at the balance sheet date. Provision is made for unrecognized tax benefits to the extent that the amounts previously taken or expected to be taken in tax returns exceeds the tax benefits that are recognized in the consolidated financial statements in respect of the tax positions. A tax benefit is recognized in the consolidated financial statements only if management considers that it is more likely than not that the tax position will be sustained on examination by the relevant tax authority solely on the technical merits of the position and is measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement assuming that the tax authority has full knowledge of all relevant information. Provisions for unrecognized income tax benefits are reviewed regularly and are adjusted to reflect events such as the expiration of limitation periods for assessing tax, guidance given by the tax authorities and court decisions.

Deferred income tax assets and liabilities are recognized based on the expected future tax consequences of the difference between the financial statement carrying amount and the respective tax basis. Deferred income taxes are measured on the enacted rates expected to apply to taxable income at the time the difference is anticipated to reverse. Deferred income tax assets are reduced through the establishment of a valuation allowance if it is more likely than not that the deferred income tax asset will not be realized taking into account the timing and amount of the reversal of taxable temporary differences, expected future taxable income and tax planning strategies.

Deferred income tax is provided on certain taxable temporary differences arising on investments in foreign subsidiaries, except where we intend, and are able, to reinvest such amounts on a permanent basis or to remit such amounts in a tax-free manner.

We have recorded valuation allowances against certain of our deferred income tax assets and we intend to continue maintaining such valuation allowances until there is sufficient evidence to support the reduction of all or some portion of these allowances. During Fiscal 2021, we determined that it was more likely than not that certain deferred income tax assets in the U.S. totaling $53.4 million were realizable. During Fiscal 2020, we determined that it was more likely than not that certain deferred income tax assets in the U.K., Luxembourg and Belgium totaling $29.5 million were realizable.

Accounting Pronouncements Not Yet Adopted

Recently-issued accounting pronouncements that may be relevant to our operations but have not yet been adopted are outlined in note 3 to our audited consolidated financial statements included elsewhere in this annual report.

X. 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.

Foreign Currency Exchange 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 January 1, 2022	As of January 2, 2021
Cash and cash equivalents by currency:		
—U.S. dollar	$ 346.2	$ 199.5
—Chinese Yuan Renminbi	109.7	94.8
—Indian Rupee	14.9	49.6
—Euro	32.5	37.8
—Japanese Yen	42.1	30.6
—Other	112.8	109.1
	$ 658.2	**$ 521.4**
Principal amount of debt by currency:		
—U.S. dollar	$ 1,641.9	$ 1,634.2
—Euro	937.3	1,086.6
	$ 2,579.2	**$ 2,720.8**

As described in note 15 to the audited consolidated financial statements included elsewhere in this annual report, during Fiscal 2021 and Fiscal 2020 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.

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 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 2, 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:

	As of January 1, 2022				As of January 2, 2021			
	Interest-bearing				Interest-bearing			
(dollars in millions)	Floating rate	Fixed rate	Non-interest bearing	Total	Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets:								
Available-for-sale investments	$ —	$ —	$ 0.6	$ 0.6	$ —	$ —	$ 2.1	$ 2.1
Cash and cash equivalents	203.5	—	454.7	658.2	214.1	—	307.3	521.4
Restricted cash	—	—	2.7	2.7	—	—	2.7	2.7
	203.5	—	458.0	661.5	214.1	—	312.1	526.2
Financial liabilities:								
Debt	(657.3)	(1,921.9)	—	(2,579.2)	(762.9)	(1,957.7)	(0.2)	(2,720.8)
Obligations under finance leases	—	(3.3)	—	(3.3)	—	(3.0)	—	(3.0)
	(657.3)	(1,925.2)	—	(2,582.5)	(762.9)	(1,960.7)	(0.2)	(2,723.8)
	$ (453.8)	$ (1,925.2)	$ 458.0	$ (1,921.0)	$ (548.8)	$ (1,960.7)	$ 311.9	$ (2,197.6)

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 B2 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.

Commodity Risk

We source a wide variety of materials and components from a network of global suppliers. While such materials are typically available from numerous suppliers, commodity raw materials such as aluminum, steel and polymers are subject to price fluctuations, which could have a negative impact on our results. We primarily manage these risks through normal operating activities. We strive to pass along such commodity price increases to customers to avoid profit margin erosion and utilize lean initiatives and materials science capabilities to further mitigate the impact of commodity raw material price fluctuations as we achieve improved efficiencies. We historically have not entered into any derivative commodity instruments to manage the exposure to changing price risk for supplies, but we will continue to evaluate their viability.

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 13.9% and 10.0%, respectively, of our total trade accounts receivable balance as of January 1, 2022, compared to 11.9% and 16.5%, respectively, as of January 2, 2021. 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.

XI. Employees

As of January 2, 2021, we employed approximately 15,050 full time employees worldwide. Approximately 7,000 of our employees are located in North America, 4,100 in EMEA, 3,300 in Greater China and East Asia & India, and 650 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 1,450 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 our countermeasure actions across the globe for the novel coronavirus ("COVID-19") pandemic. In addition to adhering to or exceeding local government mandates and guidance provided by health authorities, we proactively implemented quarantine protocols, social distancing policies, working from home arrangements, travel suspensions, frequent and extensive disinfecting of our workspaces, provision of personal protective equipment, mandatory temperature monitoring and periodic COVID-19 testing at our facilities. During 2021, where possible, we have made COVID-19 vaccines available to our employees, holding on-site vaccination clinics at a number of facilities. 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 a manufacturing incentive program 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.

Across the world in 2020 and 2021, our employees rose to the challenges posed by the COVID-19 pandemic, helping in their communities in many ways from 3D-printing face shields for healthcare workers to coordinating with other companies to support hand sanitizer production, as well as donating funds from the Gates Industrial Corporation Foundation to local charities on the front lines of fighting the virus. In addition, during 2021, several communities in which we are located were impacted by devastating natural disasters, including wildfires in Colorado, tornadoes in Kentucky and floods in Germany. Our employees and the Gates Industrial Corporation Foundation donated supplies and funds to support relief efforts in these communities.

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 a diverse workplace that understands and values individual differences across demographics, experiences and perspectives. We want to ensure that collaborative and respectful business practices in a performance-based, supportive environment enable every employee to realize his/her/their career ambitions. To that end, we have formed a Diversity, Equity & Inclusion ("DE&I") Steering Committee, consisting of executive leadership, which works with our DE&I Leadership Council, consisting of representatives of relevant diversity groups across Gates' businesses, to develop a DE&I strategy consistent with our corporate values while promoting a culture of inclusion, collaboration, tolerance and equal opportunity.

In 2020, to further develop our policies, programs and processes, we began a partnership with Catalyst, a global non-profit organization, to assess both quantitative and qualitative data and to help us ensure success in our initiatives around DE&I. In 2021, we began the process of implementing recommendations based on our work with Catalyst and look forward to further development of programs and initiatives identified through this partnership. We believe a diverse and inclusive environment ensures access to the broadest talent pool as we strive to be an employer of choice for people from all backgrounds.

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 in order to ensure the board has the requisite expertise and its membership consists of persons with sufficiently diverse and independent backgrounds.

Employee gender diversity

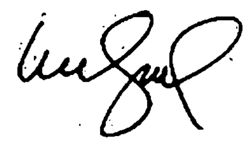
The following table sets forth the number of male and female directors, senior managers and other employees of the Company as of January 1, 2022 and January 2, 2021.

	As of January 1, 2022		As of January 2, 2021	
(in ones)	Male	Female	Male	Female
Directors	5	4	5	3
Senior Managers	49	12	51	9
Employees of the Company	11,550	3,761	10,798	3,459
	11,604	**3,777**	**10,854**	**3,471**

XII. 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 4, 2022 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 January 1, 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 4, 2022 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	September 25, 2017
Neil P. Simpkins	November 20, 2017
Terry Klebe	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

Dividends

The Company did not pay dividends during the period from incorporation to January 1, 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.

Political donations

No political donations were made by the Company during 2021 or 2020.

Use of financial instruments

Information on the Company's risk management process and the policies for mitigating certain types of risk are set out in section X of the Strategic Report. Information about the use of financial instruments by the Company is set out in note 15 to the accompanying consolidated financial statements.

Significant events since year end

Subsequent to January 1, 2022, Gates repurchased a further 3,465,917 shares under our share repurchase program (see "Acquisition of company shares" below) at an aggregate cost of $53.6 million. All shares repurchased were cancelled.

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 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 this offering, which closed on March 30, 2022.

In connection with this transaction, 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. This repurchase was funded by cash on hand and borrowings under Gates' asset-backed revolving credit facility. All shares repurchased are expected to be cancelled in May 2022.

The Company is not aware of any other events or transactions that occurred subsequent to the balance sheet date but prior to May 4, 2022 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. During Fiscal 2021, Gates repurchased 656,451 shares (approximately 0.2% of called-up share capital) under this program as part of its capital allocation strategy to improve shareholder value, at an aggregate cost of $10.6 million. All shares repurchased were cancelled.

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 XI 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 indemnification arrangements 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.

Eco-driven innovation

With materials science advancements, design expertise and advanced processing technologies, Gates is continually engineering products that meet and exceed the growing needs and diverse challenges of our customers. By considering circularity 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 longevity 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 (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).
- Utilize renewable materials (where possible, Gates engineers 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).
- Maximize logistics and distribution efficiency (lighter products that require less material allow for increased packing and shipping density).

Our global materials database tracks the use of chemicals across all operations. It allows us to identify the use of specific materials and chemicals of concern and make substitutions wherever feasible.

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 curb energy consumption 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 goals aligning to our corporate goal 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 recycling or reusing 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. Through these and other initiatives, we have successfully seen a 5% reduction of water consumption from 2019 to 2021.

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 reduce scrap and uphold Gates' high-quality standards to help reduce our waste footprint. Currently, approximately 80% of our non-hazardous waste is directed to recycling and incineration facilities - an improvement of 37% from 2019 to 2021 - 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 Canada 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 2021 and 2020, based on the parameters below, are as follows:

	For the year ended January 1, 2022		For the year ended January 2, 2021	
	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	6,653	90,205	6,834	79,379
Scope 2 - indirect emissions from the generation of purchased energy	7,615	151,255	2,547	168,014
Total Scope 1 and Scope 2 emissions	**14,268**	**241,460**	**9,381**	**247,393**
Millions of kWh				
Energy consumption used to calculate emissions	47.2	864.2	47.2	783.6
Metric tons of CO_2 equivalent per million dollars of net sales				
Scope 1 - direct emissions from onsite fuel combustion	31.6	26.1	43.7	28.5
Scope 2 - indirect emissions from the generation of purchased energy	36.1	43.8	16.3	60.4

Reporting period - The reporting period used for this information is December 28, 2019 to January 2, 2021, and January 2, 2021 to January 1, 2022. Greenhouse gas emissions for the year ended January 1, 2022 were significantly reduced as a result of production decreases, due primarily to COVID-19.

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

Data sources and independent assurance - 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. Total Scope 1 and Total Scope 2 emissions data have been independently assured by Ruby Canyon Environmental, Inc. who have carried out limited assurance in accordance with the International Standard ISO 14064-3:2006 "Greenhouse gases – Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions."

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, 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 Fourth Assessment (IPCC AR65) Report.

Materiality threshold - Materiality for Gates is set at 5% 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, and 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 4, 2022

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 accounting principles generally accepted in the United States of America 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 within accounting principles generally accepted in the United States of America 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 January 1, 2022 (*"financial year 2021"*). This remuneration report is divided into three sections:

A. this annual statement (the "***Annual Statement***") from the Chair of the Compensation Committee;

B. the proposed Directors' remuneration policy setting out the Company's policy on Directors' compensation (the "***Directors' Remuneration Policy***"), to be approved by a binding vote of the shareholders at the annual general meeting to be held on Thursday, June 9, 2022 (the "***AGM***") for a three-year period; and

C. the annual report on remuneration for financial year 2021 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***") (excluding the Directors' Remuneration Policy), is subject to a non-binding advisory vote at 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 28, 2022, 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 financial year 2021, the Sponsor had two director appointees (Ms. Kahr and Mr. Simpkins) until September, at which time Ms. Kahr resigned from her position with the Sponsor but remained on the Company's Board. They are both Non-Executive Directors and are referred to herein (until September 2021, for Ms. Kahr) as the "***Sponsor-affiliated Directors***."

At the Company's first annual general meeting held on May 23, 2019, its shareholders approved the current 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. In accordance with relevant laws, the Company is submitting the proposed Directors' Remuneration Policy for approval again at this AGM, with only a few modifications (as further detailed below). If approved, 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.

Under the previously approved directors' remuneration policy, and in the proposed Directors' Remuneration Policy, the material elements of compensation for the Company's Non-Executive directors who are not Sponsor-affiliated Directors are an annual cash retainer and an annual grant of time-based vesting restricted stock units. The material elements of compensation for the Company's Executive Director are base salary, an annual bonus opportunity and a long-term incentive opportunity, skewed towards variable "at risk" compensation. The Company's Executive Director does not participate in deliberations regarding his own compensation. This compensation program is designed to recognize the Executive Director's scope of responsibilities, leadership ability and effectiveness in achieving key performance goals and objectives. The Company also provides its Executive Director with various retirement and benefit programs. The Sponsor-affiliated Directors receive no compensation for serving on the Board in such capacity.

The Board has a compensation committee that oversees risks relating to the Company's compensation policies and practices (the "***Compensation Committee***"). 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 Ms. Julia Kahr (Chair), Mr. Terry Klebe and Mr. Neil Simpkins. The Compensation Committee annually reviews the performance and 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. Gates 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 delivered excellent financial results in 2021, with strong revenue growth and solid margin expansion as compared to the prior year. These results were driven by the efforts and perseverance of Gates associates around the world, who prioritized supporting customers while navigating significant inflation and challenges related to material, labor and freight availability, and the resulting inefficiencies. Simultaneously, the Company continued to invest in organic growth initiatives to build on the progress made and support future growth opportunities going forward.

Below is the proposed Directors' Remuneration Policy. Following that is the Company's Annual Report on Remuneration for financial year 2021, which aligns with the Company's previously approved directors' remuneration policy and supports its pay-for-performance philosophy. For financial year 2021, the Board of Directors made three noteworthy compensation award decisions.

First, as a result of an excellent year of performance by the Company, the Compensation Committee approved an aggregate funding of 135% of the short-term incentive opportunity for eligible employees under the Gates Global Bonus Policy (the "***Annual Plan***"). The Gates Financial Performance Factor metrics of Adjusted EBITDA, Free Cash Flow and Revenue under the Annual Plan were all above the maximum payout opportunity of 150% for 2021, though the Compensation Committee opted to exercise negative discretion to provide for a payout of 135%, and for the Company's corporate function, which includes the Executive Director, adjusted the Gates Performance Factor to 130%. Accordingly, the Compensation Committee awarded the Executive Director 130% of his annual short term incentive opportunity for financial year 2021.

Second, in October 2021, the Board approved the annual compensation package for its Non-Executive Directors with no changes. 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 maintaining the compensation package of $225,000, consisting of $100,000 as an annual cash retainer (payable in quarterly installments in arrears) and $125,000 in value of restricted stock units (payable annually). Restricted stock units vest in full on the first anniversary of the grant date. The chairpersons of the Company's three standing committees are entitled to receive an additional annual cash retainer of $25,000 for the Audit Committee and $10,000 for each of the Compensation Committee and the Nominating and Governance Committee. The Board believes this compensation package, with approximately 45% as a cash retainer and 55% as an equity grant, is consistent with the median of the peer group and aligns Non-Executive Director compensation with the long-term interests of our shareholders.

Third, in February 2021, 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 2021, a portion of the Executive Director's equity grants include time-based vesting non-qualified stock options ("***Options***") with a strike price that reflects a 10% premium over the closing price on the date of the grant. The Compensation Committee recommended the addition of premium priced Options to strengthen the link between the Executive Director's compensation and the long-term interests of our shareholders. Accordingly, in financial year 2021, the Board awarded the Executive Director a long-term incentive equity grant comprised of 50% performance-based restricted stock units ("***PRSUs***"), 25% time-based vesting restricted stock units ("***RSUs***"), 20% Options and 5% premium-priced Options.

Thank you for your continued interest in Gates.

Julia C. Kahr

Chair of the Compensation Committee

April 28, 2022

PROPOSED DIRECTORS' REMUNERATION POLICY

Objectives of the Company's remuneration programs

It is intended that the Directors' Remuneration Policy set out in this report, if approved, will, for the purposes of section 226D(6)(b) of the Companies Act 2006, take effect immediately upon shareholder approval and will remain in effect until the annual general meeting to be held in 2025, unless earlier revised by a vote of the shareholders.

Explanation of Determination of Directors' Remuneration Policy

The key aim of the Directors' Remuneration Policy is to align the interests of the Executive Director and the Non-Executive Directors with those of the shareholders by emphasizing a pay-for-performance compensation philosophy. The Company believes that a significant portion of the Executive Director's compensation should be "at risk" and tied to overall Company and individual performance. Similarly, the Company believes that a significant portion of the Non-Executive Directors' compensation should be tied to the long-term interests of our shareholders. The Company's compensation program is designed to enable the Company to attract, motivate, reward and retain high-caliber individuals who are capable of creating and sustaining value for customers and shareholders and achieving the Company's business goals over the long term. In addition, the compensation program for the Executive Director is designed to provide a fair and competitive compensation opportunity that appropriately rewards him for his contributions to the Company's success. The material elements of compensation for the Executive Director including the following, each designed to align with the Company's compensation philosophy, and each as described in detail in the Future Policy Table.

- Base salary
- Annual Cash Bonus (a short-term incentive tied to the Company's annual financial performance)
- Long-Term Equity Incentives (a long-term incentive opportunity consisting of performance-based restricted stock units, time-based vesting restricted stock units and stock options)

The material elements of compensation for the Non-Executive Directors are an annual cash retainer (payable in quarterly installments in arrears) and an annual equity grant of restricted stock units, as described in detail in the Future Policy Table.

In order to avoid any conflict of interest, remuneration is managed through well-defined processes. The Compensation Committee provides assistance to the Board to oversee the Company's Executive Director compensation program. It retains an independent compensation consultant to support the oversight and management of the Company's compensation program.

As part of the Compensation Committee's responsibilities under its charter, it oversees the annual compensation decision process for Executive Director. The Compensation Committee 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 equivalent roles at peer companies. The Compensation Committee annually reviews the Executive Director's performance, base salary, annual incentive target opportunity and outstanding long-term incentive awards and approves any changes to the Executive Director's overall compensation package in light of such review. The Executive Director does not participate in deliberations regarding his own compensation.

Every two years, the Board reviews and approves the Non-Executive Director compensation based on the recommendation of the Compensation Committee. In making a recommendation, the Compensation Committee, with the assistance of the independent compensation consultant, reviews and considers market data for the Company's peer group, which is the same peer group used for the Company's executive compensation peer group, as well as a general industry group consisting of comparably sized general industry companies (excluding financial services) with median revenues of approximately the Company's size.

The Compensation Committee has the discretion to amend the Directors' Remuneration Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, in the best interests of the Company, and disproportionate to seek or await shareholder approval.

Summary of key changes to the Directors' Remuneration Policy

The proposed Directors' Remuneration Policy is substantially similar to the current Director's Remuneration Policy and will be applied in the same manner as the current policy. The material elements of compensation remain the same.

Future Policy Table

Executive Director Compensation Table

The below table sets out the compensation package for Mr. Ivo Jurek, the Company's Chief Executive Officer and its sole Executive Director. In the event that further Executive Directors are appointed during the period for which the proposed policy is in force, the Compensation Committee shall have discretion to determine the compensation package for such appointments in accordance with the policy.

Compensation Component	Purpose / Link to Gates's Business Strategy	How Component Operates	Maximum Opportunity	Recovery or withholding
Base Salary	– Attract and retain high-performing individuals. – Reflect an individual's skills, experience and performance. – Align with market value of role.	The base salary for the Executive Director is determined by the Compensation Committee after consideration of a number of factors, including: (1) the breadth, scope and complexity of his role; (2) internal equity; (3) current compensation; (4) tenure in position and prior tenure in related roles (excepting Gates); (5) market pay levels; and (6) individual performance. The Compensation Committee annually reviews the Executive Director's base salary and approves 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.	There is no prescribed maximum to base salary. Increases may be made when the Compensation Committee considers it appropriate, including when there is a significant increase in the scale, scope, responsibilities or market comparability of the role.	None.
Annual Cash Bonus (a short-term incentive tied to the Company's annual financial performance)	– Attract and retain high-performing individuals. – Drive key business results. – Advance profitability.	The Executive Director participates in the Gates Global Bonus Policy (the "***Annual Plan***") which is designed to (1) reward achievement of specific performance goals that advance the Company's profitability; (2) drive key business results; and (3) recognize individuals based on their contributions to those results. Payouts under the Annual Plan are based on a combination of the achievement of the Company's financial performance goals for the fiscal year (the "***Gates Financial Performance Factor***"), and the Executive Director's performance against his individual performance goals (the "***Individual Performance Factor***").	There is no maximum on the Annual Plan as the Compensation Committee has the ability to exercise discretion to vary the amount determined by the formula if, in the exercise of its business judgment, it determines that a greater or lesser amount is warranted under the circumstances.	Subject to clawback in accordance with Gates' Incentive Clawback Policy (as described in the notes to this Future Policy Table).

Compensation Component	Purpose / Link to Gates's Business Strategy	How Component Operates	Maximum Opportunity	Recovery or withholding
		Notwithstanding the establishment of the performance components and the formula for determining the attainment levels as described above, the Compensation Committee has the ability to exercise positive or negative discretion and award a greater or lesser amount to fund the Annual Plan than the amount determined by the formula described below if, in the exercise of its business judgment, the Compensation Committee determines that a greater or lesser amount is warranted under the circumstances. **<u>Gates Financial Performance Factor</u>**. The Gates Financial Performance Factor determines the quantum of the Annual Plan. The Compensation Committee retains discretion to determine the financial performance measures and their relative contribution weighting, to calculate the Gates Financial Performance Factor, applying measures which are assessed as critical indicators of the Company's performance and which, when combined, contribute to sustainable growth. For financial year 2022, the financial performance measures are: Adjusted EBITDA (50%), Free Cash Flow (30%) and Revenue (20%). After the Gates Financial Performance Factor is calculated and the "pool" is set to fund bonus payouts, a proportion of the pool is allocated to the Executive Director as determined by the Compensation Committee based on the Company's performance against the Financial Measures as applied at the discretion of the Compensation Committee. **<u>Individual Performance Factor</u>**. The Executive Director's Individual Performance Factor is determined based on both financial and non-financial objectives appropriate for his position.		

Compensation Component	Purpose / Link to Gates's Business Strategy	How Component Operates	Maximum Opportunity	Recovery or withholding
		Actual amounts paid under the Annual Plan are calculated by multiplying for each fiscal year the Executive Director's base salary at the end of the fiscal year by (i) his Annual Plan target bonus opportunity (which is reflected as a percentage of base salary), (ii) the final Gates Financial Performance Factor and (iii) the Individual Performance Factor.		
Long Term Equity Incentive (a long-term incentive opportunity)	– Attract and retain high-performing individuals. – Incentivize long-term business performance and promote retention. – Ensure long-term compensation is directly linked to the value that is delivered to the shareholders.	In connection with the IPO, the Company adopted the Gates Industrial Corporation plc 2018 Omnibus Incentive Plan (the "***2018 Omnibus Incentive Plan***"), a market-based long-term incentive program which allows for awards of a mix of performance shares, share options and restricted shares. For 2022, the Compensation Committee approved a new annual award for the Executive Director under the 2018 Omnibus Incentive Plan consisting 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 applicable vesting date. The PRSUs will vest upon completion of the three year performance period (2022 - 2024) and will be paid after certification of the performance results by the Compensation Committee. The Compensation Committee may make future grants, and may revise the equity mix and vesting schedule for future grants as permitted under and in accordance with the 2018 Omnibus Incentive Plan.	PRSUs have a maximum payout opportunity of 200% of the target. PRSUs have a minimum payout (assuming threshold attainment) of 50% of the target. There is no maximum opportunity for the RSUs or options.	Subject to clawback in accordance with Gates' Incentive Clawback Policy described elsewhere in this report.
Retirement Benefits	– Attract and retain high-performing individuals. – Align with market value of role. – Provide mechanism to accumulate retirement benefits.	<u>**Gates MatchMaker 401(k) Plan**</u> The Executive Director is eligible to participate in a qualified defined contribution retirement benefit plan that provides him with an individual retirement account funded by (1) an automatic Gates-paid contribution of 3% of eligible earnings, and (2) a Gates-paid match on employee contributions dollar-for-dollar on the first 3% of eligible earnings that he contributes.	<u>**Gates MatchMaker 401(k) Plan**</u> Maximum of 6% of eligible earnings.	None.

Compensation Component	Purpose / Link to Gates's Business Strategy	How Component Operates	Maximum Opportunity	Recovery or withholding
		<u>Supplemental Retirement Plan</u> The Company offers a non-qualified plan that provides the Executive Director with benefits similar to the Gates MatchMaker 401(k) Plan (see above) but without an employer matched contribution, and which is not subject to statutory employer contributions and earnings limitations applicable to a 401(k) plan. This plan provides the Executive Director with two benefit opportunities: 1. Non-elective employer contribution. A 6% employer contribution (the "***Retirement Contribution***") on eligible earnings that exceed certain statutory limits. 2. Compensation Deferral Opportunity. The Supplemental Retirement Plan permits the Executive Director to defer up to 80% of his base salary and 80% of bonus compensation into the plan, which is then subject to tax when withdrawn from the plan.	1. 6% of eligible earnings that exceed certain statutory limits. 2. Deferral of up to 80% of base salary and bonus into the plan.	None.
Other Benefits	– Attract and retain high-performing individuals. – Align with market value of role.	The additional benefits for the Executive Director generally consist of a parking subsidy, tax return preparation services, an executive annual physical examination, and certain limited personal use of an airplane leased by the Company pursuant to a fractional lease program. Tax gross-ups to compensate the Executive Director for tax suffered on certain relocation benefits are also provided.	1. Parking maximum is up to the actual cost of 12 months of parking. The current applicable annual rate for parking is $3,900. 2. Executive physical: no maximum. 3. Tax preparation: no maximum. 4. Preapproval of up to 25 flight hours for personal use. All "Other Benefits" are subject to periodic review.	None.
		Other benefits, such as medical, dental and short-term disability coverage may be provided to the Executive Director, identical to the benefits provided to all other eligible U.S.-based employees. The Executive Director may also receive enhanced benefits that are not available to other employees, such as relocation assistance and enhanced life, accidental death and dismemberment ("***AD&D***") and long-term disability insurance benefits.	The Executive Director is currently eligible for enhanced life and AD&D insurance benefits of 3x base salary up to $3,000,000.	None.

Compensation Component	Purpose / Link to Gates's Business Strategy	How Component Operates	Maximum Opportunity	Recovery or withholding
		An individual disability insurance plan is offered to the Executive Director.	This plan provides for a monthly disability payment upon the occurrence of a qualifying event. This benefit is subject to periodic review.	None.
Change in Control and Severance Benefits	– Attract and retain high-performing individuals. – Allows individuals to perform their duties with respect to any potential proposed corporate transaction without concern for the impact of the transaction on their individual employment. – The interests of shareholders are better protected and enhanced by providing greater certainty regarding executive pay obligations in the context of planning and negotiating any potential corporate transactions.	**Severance Benefits** The Executive Severance Plan provides for severance payments upon certain termination of employment events to the Executive Director. The Executive Severance Plan also provides for reimbursement for reasonable outplacement as well as health and dental benefit continuation assistance.	**Severance Benefits** The Executive Director is provided with (i) salary continuation payments in an amount equal to the sum of two times base salary and two times previous year bonus, (ii) the annual bonus under the Annual Plan as earned (without the adjustment for the Individual Performance Factor) for the year in which the separation occurs (pro-rated for days of service during the fiscal year), (iii) cash payments in an amount equal to the total amount of Gates' portion of the monthly insurance premiums for participation in the health and dental programs in which the Executive Director participated in payable for 24 months, and (iv) reimbursement for reasonable outplacement services incurred during a six consecutive month period. This is subject to periodic review.	None.
		Change of Control Benefits The Executive Change in Control Plan provides for payments to the Executive Director in the event of a "change of control" of Gates and a qualifying termination. The Executive Change in Control Plan provides for reimbursement for reasonable outplacement as well as health and dental benefit continuation assistance.	**Change of Control Benefits** In the event of a "change in control" of Gates and a qualifying termination, the Executive Director is provided with (i) payments in the amount of two and a half times base salary plus target bonus, (ii) the annual bonus under the Annual Plan as earned (without the adjustment for the Individual Performance Factor) for the year in which the separation occurs (pro-rated for days of service during the fiscal year), (iii) cash payments in an amount equal to the total amount of Gates' portion of the monthly insurance premiums for participation in the health and dental programs in which the Executive Director participated in payable for 30 months, and (iv) reimbursement for reasonable outplacement services incurred during a six consecutive month period. This is subject to periodic review.	None.

Compensation Component	Purpose / Link to Gates's Business Strategy	How Component Operates	Maximum Opportunity	Recovery or withholding
Discretionary Bonuses	– Retain high-performing individuals. – Align with market value of role.	From time to time, the Executive Director may receive a discretionary bonus.	There is no maximum discretionary bonus. A bonus may be awarded above this level where the Compensation Committee considers it appropriate including (but not limited to) a significant improvement in the performance of the Company and its subsidiaries (the "***Group***").	Potential for clawback if the Executive Director voluntarily terminates within a specified period of time of receiving payment.

Non-Executive Director Compensation Table

The below table sets out the compensation package for the Company's Non-Executive Directors. Currently, all Non-Executive, Non-Sponsor directors receive the same compensation package, generally comprised of 45% as a cash retainer and 55% as an equity grant, with an additional cash retainer for directors serving as the Chair of a committee. The Sponsor-affiliated Director does not receive any compensation for his service. In the event that further Non-Executive Directors are appointed during the period for which the proposed policy is in force, the Compensation Committee shall have discretion to determine the compensation package for such appointments in accordance with the policy.

Compensation Component	Purpose / Link to Gates's Business Strategy	How Component Operates	Maximum Opportunity	Recovery or withholding
Fees Earned or Paid in Cash	– Attract and retain Non-Executive Directors with a diverse set of skills, background and experience. – Align with market value of role.	$100,000 per annum fees (payable in quarterly installments in arrears) pro-rated for the period of service. The fees are reviewed annually or at other times when appropriate and may be increased from time to time pursuant to such review.	Fees are a fixed amount per annum.	No recovery provisions apply

Compensation Component	Purpose / Link to Gates's Business Strategy	How Component Operates	Maximum Opportunity	Recovery or withholding
Stock Awards	– Attract and retain Non-Executive Directors with a diverse set of skills, background and experience. – Align with market value of role. – Align our eligible directors' financial interests with those of the shareholders.	Annual awards of $125,000 in value of restricted stock units. This is reviewed annually or at other times when appropriate and may be increased from time to time pursuant to such review.	The number of restricted stock units is not adjusted once awarded.	Subject to reduction, cancellation, forfeiture, or recoupment to the extent necessary to comply with (i) any clawback, forfeiture, or other similar policy adopted by the Board or the Compensation Committee and as in effect from time to time, and (ii) applicable law. Further, to the extent that the director receives any amount in excess of the amount that he or she should otherwise have received under the terms of the award for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations, or other administrative error), the director shall be required to repay any such excess amount to the Company.
Committee Chairperson Fees	– Attract and retain Non-Executive Directors with a specialized set of skills, background and experience – Recognize additional time and responsibility associated with role – Align with market value of role	The Chairpersons of the following committees receive additional annual fixed fees (payable in quarterly installments in arrears): • Chair, Audit Committee: $25,000 • Chair, Compensation Committee: $10,000 • Chair, Nominating and Governance Committee: $10,000 These amounts are reviewed annually or at other times when appropriate and may be increased from time to time pursuant to such review.	Fees are a fixed amount per annum.	No recovery provisions apply
Reimbursement for preparation of tax filings in U.K. and reimbursement of expenses	– Compensate directors for costs necessarily incurred by them arising from the Company's choice of country of incorporation. – Compensate directors for costs incurred to attend Board or committee meetings.	The Company reimburses each Non-Executive Director for any advisor fees incurred by such director in connection with the preparation of such director's U.K. tax return. The Company reimburses all directors for expenses associated with each Board or committee meeting attended.	—	No recovery provisions apply.

Notes to Future Policy Table

Incentive Clawback Policy

The Company has adopted a clawback policy for incentive compensation. Under the policy, if the Compensation Committee determines that cash or equity incentive compensation of certain of its current and former officers, including the Executive Director (or any other current and former employee designated by the Board or the Compensation Committee), was overpaid, in whole or in part, as a result of a restatement of the reported financial results of the Company or any of its segments due to material non-compliance with financial reporting requirements (unless due to a change in accounting policy or applicable law), and such restatement was caused or contributed, directly or indirectly, by such employee's fraud, willful misconduct or gross negligence, then the Compensation Committee will determine, in its discretion, whether to seek to recover or cancel any overpayment of incentive compensation paid or awarded based on the inaccurate financial information or restated results. The clawback policy and the Company's 2018 Omnibus Incentive Plan also provide that if a covered person engages in any detrimental activity (as defined in the 2018 Omnibus Incentive Plan) as determined by the Compensation Committee, the Compensation Committee may, in its sole discretion, provide for one or more of the following: (i) cancellation of any or all of such covered person's outstanding awards; or (ii) forfeiture by the covered person of any gain realized on the vesting or exercise of awards, and prompt repayment of any such gain to us.

Policy on payment for loss of office

Executive Director

Executive Severance Plan

In connection with the IPO in 2018, the Company adopted the executive severance plan (the "***Executive Severance Plan***"). The Executive Severance Plan provides for severance payments upon certain terminations of employment to the Executive Director, who is expected to make substantial contributions to the Company's success and thereby provide for stability and continuity of operations. The Executive Director participates in the Executive Severance Plan pursuant to an individual participation agreement.

The Executive Severance Plan provides that, if the Company terminates the employment of the Executive Director for any reason other than "cause", death or disability, or if the Executive Director voluntarily terminates as a result of "constructive termination," then the Executive Director will be entitled to receive:

- salary continuation payments in an amount equal to the sum of two times base salary and two times previous year bonus;
- the Executive Director's annual bonus under the Annual Plan as earned (without the adjustment for an individual performance factor) for the year in which the separation occurs (pro-rated for days of service during the fiscal year), payable concurrently with cash bonus payments to other employees under the Annual Plan;
- cash payments in an amount equal to the total amount of the Company's portion of the monthly insurance premiums for participation in the health and dental benefit programs in which the Executive Director participated immediately prior to separation, payable monthly for each month of the welfare continuation period, which is for a period of 24 months; and
- reimbursement for reasonable outplacement services that are directly related to the Executive Director's termination and incurred only during a six-consecutive month period that ends within or with the 12-month period following the termination of his employment.

For these purposes, "cause" and "constructive termination" have the meanings ascribed to such terms in the Executive Severance Plan.

The Executive Severance Plan contains a "best-of-net" provision. With a "best-of-net" provision, if the Executive Director is subject to an excise tax under Code Section 280G and Code Section 4999, then the amount of severance he receives may be reduced so that the excise tax does not apply; however, such reduction will only occur if it results in the receipt of a greater after-tax severance than would otherwise be provided.

The Executive Director is not entitled to payments under the Executive Severance Plan if he is entitled to receive payment under the Executive Change in Control Plan discussed below. In addition, in order to receive payments under the Executive Severance Plan, the Executive Director must execute and not revoke a release of claims against the Company and continue to comply with confidentiality, non-compete, non-solicitation and non-disparagement covenants during his employment and for the one-year period following any termination of employment (or such longer period as the Executive Director is eligible to receive severance payments from us).

Executive Change in Control Plan

In connection with the IPO in 2018, the Company adopted the executive change in control plan (the "***Executive Change in Control Plan***") in which the Executive Director participates pursuant to an individual participation agreement. The Executive Change in Control Plan serves to encourage the Executive Director to carry out his duties and provide continuity of management in the event of a "change of control" of Gates.

If a change in control occurs and the Executive Director's employment is terminated by the Company or a successor for reasons other than "cause" or is terminated voluntarily by him for "constructive termination," in each case within the period beginning 90 days prior to the consummation of a change in control and ending on the second anniversary of the date of such change in control, then the Executive Change in Control Plan generally provides that he would be entitled to receive:

- a lump-sum payment in the amount of two and one-half times base salary plus target bonus amount;
- a lump-sum payment equal to his target bonus amount in effect prior to the change in control (pro-rated for days of service during the fiscal year);
- cash payments in an amount equal to the total amount of the monthly insurance premiums for participation in the health and dental benefit programs as well as the monthly premiums for the life and long-term disability insurance benefit programs in which he participated immediately prior to separation, payable monthly for each month of the welfare continuation period, which is equal to 30 months for the Executive Director; and
- reimbursement for reasonable outplacement services that are directly related to the Executive Director's termination and incurred only during a six-consecutive month period that ends within or with the 12-month period following the termination of his employment.

For these purposes, "change in control", "cause" and "constructive termination" have the meanings ascribed to such terms in the Executive Change in Control Plan.

The Executive Change in Control Plan contains a "best-of-net" provision. With a "best-of-net" provision, if the Executive Director is subject to an excise tax under Code Section 280G and Code Section 4999, then the amount of severance he receives may be reduced so that the excise tax does not apply; however, such reduction will only occur if it results in the receipt of a greater after-tax severance than would otherwise be provided.

To the extent a payment or benefit that is paid or provided under the Executive Change in Control Plan would also be paid or provided under the terms of another plan, program, agreement, arrangement or legal requirement, the Executive Director would be entitled to payment under the Executive Change in Control Plan or such other applicable plan, program, agreement, arrangement or legal requirement, whichever provides for greater benefits, but would not be entitled to benefits under both the Executive Change in Control Plan and such other plan, program, agreement, arrangement or legal requirement.

In addition, in order to receive payment and benefits under the Executive Change in Control Plan, the Executive Officer must execute and not revoke a release of claims against the Company and continue to comply with confidentiality, non-compete and non-solicitation covenants during his employment and for the one-year period following any termination of employment (or such longer period as the Executive Director is eligible to receive severance payments from the Company).

Neither plan contains a single trigger or a modified single trigger for benefits. In addition, the Executive Change in Control Plan does not provide for benefits upon death or disability following a change in control.

Policy on recruitment remuneration

The compensation package for a new director will be set in accordance with the terms of the remuneration policy in force at the time of appointment or hiring, save that sign-on bonuses may also be considered as set out below. There is no maximum aggregate value of incentives applicable under the policy, but the Compensation Committee is mindful to pay no more than is necessary to facilitate recruitment of the right talent.

In the case of an internal appointment/promotion of an individual to the Executive Director or other director position, the Compensation Committee reserves discretion to set base salary at a level it deems appropriate to reflect the material increase in scope and responsibility.

For external hires and internal appointments, the Compensation Committee may agree that the Company will meet certain relocation expenses which includes home finding assistance, home purchase assistance (including reimbursement of closing costs and limited inspection fees), home sale assistance (marketing and closing cost assistance), moving household goods, and a lump sum for miscellaneous expenses.

Sign on bonuses will also be used at the Compensation Committee's discretion to attract highly skilled officers to the Company. Generally, they are used to incentivize candidates to leave their current employers, or may be used to offset the loss of unvested compensation they may forfeit as a result of leaving their current employers.

On appointment of a new non-executive director, remuneration will be set in accordance with the terms of the remuneration policy in force at the time of appointment.

Service Contracts and Letters of Appointment

Please refer to the "Policy on payment for loss of office" section of this Directors' Remuneration Policy for a description of the obligations on the Company that could give rise to remuneration or loss of office payments. Directors may resign at any time without notice and are not subject to a specified term. Directors' letters of appointment are held at the Company's offices at 1144 Fifteenth Street, Denver, Colorado 80202. The Executive Director is employed on an "at will" basis such that no notice provision applies.

Consideration of employment conditions elsewhere in company

Although the Compensation Committee does not consult directly with the broader employee population on the Company's executive compensation program, the Compensation Committee considers a variety of factors when determining the Directors' Remuneration Policy, including but not limited to (1) compensation arrangements covering variable pay and benefits for all employees, (2) recent trends in talent attraction and retention affecting the Company and the industry and (3) employment conditions for the broader employee population. In addition to these considerations, the Compensation Committee believes that the compensation policy for the Executive Director is necessary to reflect the increased qualifications and level of responsibility of the position relative to the typical employee.

Non-Executive Directors

The Company's general policy is that Non-Executive Directors should be appointed on an "at will" basis such that no notice provision applies. There are no obligations which could give rise to a remuneration or loss of office payment to any of the Non-Executive Directors.

The Compensation Committee may vary these terms if the particular circumstances surrounding the appointment of a new Non-Executive Director require it (in accordance with the policy on the appointment of new Non-Executive Directors above). In particular, the Compensation Committee may determine that these terms may vary substantially where it is necessary or desirable to recruit in a market in which "at will" employment terms are not competitive.

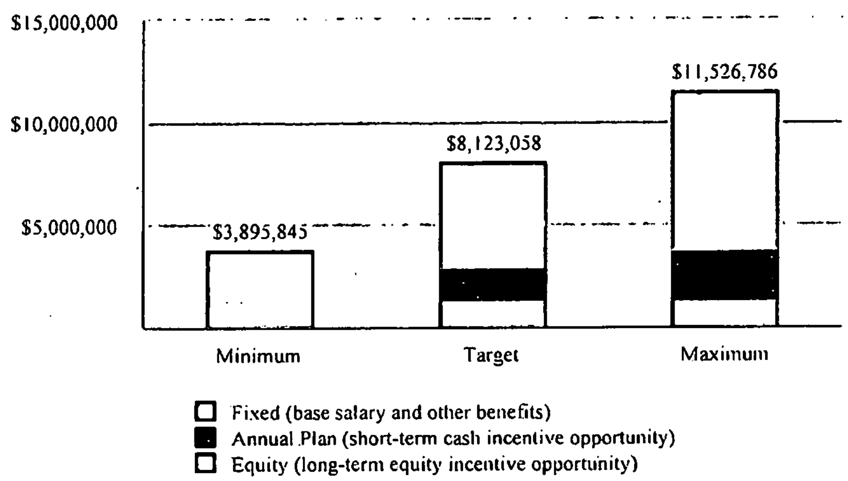
Illustration of application of Directors' Remuneration Policy

The following graph sets out the minimum, target and maximum compensation that could be earned by the Executive Director in 2022 based on the policy described above. These amounts reflect three levels of performance: Minimum, Target (at expectation) and Maximum.

- ***Minimum:*** Includes the sum of base salary, retirement benefits, other taxable benefits and the grant date fair value of the RSUs. Excludes pay for performance (i.e., assumes no payout of the Annual Plan and no vesting of performance shares). As shown in the graph below, Minimum consists of 33.8% Fixed and 66.2% Equity.
- ***Target (at expectation)***: Includes the fixed compensation listed above, plus (i) Annual Plan payout at target level of 100% attainment, and (ii) the grant date fair value of the PRSUs at 100% vesting. As shown in the graph below, Target consists of 16.2% Fixed, 20.3% Annual Plan, and 63.5% Equity.
- ***Maximum***: Includes the fixed compensation listed above, plus (i) Annual Plan payout at the maximum level of 150% attainment, and (ii) the grant date fair value of the PRSUs at 200% vesting. As shown in the graph below, Maximum consists of 11.4% Fixed, 21.4% Annual Plan, and 67.2% Equity.

Additional assumptions used in compiling the graph illustrations are:

- ***Base Salary, Fees, Pension & Benefits***: For all scenarios, reflects the 2022 base salary, which was effective on February 25, 2022. The value of the taxable benefits is as disclosed in the *Single Figure Total Remuneration Table for Executive Director* in the Directors' Remuneration Report for financial year 2021.
- ***Long Term Incentive***: For all scenarios, reflects the RSUs at grant date fair value measured using applicable accounting standards. These values do not represent actual amounts that the Executive Director would receive in 2022 as the RSUs vest in equal annual installments over three years and the PRSUs vest, only to the extent earned, at the end of a three-year performance period. In all scenarios, the 2022 long term incentive values assume no share price change relative to the closing price of Gates shares on the grant date.



Consideration of shareholder views

The Compensation Committee will consider the shareholders' advisory votes on the directors' remuneration report presented to the Company's shareholders at each annual general meeting. The Company is committed to continued engagement between shareholders and the Company to fully understand and consider shareholders' input and concerns.

THE DIRECTORS' REMUNERATION REPORT

For the financial year ended January 1, 2022 ("financial year 2021")

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) financial year 2021, and (ii) for the financial year ended January 2, 2021 ("***financial year 2020***").

The following directors served during financial year 2021:

Executive Director

- Mr. Ivo Jurek

Non-Executive Directors

- Mr. James Ireland
- Ms. Julia Kahr (Ms. Kahr was a Sponsor-affiliated director until September 2021, at which time she resigned her position with the Sponsor but remained on the Company's Board)
- Mr. Terry Klebe
- Ms. Stephanie Mains
- Mr. Wilson Neely
- Ms. Alicia Tillman (appointed effective April 27, 2021)
- Dr. Molly Zhang

Non-Executive Directors; Sponsor-affiliated Directors

- Mr. Neil Simpkins

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 financial year 2021 and during the financial year 2020, 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 ($)[3]	Option Awards ($)[4]	Annual Bonus ($)[5]	Total Variable ($)	Total ($)
Ivo Jurek	2021	$1,051,392	$217,622	$ —	$1,269,014	$1,031,752	$397,796	$2,058,713	$3,488,260	$4,757,275
	2020	$1,025,633	$84,867	$ —	$1,110,500	$378,907	$ —	$1,545,000	$1,923,907	$3,034,407

(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..	2021	$17,400	$147,654	$52,569	$217,622
	2020	$17,100	$46,738	$21,029	$84,867

(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 Code limitations.

(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 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 the year, 60,727 time-based restricted stock units vested. The market value of the shares awarded at vesting was $1,031,752, representing an aggregate appreciation in value of $150,510 since these awards were granted. Please see also the "*2021 Grants of Plan-Based Awards*" section below.

(4) During the year, 84,040 and 80,468 time-based stock options awarded in 2019 and 2020, respectively, vested. The closing share price on the day prior to the vesting date was $16.99 in each case, compared to the exercise price payable by the Executive Director of $16.46 and $12.60, respectively. In addition, certain options held by the Executive Director, as set out in the "Outstanding Equity Awards at January 1, 2022" section below, vested during financial year 2021 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 "*2021 Grants of Plan-Based Awards*" section below.

* 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 Internal Revenue Code of 1986, as amended from time to time. The Company does not make contributions to this Plan for Non-Executive Directors participants.

2021 Grants of Plan-Based Awards

Executive Director

2021 Long-Term Incentive. In February 2021, the Board approved annual long-term incentive awards (the "***2021 LTI***") under the 2018 Omnibus Incentive Plan to incentivize long-term business performance as well as to promote retention. The 2021 LTI for the Executive Director is comprised of 50% performance-based vesting restricted stock units ("***PRSUs***"), 25% time-based vesting restricted stock units ("***RSUs***"), 20% time-based vesting non-qualified stock options ("***Options***"), and 5% premium priced Options with a strike price that reflects a 10% premium over the closing price on the date of grant. The RSUs and Options 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 50% 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 50% 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 (50%).................	50% of PRSU value is calculated as (Adjusted EBITDA - depreciation and amortization) x (1 - 25% tax rate)) divided by (total assets - non-restricted cash - accounts payable - goodwill and other intangible assets that arose from the acquisition of Gates by Blackstone in 2014).
	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 "VI. Key Performance Indicators" within the Strategic Report, (ii) the depreciation and amortization deduction excludes the amortization of intangible assets arising from the acquisition of Gates by Blackstone in 2014 and (iii) total assets excludes both income tax receivables and deferred income tax assets.
Relative TSR (50%).....................	50% 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 trailing averages.

The total number of PRSUs that vest at the end of the three-year performance period will range from 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 percentage. 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 that are, in the Compensation Committee's view, challenging but achievable.

<u>2019-2021 PRSUs</u>. For the PRSUs vested and payable in 2022 (granted in 2019 for a three year performance period from 2019-2021 (the "***2019-2021 Performance Period***")), the level of achievement of the two weighted metrics of Adjusted ROIC and Relative TSR resulted in an aggregate payout of 40%, as explained below.

Adjusted ROIC. The PRSU payout level for Adjusted ROIC was based on the three year average during the 2019-2021 Performance Period. The three-year threshold, target and maximum goals were 15%, 20% and 25%, respectively. The Adjusted ROIC achievement was 19.4% for 2019, 15.2% for 2020 and 22.4% for 2021, resulting in a three year average of 19.0% and a payout of 80% of this metric.

Relative TSR. The payout goals for Relative TSR are below. Relative TSR achievement for the three year performance period was 15.41%, which ranks 34 out of 38 of the Relative TSR Peer Group. This performance was below the threshold, resulting in a 0% payout for this metric.

Relative TSR Percentile Rank	Potential Payout Percentage
75th Percentile or above	200%
50th Percentile	100%
25th Percentile	50%
Below 25th Percentile	—%

2021 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 Fiscal 2021 (the "***Gates Financial Performance Factor***"), which fund the Annual Plan, and the Executive Director's performance during the fiscal year against his individual performance goals (the "**Individual Performance Factor**").

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 2021. The Board determined that these financial performance measures would be critical indicators of the Company's performance for 2021 and, when combined, would contribute to sustainable growth. The Annual Plan financial performance measures and weightings for 2021 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 "VI. Key Performance Indicators" within the Strategic Report.
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 trade working capital versus prior year.
Revenue (20%)	Revenue under the Annual Plan is defined as consolidated revenue as reflected in the Company's financial statements, excluding the impacts of acquisitions made during the fiscal year.

The Compensation Committee reserved the ability to adjust the actual financial performance results to exclude the effects of extraordinary, unusual or infrequently occurring events. 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 these performance measures can range from:

- 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 2021 based on the Company's attainment of the Gates Financial Performance Factor measures without any adjustments.

(dollars in millions)					2021 Attainment		Potential Funding	
Measure	Weighting	Threshold	Target	Maximum	$	%	$	%
Adjusted EBITDA ...	50%	$ 645.4	$ 679.4	$ 713.4	$ 738.5	108 %	$ 20.6	150 %
Free Cash Flow	30%	$ 481.1	$ 506.4	$ 531.7	$ 554.0	109 %	$ 12.4	150 %
Revenue*	20%	$ 3,013.1	$ 3,110.0	$ 3,195.1	$ 3,474.4	112 %	$ 8.3	150 %

* Revenue threshold and maximum are narrower than 95% and 105% to align with the associated 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. The Compensation Committee believes its use of positive discretion should be limited to extraordinary circumstances.

For financial year 2021, 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 it would be appropriate to exclude the translation impact of foreign exchange gains and losses (the "*FX impact*") to both the targets and the attainment calculation, as the FX impact on Adjusted EBITDA target was greater than $10 million. Below is the calculation of the potential funding of the Annual Plan for 2021, with the adjustments for FX impact. This did not change the result of maximum attainment of each measure.

(dollars in millions)					2021 Attainment Adjusted for FX				Potential Funding	
Measure	Weighting		FX Impact		Adjusted Target (100% Funding)		$	%	$	%
Adjusted EBITDA	50%	$	24.7	$	704.1	$	745.3	106 %	$ 20.6	150 %
Free Cash Flow...........	30%	$	24.7	$	531.1	$	563.5	106 %	$ 12.4	150 %
Revenue.....................	20%	$	95.2	$	3,205.2	$	3,512.7	110 %	$ 8.3	150 %

Finally, the Compensation Committee, at the recommendation of the Company's management team, exercised negative discretion to the potential funding, reducing it from an aggregate maximum payout of 150% to an aggregate payout of 135%.

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 Executive Director 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 Fiscal 2021, the Compensation Committee, based on the recommendation of the Executive Director, adjusted the Gates Financial Performance Factor for the Company's corporate function, which includes the Executive Director, from 135% to 130%.

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 130% 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. There is no stated maximum on the Individual Performance Factor.

- Financial Goals: Achieving the Company's annual financial plan.
- Regional Growth Goals: Focusing on growth opportunities to drive richer margins and mix; appropriate pricing strategies in the face of inflationary environment.
- Operational Excellence: Managing sourcing through an inflationary environment; workplace safety; advancements in product quality and inventory management; effectuate scheduled restructuring activities; operational efficiency/productivity and executing on key company initiatives.
- Building Organizational Capacity: Reinforcing our ethical standards; attracting talent; building an inclusive environment, building a talent pipeline, developing, and promoting diverse talent as a key differentiator, increasing individuals' organizational capabilities, and fostering cooperation among the global team.

Environmental, Social and Governance measures in categories such as ethics, sustainability, and diversity and inclusion, have been embedded in our short-term incentive plan and are factored into the growth, operational excellence and building organizational capacity 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, 2021 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 2021 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	$	1,055,750	150%	$	1,583,625	100 %	130 %	$	2,058,713

2021 Grants of Plan-Based Awards Table (Audited)

The following table summarizes all grants of plan-based awards to the Company's Executive Director in financial year 2021 and financial year 2020.

		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]	—	$ 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
Annual Plan[1]	—	$ 154,500	$ 1,545,000	$ —								
PRSU[2]	2/21/2020				1,839	183,928	367,856				$ 4,634,986	$ 2,668,795
RSU[3]	2/21/2020							91,964			$ 1,158,746	$ 1,158,746
Options[4]	2/21/2020								241,406	$ 12.60	$ 3,041,716	$ 1,158,749

(1) Represents the cash-based award opportunity range under the Annual Plan for 2021 and 2020. 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, 2021 and 2020. 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 2021 and 2020.

(2) Represents the threshold, target and maximum payout shares of the PRSUs granted under the 2018 Omnibus Incentive Plan in 2021 and 2020. Threshold payout of shares is calculated assuming a threshold attainment of 50% and 0.1% for the Adjusted ROIC measure for the PRSUs granted in 2021 and 2020, respectively. 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 26, 2021 and February 21, 2020 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 time-based stock 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-priced 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 ($15.00 for grants in 2021) and, in the case of the PRSUs, on the maximum future share payout.

Outstanding Equity Awards at January 1, 2022 (Audited)

The following table provides information regarding outstanding equity awards held by the Executive Director as of January 1, 2022.

Grant Date		Option Awards *					Stock Awards			
		Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity Incentive Plan Awards: Number of securities underlying unexercised unearned options (#)(2)	Option Exercise Price ($)	Option Expiration Date	Number of shares or units of stock that have not vested (#)(3)	Market value of shares or units of stock that have not vested ($)(4)	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)	108,397	27,099		$ 7.87	5/2/2027				
2/22/2019	Options(5)	168,081	84,041		$ 16.46	2/22/2029				
2/22/2019	Options(6)	—	796,460		$ 19.00	2/22/2029				
2/22/2019	RSU						30,073	$ 478,461		
2/21/2020	Options(5)	80,468	160,938		$ 12.60	2/21/2030				
2/21/2020	RSU						61,310	$ 975,442		
2/26/2021	Options(5)	—	148,950		$ 15.00	2/26/2031				
2/26/2021	Options(6)	—	39,009		$ 16.50	2/26/2031				
2/26/2021	RSU						82,700	$ 1,315,757		
Awards with performance measures										
5/18/2015	Tier II			1,017,239	$ 6.56	5/18/2025				
5/18/2015	Tier III			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 III			135,496	$ 7.87	5/2/2027				
5/2/2017	Tier IV			135,496	$ 11.80	5/2/2027				
2/22/2019	PRSU								24,167	$ 384,497
2/21/2020	PRSU								47,821	$ 760,832
2/26/2021	PRSU								82,700	$ 1,315,757

* 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 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 Blackstone 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 be 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.

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

(2) Represents Tier II, III and IV exit-vesting stock options, awarded to the Executive Director in his capacity as a director of a former parent of the group, Omaha Topco Limited.

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

(4) Reflects the aggregate market value of the unvested RSUs, based on a price of $15.91 per ordinary share, which was the share price of the Company's ordinary shares on December 31, 2021, the last trading day of the fiscal year.

(5) Represents time-based stock 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.

(6) Represents premium priced time-based stock options granted to the Executive Director under the 2018 Omnibus Incentive Plan. These premium-priced options vest on the third, fourth and fifth anniversary of the grant date.

(7) The PRSUs vest upon completion of the three-year performance period, with 50% subject to attainment of certain levels of a defined Adjusted ROIC measure and 50% subject to attainment of a certain defined Relative TSR. For 2019 and 2020 PRSU awards, the amounts shown in this column represent threshold payout shares of the outstanding PRSUs assuming both an attainment of 0.1% above threshold for the Adjusted ROIC measure and a threshold 50% payout under the TSR measure. For 2021 PRSU awards, the amounts shown in this column represent threshold payout shares of the outstanding PRSUs assuming threshold levels of attainment of 50% under both measures. 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" above.

(8) Represents the aggregate market value of the threshold payout shares of the unvested PRSUs, based on a price of $15.91 per ordinary share, which was the share price of the Company's ordinary shares on December 31, 2021, the last trading day of the fiscal year.

2021 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 financial year 2021.

	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	—	$ —	60,727	$ 1,031,752

(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 financial years 2021 and 2020 by the Company's Non-Executive Directors who served during financial year 2021.

Name	Year	(Fixed) Fees Earned or Paid in Cash ($)(1)	(Variable) Stock Awards ($)(2)	Total ($)
J. Ireland	2021	$ 100,000	$ 168,541	$ 268,541
	2020	$ 100,000	$ 76,545	$ 176,545
J. Kahr(3)	2021	$ 18,737	$ —	$ 18,737
	2020	$ —	$ —	$ —
T. Klebe(4)	2021	$ 125,000	$ —	$ 125,000
	2020	$ 125,000	$ —	$ 125,000
S. Mains	2021	$ 100,000	$ 168,541	$ 268,541
	2020	$ 100,000	$ 64,967	$ 164,967
W. Neely	2021	$ 100,000	$ 285,533	$ 385,533
	2020	$ 74,176	$ —	$ 74,176
A. Tillman(5)	2021	$ 68,681	$ —	$ 68,681
	2020	$ —	$ —	$ —
M. Zhang(6)	2021	$ 100,000	$ —	$ 100,000
	2020	$ 49,176	$ —	$ 49,176
N. Simpkins	2021	$ —	$ —	$ —
	2020	$ —	$ —	$ —

(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 2020 and $100,000 in 2021.

(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 appreciation in value of $247,632 since these awards were granted. Certain options held by the Mr. Klebe, as set out in the "*Outstanding Equity Awards for certain Non-Executive Directors at January 1, 2022*" section below, vested during financial year 2021, 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.

(3) 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 restricted stock units, 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.

(4) 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 $100,000 of the fees earned in cash in 2020 and all 9,920 shares that vested in 2020, pursuant to the Supplemental Retirement Plan.

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

(6) Dr. Zhang elected to defer $100,000 of the fees earned in cash in 2020 and 2021 and all 12,664 shares that vested in 2021, pursuant to the Supplemental Retirement Plan.

Outstanding Equity Awards for certain Non-Executive Directors at January 1, 2022 (Audited)

The following table provides information regarding outstanding equity awards held by the Non-Executive Directors as of January 1, 2022. Mr. Simpkins did not hold any outstanding equity awards as of January 1, 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		
	2/26/2021				8,333	$ 132,578
J. Ireland	2/26/2021				8,333	$ 132,578
J. Kahr	11/1/2021				7,292	$ 116,016
S. Mains	2/26/2021				8,333	$ 132,578
W. Neely	2/26/2021				8,333	$ 132,578
A. Tillman	4/27/2021				7,142	$ 113,629
M. Zhang	2/26/2021				8,333	$ 132,578

(1) Represent vested time-based stock options. These options were award 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. Ms. Mains and Dr. Zhang elected to defer their unvested time-based RSUs pursuant to the Supplemental Retirement Plan.

(3) Reflects the aggregate market value of the unvested RSUs, based on a price of $15.91 per ordinary share, which was the share price of the Company's ordinary shares on December 31, 2021, the last trading day of the fiscal year.

2021 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 financial year 2021.

	Option Awards		Stock Awards	
Name	Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Shares or Units Acquired on Vesting (#)	Value Realized on Vesting ($)[1]
J. Ireland	—	$ —	9,920	$ 168,541
J. Kahr	—	$ —	—	$ —
T. Klebe[2]	—	$ —	—	$ —
S. Mains	—	$ —	9,920	$ 168,541
W. Neely	—	$ —	17,857	$ 285,533
A. Tillman	—	$ —	—	$ —
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) Mr. Klebe elected to defer all 9,920 shares that vested, pursuant to the Supplemental Retirement Plan.

(3) Dr. Zhang elected to defer all 12,664 shares that vested, pursuant to the Supplemental Retirement Plan.

Director Pension Scheme

No director who served during the year ended January 1, 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 financial year 2021 (Audited)

Please refer to the following sub-headings in the "*Notes to future policy table*" section of the Directors' Remuneration Policy 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) *2021 Grants of Plan-Based Awards*; and (ii) *2021 Grants of Plan-Based Awards Table*.

For financial year 2021, the annual compensation package for the Non-Executive Directors (excluding the Sponsor-affiliated Directors) consists partly of $125,000 in value of restricted stock units (payable annually and rounded down to the nearest whole share). Restricted stock units vest in full on the first anniversary of the grant date. Please refer to the section entitled "*2021 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 financial year 2021.

Director Shareholdings and Share Ownership Guidelines (Audited)

The Company has adopted executive stock ownership guidelines for its Executive Director. As of January 1, 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 January 1, 2022, 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 January 1, 2022.

Name of Director	Number of shares held in Company as of January 1, 2022
Executive Director	
I. Jurek	242,923
Non-Executive Directors	
J. Ireland	22,435
T. Klebe[(1)]	78,857
S. Mains	16,119
W. Neely	17,845
M. Zhang[(2)]	12,664
A. Tillman	—
J. Kahr	—
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) Represents 12,664 ordinary shares that are vested but deferred pursuant to the Supplemental Retirement Plan .

Please also refer to the "*Outstanding Equity Awards at January 1, 2022*" and "*Outstanding Equity Awards for certain Non-Executive Directors at January 1, 2022*" sections above for information regarding outstanding equity awards held by the Executive Director and Non-Executive Directors as of January 1, 2022.

Performance graph and table

Executive Director Remuneration

	2021	2020
Total remuneration	$ 4,757,275	$ 3,034,407
Annual bonus as a percentage of maximum[(1)]	87%	67%
Equity awards vested as a percentage of maximum[(2)]	100%	100%

(1) The amount earned by the Executive Director under the Annual Plan equated to 130% 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.

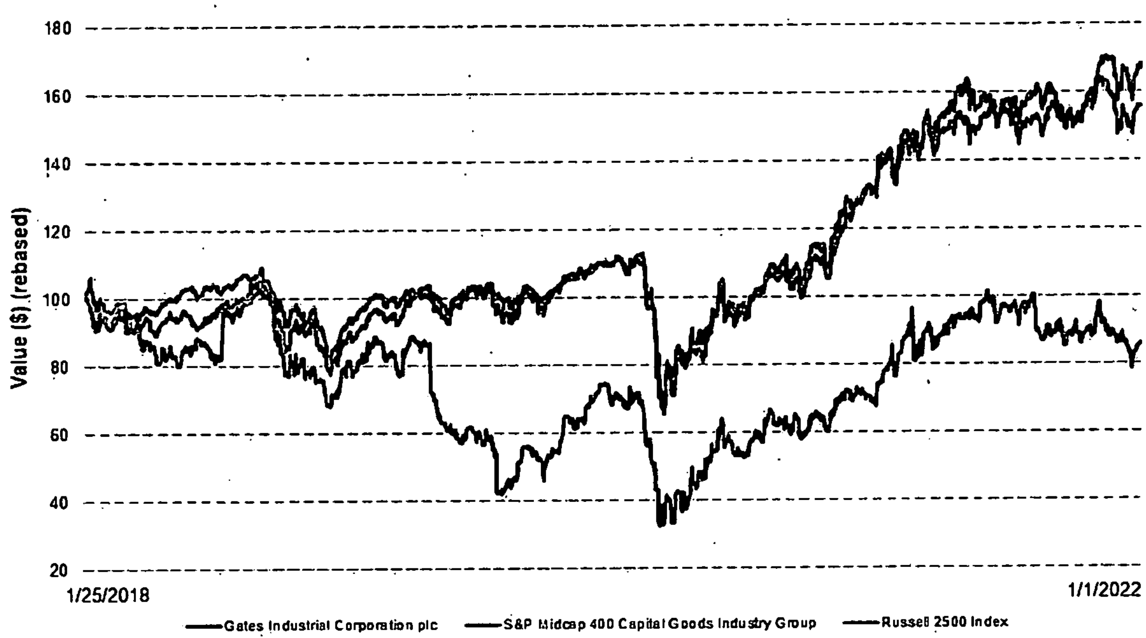
(2) The only equity awards that could have been received in the year were options and restricted stock units that had a time-based vesting condition.

Performance Graph

The below graph shows the value, as of January 1, 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: 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 2020 to 2021			Percentage change from 2019 to 2020		
	Salary/Fees %	All Other Benefits %	Annual Bonus %	Salary/Fees %	All Other Benefits %	Annual Bonus %
Employees(1)	2%	16%	31%	3%	(10)%	1,220%
Executive Directors(2)						
I. Jurek	3%	156%	33%	4%	(48)%	100%
Non-Executive Directors(3)						
J. Ireland	— %	—%	—%	(20)%	—%	—%
J. Kahr(4)	100 %	—%	—%	—%	—%	—%
T. Klebe	— %	—%	—%	(17)%	—%	—%
S. Mains	— %	—%	—%	(20)%	—%	—%
W. Neely(5)	35 %	—%	—%	—%	—%	—%
A. Tillman(5)	100 %	—%	—%	—%	—%	—%
M. Zhang(5)	103 %	—%	—%	—%	—%	—%

(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 2021 Single Figure Total Remuneration Table.

(3) Percentage changes for Non-Executive Directors have been calculated based on the fees paid in cash reflected in the 2021 Single Figure Total Remuneration Table, except for Mr. Neely and Dr. Zhang, whose 2020 cash retainers are assumed to be on a full-year basis for the purpose of this table to ensure a like-for-like comparison. The number of restricted stock units is not adjusted once awarded, and hence, upon vesting, the value of the restricted stock units may be higher or lower than at the time of the award.

(4) Ms. Kahr's fees reflect a pro-rated cash retainer for her service following her resignation from the Sponsor.

(5) Mr. Neely, Dr. Zhang and Ms. Tillman were appointed to the Board effective on April 1, 2020, July 1, 2020, and April 27, 2021, respectively.

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 financial year 2021 and financial year 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
2021	C	223 to 1	145 to 1	142 to 1
2020	C	142 to 1	110 to 1	110 to 1

The increase in the above pay ratios is 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 2021, the Company reviewed and analyzed salary data for its permanent employees as of January 1, 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 financial year 2021 begun, 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 the financial year 2021 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 2021 salary and total remuneration for the 25th, 50th and 75th percentile of U.K. employees are as follows:

(dollars)	25th percentile	Median	75th percentile
Salary	17,996	30,298	30,285
Total remuneration	21,374	32,878	33,573

The Company's U.K. workforce is made up of approximately 550 employees, as compared to approximately 7,000 employees in North America and approximately 15,050 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 financial year 2021 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 the financial year 2021 and financial year 2020.

(dollars in millions)	2021 financial year	2020 financial year
Employee remuneration	$ 822.0	$ 739.5
Dividends	$ —	$ —
Share buyback	$ 10.6	$ —

Statement of Implementation of Remuneration Policy in 2022

For financial year 2022, the Compensation Committee intends to provide remuneration in accordance with the proposed Directors' Remuneration Policy, as described below.

Executive Director

2022 Long-Term Incentive. In February 2022, the Compensation Committee recommended, and the Board approved, a new award (the "***2022 LTI***") for financial year 2022 under the 2018 Omnibus Incentive Plan for the Company's Executive Director. The 2022 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 2022 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 fair value for the Executive Director's award was $5,401,564 under the 2022 LTI. The award was made based upon internal pay fairness factors, the Executive Director's compensation mix and his total direct compensation. The number of target PRSUs was calculated on the date of grant, February 25, 2022, 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 2, 2022 and will end on December 28, 2024. The performance results will be measured against the specified cumulative Adjusted ROIC and Relative TSR through the period. The target levels for 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.

2022 Annual Incentive. In February 2022, the Compensation Committee determined that for the annual bonus scheme for financial year 2022, 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 2022 and, when combined, contribute to sustainable growth. The Compensation Committee set the minimum achievement threshold at 95% of the Performance Measures to achieve a 50% payout of the annual bonus and the target at 105% to achieve a 150% payout of the annual bonus. 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 2022 is $1,646,970

2022 Salary. In February 2022, the Compensation Committee increased the Executive Director's base salary by 4.0%, to $1,097,980.

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

2022 Remuneration. The compensation program for the other Non-Executive Directors will remain the same in 2022 as it was in 2021. On February 25, 2022, the Board approved an annual total compensation package of $225,000, which will be allocated with approximately 45% as a cash retainer and 55% as an equity grant of time-based vesting restricted stock units vesting in one year. The number of time-based vesting restricted stock units 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 four meetings during 2021.

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 initial public offering in 2018 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 recommendations for executive pay;
- working with the 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 this CD&A;
- reviewing and commenting on the Compensation Committee's annual compensation risk assessment;
- advising the Compensation Committee on management's pay recommendations; and
- from time to time, reviewing and providing compensation recommendations for non-employee directors to the Nominating and Governance Committee.

The Company paid approximately $160,000 in aggregate to the Consultant and its affiliates for its work during financial year 2021. 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 15-20 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 2020;
- companies with annual revenues of approximately 0.4x to 3x Gates' annual revenues; and
- companies with enterprise values of approximately 0.2x to 5x Gates' total enterprise value.

For financial year 2021, compensation decisions, the Compensation Committee selected the same companies used for financial year 2020 compensation decisions, with the addition of one new company, Dover Corporation. 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.

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 uses the competitive 50th 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 financial year 2022, the fiscal year ending December 31, 2022 ("financial year 2022"), 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 financial year 2021 compensation decisions.

Consideration of Shareholder Views

At the 2021 AGM, the shareholders approved 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
266,789,530	94.85%	14,393,290	5.11%	84,753	0.03%

__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
270,199,037	96.06%	10,983,539	3.90%	84,753	0.03%

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 CD&A in the proxy statement.

The Directors' Remuneration Report was approved by the Board and authorized for issue on May 4, 2022. 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 1 January 2022 and of the group's profit for the year then ended;

- the group financial statements have been properly prepared in conformity with accounting principles generally accepted in the United States of America;

- 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 operations;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated statement of cash flows;
  the consolidated and parent company statements of shareholders' equity; and
- the related notes 1 to 25 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 applicable accounting principles generally accepted in the United States of America. 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 matter that we identified in the current year was: • *Goodwill and Intangible Assets Impairment* Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was $25.0 million which was determined on the basis of Adjusted EBITDA, adjusted to include share-based compensation.
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 72.2% of Group revenue and 79.2% of Adjusted EBITDA, adjusted to include share-based compensation.
Significant changes in our approach	The key audit matter is unchanged from 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;
- testing the calculations of the amount of headroom in the forecasts (cash and covenants); and
- performing sensitivity analysis to determine the impact on cash flow and covenant modelling of different

scenarios.

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 fair value of each reporting unit to its carrying value. The Group determined the fair value of its reporting units using a weighted blend of the income and the market approaches. Similarly, the Group's evaluation of its brands and trade names intangible asset involves the comparison of the fair value of the brands and trade names intangible asset to its carrying value. The Group determined the fair value of the brands and trade names intangible asset using a relief from royalty valuation methodology. The determination of the fair value 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 sales growth rates. The goodwill balance was $2,063.0 million as of 1 January 2022, of which $674.9 million and $1,388.1 million was allocated to the Fluid Power and Power Transmission reporting units, respectively. The fair values of the Fluid Power and Power Transmission reporting 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 $469.4 million as of 1 January 2022. The fair value of the brands and trade names intangible asset exceeded its carrying value as of the measurement date and, therefore, no impairment was recognised. Given the significant estimates and assumptions management makes to estimate the fair value 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 sales growth rates through 2024 ("sales growth rates") required a high degree of auditor judgement 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 2I and 2J respectively. Further information in relation to the year end balances is set out in notes 12 and 13 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 fair value of goodwill and the brands and trade names intangible asset included the following, among others: • 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 fair value of goodwill and the brands and trade names intangible asset, including controls related to management's forecasts of sales growth rates. • We evaluated management's ability to accurately forecast sales growth rates 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. • With the assistance of our fair value specialists, we evaluated the reasonableness of management's forecasts of sales growth rates 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. • We evaluated the reasonableness of management's forecasts of sales growth rates 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 Group.
Key observations	Based on the audit procedures performed, we are satisfied that the fair values of the goodwill and brand name and intangible asset balances are in excess of their respective carrying amounts. We believe the disclosures made in relation to critical accounting estimates and judgements in respect of goodwill and intangibles are appropriate.

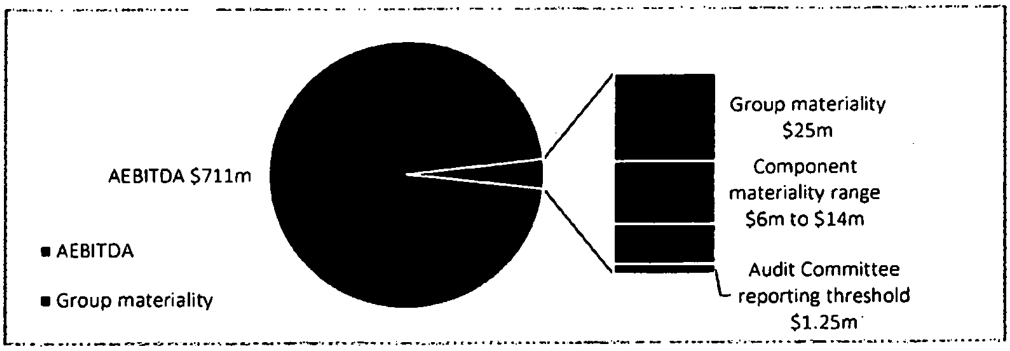
6. Our application of materiality

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	$25.0 million (2020: $15.0 million)	$22.5 million (2020: $13.5 million)
Basis for determining materiality	3.5% (2020: 3.1%) of adjusted EBITDA. Adjusted EBITDA is calculated as operating income from continuing operations before certain items, as set out on page 115. Adjusted EBITDA is reconciled to Net Income from Continuing Operations Before Taxes in note 4D to the consolidated financial statements on page 115. In setting our materiality with reference to Adjusted EBITDA, we also included in that measure the impact of share-based compensation, as we consider this 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% (2020: 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, 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% (2020: 70%) of group materiality	70% (2020: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. Our evaluation of the Group's control environment; 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; c. there have not been significant changes in the nature of the Group's operations which affect our ability to forecast misstatements; and 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 $1.25 million (2020: $0.75 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.

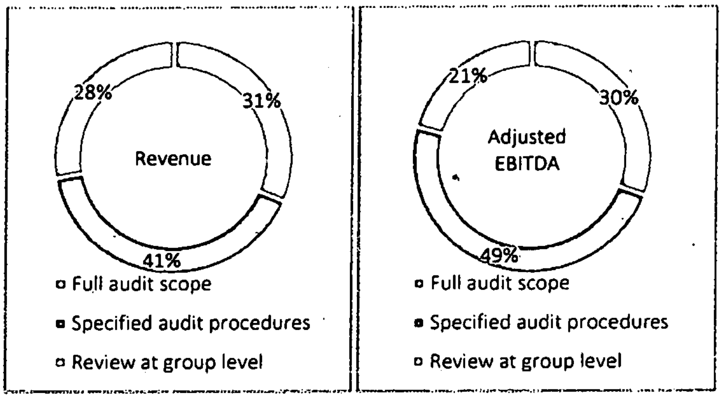
7. An overview of the scope of our audit

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 72.2% of Group revenue and 79.2% of adjusted EBITDA including share-based compensation. 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 ranged between $6.25 million and $14.0 million (2020: $3.7 million to $8.4 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. Working with other auditors

Due to travel restrictions, in light of COVID-19, we did not visit component auditors during the course of the 2021 audit. In order to obtain an appropriate level of direction and supervision, we have taken the following actions:

- We held internal fraud and planning calls with component teams and specialists. The purpose of these communications were to deliberate and pinpoint risks, discuss developments within the Group that were relevant to components and changes in auditing standards relevant to the 2021 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 other 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, valuations, pensions 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 and identified the greatest potential for fraud in revenue recognition for transactions involving material amounts of revenue under customer contracts/arrangements which contain non-standard sales terms.

In common with all audits under ISAs (UK), we are also 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 and reviewing internal audit reports;
- reviewing the periodic reports issued by in-house legal counsel to the Audit Committee concerning actual litigation and claims;
- testing a sample of customer agreements for significant customers to identify any new or modified contracts that are outside the normal course of business, or contracts with non-standard terms

(including rebates). For any non-standard terms identified, we assessed whether those terms are appropriately reflected in the general ledger; 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.

H Shekle

Hadleigh Shekle FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

Date: 4th of May 2022

Gates Industrial Corporation plc
Consolidated Statements of Operations

		For the year ended		
(dollars in millions, except per share amounts)	Notes	January 1, 2022	January 2, 2021	December 28, 2019
Net sales	4	$ 3,474.4	$ 2,793.0	$ 3,087.1
Cost of sales		2,135.2	1,758.3	1,944.6
Gross profit		**1,339.2**	**1,034.7**	**1,142.5**
Selling, general and administrative expenses		852.7	776.9	777.3
Transaction-related expenses		3.7	5.2	2.6
Asset impairments		0.6	5.2	0.7
Restructuring expenses	7	7.4	37.3	6.0
Other operating (income) expenses		(9.3)	(1.0)	9.1
Operating income from continuing operations		**484.1**	**211.1**	**346.8**
Interest expense		133.5	154.3	157.8
Other expenses (income)		0.9	(14.2)	(9.8)
Income from continuing operations before taxes		**349.7**	**71.0**	**198.8**
Income tax expense (benefit)	8	18.4	(19.3)	(495.9)
Net income from continuing operations		**331.3**	**90.3**	**694.7**
Loss on disposal of discontinued operations, net of tax, respectively, of $0, $0 and $0		—	0.3	0.6
Net income		**331.3**	**90.0**	**694.1**
Less: non-controlling interests		34.2	10.6	4.0
Net income attributable to shareholders		**$ 297.1**	**$ 79.4**	**$ 690.1**
Earnings per share				
Basic				
Earnings per share from continuing operations		$ 1.02	$ 0.27	$ 2.38
Earnings per share from discontinued operations		—	—	—
Earnings per share	9	**$ 1.02**	**$ 0.27**	**$ 2.38**
Diluted				
Earnings per share from continuing operations		$ 1.00	$ 0.27	$ 2.37
Earnings per share from discontinued operations		—	—	—
Earnings per share	9	**$ 1.00**	**$ 0.27**	**$ 2.37**

The accompanying notes form an integral part of these consolidated financial statements.

Gates Industrial Corporation plc

Consolidated Statements of Comprehensive Income

(dollars in millions)	Notes	For the year ended January 1, 2022	January 2, 2021	December 28, 2019
Net income		**$ 331.3**	**$ 90.0**	**$ 694.1**
Other comprehensive (loss) income				
Foreign currency translation:				
—Net translation (loss) gain on foreign operations, net of tax expense, respectively, of $0, $0 and $(0.8)		(105.6)	113.1	29.4
—Gain (loss) on net investment hedges, net of tax expense, respectively, of $0, $(0.1) and $0		33.8	(41.9)	5.5
Total foreign currency translation movements		**(71.8)**	**71.2**	**34.9**
Cash flow hedges (interest rate derivatives):				
—Gain (loss) arising in the period, net of tax (expense) benefit, respectively, of $(2.9) and $5.6, and $4.5	*15*	8.8	(23.5)	(27.2)
—Reclassification to net income, net of tax expense, respectively, of $(5.4), $(2.5), and $(0.2)	*15*	16.2	10.2	2.3
Total cash flow hedges movements		**25.0**	**(13.3)**	**(24.9)**
Post-retirement benefits:				
—Current year actuarial movements, net of tax (expense) benefit, respectively, of $(5.9), $(5.8) and $2.8	*19*	21.6	24.8	(16.7)
—Reclassification of prior year actuarial movements to net income, net of tax benefit (expense), respectively, of $0, $0.5, and $(0.2)	*19*	0.1	(1.8)	0.2
Total post-retirement benefits movements		**21.7**	**23.0**	**(16.5)**
Other comprehensive (loss) income		**(25.1)**	**80.9**	**(6.5)**
Comprehensive income for the period		**$ 306.2**	**$ 170.9**	**$ 687.6**
Comprehensive income attributable to shareholders:				
—Income arising from continuing operations		$ 277.3	$ 132.7	$ 686.6
—Loss arising from discontinued operations		—	(0.3)	(0.6)
		277.3	**132.4**	**686.0**
Comprehensive income attributable to non-controlling interests		28.9	38.5	1.6
Comprehensive income for the period		**$ 306.2**	**$ 170.9**	**$ 687.6**

The accompanying notes form an integral part of these consolidated financial statements.

Gates Industrial Corporation plc

Consolidated Balance Sheets

(dollars in millions, except share numbers and per share amounts)	Notes	As of January 1, 2022	As of January 2, 2021
Assets			
Current assets			
Cash and cash equivalents		$ 658.2	$ 521.4
Trade accounts receivable, net		708.1	695.0
Inventories	10	682.6	508.2
Taxes receivable		19.1	28.6
Prepaid expenses and other assets		210.7	153.4
Total current assets		**2,278.7**	**1,906.6**
Non-current assets			
Property, plant and equipment, net	11	670.3	705.0
Goodwill	12	2,063.0	2,120.2
Pension surplus	19	75.5	69.3
Intangible assets, net	13	1,642.2	1,788.6
Right-of-use assets	14	124.2	120.9
Taxes receivable		15.7	26.5
Deferred income taxes		639.3	672.6
Other non-current assets		24.1	16.6
Total assets		**$ 7,533.0**	**$ 7,426.3**
Liabilities and equity			
Current liabilities			
Debt, current portion	17	$ 38.1	$ 42.7
Trade accounts payable		506.6	417.4
Taxes payable		34.1	14.0
Accrued expenses and other current liabilities	18	277.1	252.2
Total current liabilities		**855.9**	**726.3**
Non-current liabilities			
Debt, less current portion	17	2,526.5	2,666.0
Post-retirement benefit obligations	19	106.2	142.5
Lease liabilities	14	116.4	113.6
Taxes payable		103.7	111.5
Deferred income taxes		283.7	360.4
Other non-current liabilities	18	59.2	121.0
Total liabilities		**4,051.6**	**4,241.3**
Commitments and contingencies	24		
Shareholders' equity			
—Shares, par value of $0.01 each - authorized shares: 3,000,000,000; outstanding shares: 291,282,137 (January 2, 2021: authorized shares: 3,000,000,000; outstanding shares: 290,853,067)	21	2.9	2.9
—Additional paid-in capital		2,484.1	2,456.8
—Accumulated other comprehensive loss	22	(825.2)	(805.4)
—Retained earnings		1,437.9	1,151.4
Total shareholders' equity		**3,099.7**	**2,805.7**
Non-controlling interests		381.7	379.3
Total equity		**3,481.4**	**3,185.0**
Total liabilities and equity		**$ 7,533.0**	**$ 7,426.3**

The accompanying notes form an integral part of these consolidated 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 4, 2022. They were signed on its behalf by:

Ivo Jurek
Director and Chief Executive Officer

Gates Industrial Corporation plc
Consolidated Statements of Cash Flows

(dollars in millions)	Notes	For the year ended January 1, 2022	January 2, 2021	December 28, 2019
Cash flows from operating activities				
Net income		$ 331.3	$ 90.0	$ 694.1
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortization		222.6	218.6	222.2
Foreign exchange and other non-cash financing expenses		33.2	18.9	10.6
Share-based compensation expense	20	24.6	19.8	15.0
Decrease in post-employment benefit obligations, net		(14.7)	(12.4)	(9.4)
Deferred income taxes	8	(94.3)	(47.7)	(648.4)
Asset impairments		2.0	6.6	1.9
Other operating activities		3.7	9.1	4.1
Changes in operating assets and liabilities:				
—(Increase) decrease in accounts receivable		(22.3)	9.7	41.8
—(Increase) decrease in inventories		(192.4)	(22.1)	65.1
—Increase (decrease) in accounts payable		99.6	28.6	(48.2)
—(Increase) decrease in prepaid expenses and other assets		(41.3)	6.8	(2.6)
—Increase (decrease) in taxes payable		38.7	(48.1)	46.2
—(Decrease) increase in other liabilities		(8.3)	31.2	(43.5)
Net cash provided by operating activities		**382.4**	**309.0**	**348.9**
Cash flows from investing activities				
Purchases of property, plant and equipment		(77.7)	(58.2)	(72.1)
Purchases of intangible assets		(9.3)	(9.2)	(11.0)
Cash paid under corporate-owned life insurance policies		(11.2)	(10.9)	(10.7)
Cash received under corporate-owned life insurance policies		2.4	1.5	12.0
Other investing activities		9.8	(0.7)	3.8
Net cash used in investing activities		**(86.0)**	**(77.5)**	**(78.0)**
Cash flows from financing activities				
Issuance of shares		4.6	3.1	1.8
Repurchase of shares	21	(10.6)	—	—
Proceeds from long-term debt		—	—	568.0
Payments of long-term debt		(91.0)	(331.2)	(593.1)
Debt issuance costs paid		(11.7)	(0.3)	(8.3)
Dividends paid to non-controlling interests		(26.6)	(19.0)	(28.8)
Other financing activities		(13.3)	(6.4)	1.1
Net cash used in financing activities		**(148.6)**	**(353.8)**	**(59.3)**
Effect of exchange rate changes on cash and cash equivalents and		(11.0)	9.8	0.4
Net increase (decrease) in cash and cash equivalents		**136.8**	**(112.5)**	**212.0**
Cash and cash equivalents and restricted cash at the beginning of the		636.6	424.6	566.0
Cash and cash equivalents and restricted cash at the end of the		**$ 660.9**	**$ 524.1**	**$ 636.6**
Supplemental schedule of cash flow information				
Interest paid, net of amount capitalized		$ 121.2	$ 135.7	$ 150.8
Income taxes paid		$ 83.0	$ 60.4	$ 108.8
Accrued capital expenditures		$ 1.0	$ 1.0	$ 1.8

The accompanying notes form an integral part of these consolidated financial statements.

Gates Industrial Corporation plc

Consolidated Statements of Shareholders' Equity

(dollars in millions)	Notes	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
As of December 29, 2018		$ 2.9	$ 2,416.9	$ (854.3)	$ 381.9	$ 1,947.4	$ 386.3	$2,333.7
Net income		—	—	—	690.1	690.1	4.0	694.1
Other comprehensive income, net	22	—	—	(4.1)	—	(4.1)	(2.4)	(6.5)
Total comprehensive (loss) income		—	—	(4.1)	690.1	686.0	1.6	687.6
Other changes in equity:								
—Issuance of shares		—	1.8	—	—	1.8	—	1.8
—Share-based compensation	20	—	14.6	—	—	14.6	—	14.6
—Change in ownership of a controlled subsidiary		—	1.2	—	—	1.2	(1.2)	—
—Shares issued by a subsidiary to a non-controlling interest		—	—	—	—	—	1.8	1.8
—Dividends paid to non-controlling interests		—	—	—	—	—	(28.8)	(28.8)
As of December 28, 2019		2.9	2,434.5	(858.4)	1,072.0	2,651.0	359.7	3,010.7
Net income		—	—	—	79.4	79.4	10.6	90.0
Other comprehensive loss, net	22	—	—	53.0	—	53.0	27.9	80.9
Total comprehensive income		—	—	53.0	79.4	132.4	38.5	170.9
Other changes in equity:								
—Issuance of shares		—	2.8	—	—	2.8	—	2.8
—Share-based compensation	20	—	19.5	—	—	19.5	0.1	19.6
—Dividends paid to non-controlling interests		—	—	—	—	—	(19.0)	(19.0)
As of January 2, 2021		2.9	2,456.8	(805.4)	1,151.4	2,805.7	379.3	3,185.0
Net income		—	—	—	297.1	297.1	34.2	331.3
Other comprehensive income, net	22	—	—	(19.8)	—	(19.8)	(5.3)	(25.1)
Total comprehensive (loss) income		—	—	(19.8)	297.1	277.3	28.9	306.2
Other changes in equity:								
—Issuance of shares		—	3.9	—	—	3.9	—	3.9
—Repurchase of shares	21	—	—	—	(10.6)	(10.6)	—	(10.6)
—Share-based compensation	20	—	23.4	—	—	23.4	0.1	23.5
—Dividends paid to non-controlling interests		—	—	—	—	—	(26.6)	(26.6)
As of January 1, 2022		$ 2.9	$ 2,484.1	$ (825.2)	$ 1,437.9	$ 3,099.7	$ 381.7	$3,481.4

The accompanying notes form an integral part of these consolidated financial statements.

Gates Industrial Corporation plc

Notes to the Consolidated Financial Statements

1. Background

Gates Industrial Corporation plc (the "Company") is a public limited company that was incorporated in the United Kingdom and registered in England and Wales on September 25, 2017.

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

The first quarter of 2020 marked the beginning of an unprecedented environment for the global economy, as governments, companies and communities implemented strict measures to minimize the spread of the novel coronavirus ("COVID-19") pandemic. 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 the pandemic's 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.

2. Significant accounting policies

A. Basis of presentation

The consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are presented in U.S. dollars unless otherwise indicated.

The accounting policies used in preparing these consolidated financial statements and related notes are the same as those applied in the prior year, except for the adoption on the first day of our 2021 fiscal year of the following new Accounting Standard Update ("ASU"):

- ASU 2019-12 "*Simplifying the Accounting for Income Taxes*" (Topic 740): Income Taxes

  In December 2019, the Financial Accountant Standards Board ("FASB") issued an ASU to simplify and reduce the complexity of general principles in Topic 740: Income Taxes. Such simplifications include the elimination of certain exceptions to: 1) the incremental approach for intraperiod tax allocation, 2) the requirement to recognize a deferred income tax liability for equity method investments when a foreign subsidiary becomes an equity method investment, 3) the ability not to recognize a deferred income tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary, and 4) the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year.

  The amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The adoption of this ASU did not have any significant impact on our consolidated financial statements.

B. Accounting periods

The Company prepares its annual consolidated financial statements as of the Saturday nearest December 31. Accordingly, the consolidated balance sheets are presented as of January 1, 2022 and January 2, 2021 and the related consolidated statements of operations, comprehensive income, cash flows, and shareholders' equity are presented for the years ended January 1, 2022 ("Fiscal 2021"), January 2, 2021 ("Fiscal 2020") and December 28, 2019 ("Fiscal 2019").

C. Basis of consolidation

The consolidated financial statements include the results of operations, cash flows and assets and liabilities of Gates and its majority-owned subsidiaries, and our share of the results of our equity method investees.

We consolidate entities in which we have a controlling interest or when we are considered the primary beneficiary of a variable interest entity. The consolidated financial statements reflect the assets, liabilities, revenues and expenses of consolidated subsidiaries and the non-controlling parties' ownership interest is presented as a non-controlling interest. Intercompany transactions and balances, and any unrealized profits or losses arising from intercompany transactions, are eliminated on consolidation.

D. Foreign currency transactions and translation

Transactions denominated in currencies other than the entity's functional currency (foreign currencies) are translated into the entity's functional currency at the exchange rates prevailing on the dates of the transactions. 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 net income for the period. The net foreign currency transaction loss included in operating income from continuing operations during Fiscal 2021 was $7.1 million, compared to a loss of $7.7 million in Fiscal 2020 and a loss of $1.7 million in Fiscal 2019. We also recognized net financing-related foreign currency transaction losses within other expenses (income) of $7.6 million during Fiscal 2021, compared to a gain of $5.3 million in Fiscal 2020 and a gain of $0.8 million in Fiscal 2019.

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.

E. Net sales

Gates derives its net sales 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. We apply the five-step model under Topic 606 ("Revenue from Contracts with Customers") to all contracts. The five steps are: (1) identify the contract(s) with a 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 most 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.

F. Selling, general and administrative expenses

Shipping and handling costs

Costs of outbound shipping and handling are included in SG&A. During Fiscal 2021, we recognized shipping and handling costs of $170.1 million, compared to $137.2 million in Fiscal 2020 and $145.2 million in Fiscal 2019.

Research and development costs

Research and development costs are charged to net income in the period in which they are incurred. Our research and development expense was $70.7 million in Fiscal 2021, compared to $67.2 million in Fiscal 2020 and $67.9 million in Fiscal 2019. These costs related primarily to product development and also to technology to enhance manufacturing processes.

Advertising costs

Advertising costs are expensed as incurred and included in SG&A. During Fiscal 2021, we recognized advertising costs of $12.0 million, compared to $6.7 million in Fiscal 2020 and $10.2 million in Fiscal 2019.

G. Restructuring expenses

Restructuring expenses are incurred in major projects undertaken to rationalize and improve our cost competitiveness. Restructuring expenses incurred during the periods presented are analyzed in note 7.

Liabilities in respect of termination benefits provided to employees who are involuntarily terminated under the terms of a one-time benefit arrangement are recognized over the future service period when those employees are required to render services to the entity beyond the minimum retention period. If employees are not required to render service until they are terminated or if they will not be retained to render service beyond 60 days or a longer legal notification period, the liability is recognized on the communication date.

Termination benefits that are covered by a contract or an ongoing benefit arrangement are recognized when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated. Benefits that are offered for a short period of time in exchange for voluntary termination are recognized when the employees accept the offer.

Restructuring expenses other than termination benefits and lease exit costs are recognized only when the Company has incurred a related liability.

H. Inventories

Inventories are stated at the lower of cost or net realizable value. A valuation adjustment is made to inventory for any excess, obsolete or slow-moving items based on management's review of on-hand inventories compared to historical and estimated future sales and usage profiles. Any consequent write-down of inventory results in a new cost basis for inventory.

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 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. As of January 1, 2022, inventories whose cost was determined on a LIFO basis represented 31.2% of the total carrying amount of inventories compared to 30.8% as of January 2, 2021. Inventories would have been $9.3 million and $0 million higher than reported as of January 1, 2022 and January 2, 2021, respectively, had all inventories been valued on a FIFO basis, which approximates current cost.

I. Goodwill

Goodwill arising in a business combination is allocated to the reporting unit that is expected to benefit from the synergies of the acquisition.

Where goodwill is attributable to more than one reporting unit, the goodwill 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 reporting unit. Goodwill is not amortized but is tested for impairment on the first day of the fourth quarter or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable and is carried at cost less any recognized impairment. For both reporting units, which are also our reportable segments, the fair values exceeded the carrying values and no goodwill impairments were therefore recognized during Fiscal 2021, Fiscal 2020 or Fiscal 2019.

To identify a potential impairment of goodwill, the fair value of the reporting unit to which the goodwill is allocated is compared to its carrying amount, including goodwill. We calculate fair values using a weighted blend of income and market approaches. If the fair value of the reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered impaired. If the fair value is lower than the carrying amount, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, limited to the amount of goodwill allocated to that reporting unit.

J. Other intangible assets

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

(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) 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.

K. Property, plant and equipment

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

Land and assets under construction are not depreciated. Depreciation of property, plant and equipment, other than land and assets under construction, is generally expensed on a straight-line basis over their estimated useful lives. The Company's estimated useful lives of items of property, plant and equipment are generally in the following ranges:

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

L. 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 92% of the lease liability under non-cancellable leases as of January 1, 2022. The remaining leases are predominantly comprised of equipment and vehicle leases.

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. 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. Payments that vary based on an index or rate are included in the measurement of our right-of-use assets and lease liabilities at the rate as of the commencement date with any subsequent changes to those payments being recognized as variable payments in the period in which they occur.

Gates does not have any significant leases containing residual value guarantees, restrictions or covenants. Additionally, as of January 1, 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, which happens predominantly when there is a contract modification and that modification does not result in a separate contract.

We have adopted the following practical expedients:

(i) we will not separate the lease component from the non-lease component for all asset classes. We have therefore not allocated consideration in a contract between lease and non-lease components; and

(ii) we recognize the payments on short-term leases (leases with terms at inception of 12 months or fewer) in net income on a straight-line basis over the lease term. No amount is recognized on the balance sheet with respect to these leases.

M. Financial instruments

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits available on demand and other short-term, highly liquid investments with maturities on acquisition of 90 days or less. We have cash concentrations in certain large, highly-rated global financial institutions. Management closely monitors the credit quality of the institutions in which it holds deposits.

(ii) 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. Cash and cash equivalents for the purposes of the consolidated statement of cash flows includes restricted cash of $2.7 million as of January 1, 2022, compared to $2.7 million and $1.3 million as of January 2, 2021 and December 28, 2019, respectively.

(iii) Trade accounts receivable

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.

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.

Movements in our allowance for expected credit losses during the periods presented are analyzed in note 24.

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 generally 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 January 1, 2022, the collection of $106.9 million of our trade accounts receivable had been accelerated under this program. During Fiscal 2021, we incurred costs in respect of this program of $1.4 million, which are recorded under other expenses (income).

(iv) Debt

Debt is initially measured at its principal amount, net of directly attributable transaction costs, if any, and is subsequently measured at amortized cost using the effective interest rate method.

(v) Accounts payable

Accounts payable represents the amount of invoices received from suppliers for purchases of goods and services and the amount of goods received but not invoiced, for which payment has not been made.

(vi) Derivative financial instruments

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 all derivative financial instruments as either assets or liabilities at fair value on the balance sheet date. The accounting for the change in the fair value is recognized in net income based on the nature of the items being hedged unless the financial instrument has been designated in an effective cash flow or net investment hedging relationship, in which case the change in fair value is recognized in OCI.

(vii) Fair Value

Fair value is defined as 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. Financial assets and liabilities that are held at fair value, or for which fair values are presented in these consolidated 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, we recognize that transfer at the end of the reporting period.

N. Post-retirement benefits

Post-retirement benefits comprise pension benefits provided to employees and other benefits, mainly healthcare, provided to certain employees in North America.

We account for our post-retirement benefit plans in accordance with Topic 715 "*Compensation – Retirement Benefits*", which is based on the principle that the cost of providing these benefits is recognized in net income over the service periods of the participating employees.

For defined benefit plans, the net obligation or surplus arising from providing the benefits is recognized as a liability or an asset determined by actuarial valuations of each of the plans that are carried out annually by independent qualified actuaries as of the year end balance sheet date. Benefit obligations are measured using the projected unit credit method. Plan assets (if any) are measured at fair value. We recognize the service cost component of our net periodic pension and other post-retirement benefit cost in the lines within operating income to which the relevant employees' other compensation costs are reported. All other components of the net periodic benefit cost (which include the interest cost, the expected return on plan assets, gains or losses on settlements and curtailments, the amortization of prior year service cost or credit and prior year actuarial gains and losses) are included in the other (expenses) income line, outside of operating income from continuing operations.

Actuarial gains and losses represent differences between the expected and actual returns on the plan assets, gains and losses on the plan liabilities and the effect of changes in actuarial assumptions. We use the "corridor approach" whereby, to the extent that cumulative actuarial gains and losses exceed 10% of the greater of the market related value of the plan assets and the projected benefit obligation at the beginning of the fiscal year, they are reclassified from accumulated other comprehensive income to net income over the average remaining service periods of participating employees.

Gains and losses on settlements and curtailments are recognized in net income in the period in which the curtailment or settlement occurs.

O. Share-based compensation

Share-based compensation has historically been provided to certain of our employees under share option, bonus and other share award plans. 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.

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. Compensation expense is recognized for awards containing market conditions regardless of whether or not the market condition is met, whereas compensation expense for awards containing performance conditions is recognized 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.

For equity awards, fair value is not subsequently remeasured unless the conditions on which the award was granted are modified. An amount corresponding to the compensation expense for equity awards is recognized in equity as additional paid in capital.

For liability awards, the fair value is remeasured each period and the change in fair value is recognized in net income for the period with a corresponding change in the outstanding liability.

P. Income taxes

Current tax is the amount of tax payable or receivable in respect of the taxable income for the period. Taxable income differs from financial reporting income because it excludes items of income or expense recognized for financial reporting purposes that 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 at the balance sheet date.

Management assesses unrecognized tax benefits based upon an evaluation of the facts, circumstances and information available at the balance sheet date. Provision is made for unrecognized tax benefits to the extent that the amounts previously taken or expected to be taken in tax returns exceeds the tax benefits that are recognized in the consolidated financial statements in respect of the tax positions. A tax benefit is recognized in the consolidated financial statements only if management considers that it is more likely than not that the tax position will be sustained on examination by the relevant tax authority solely on the technical merits of the position and is measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement assuming that the tax authority has full knowledge of all relevant information. Provisions for unrecognized tax benefits are reviewed regularly and are adjusted to reflect events such as the expiration of limitation periods for assessing tax, guidance given by the tax authorities and court decisions.

Interest and penalties relating to unrecognized tax benefits are accrued in accordance with the applicable tax legislation on any excess of the tax benefit claimed or expected to be claimed in a tax return and the tax benefit recognized in the consolidated financial statements. Interest and penalties are recognized as a component of income tax benefit (expense) in the consolidated statement of operations and accrued interest and penalties are included under the related taxes payable line in the consolidated balance sheet.

Deferred tax assets and liabilities are recognized based on the expected future tax consequences of the difference between the financial statement carrying amount and the respective tax basis. Deferred taxes are measured on the enacted rates expected to apply to taxable income at the time the difference is anticipated to reverse. Deferred tax assets are reduced through the establishment of a valuation allowance if it is more likely than not that the deferred tax asset will not be realized taking into account the timing and amount of the reversal of taxable temporary differences, expected future taxable income and tax planning strategies.

Deferred tax is provided on taxable temporary differences arising on investments in foreign subsidiaries, except where we intend, and are able, to reinvest such amounts on a permanent basis or to remit such amounts in a tax-free manner.

Q. Use of estimates

The preparation of consolidated financial statements under U.S. GAAP requires us to make assumptions and estimates concerning the future that affect the reported amounts of assets, liabilities, revenue and expenses. Estimates and assumptions are particularly important in accounting for items such as the timing and amount of revenue recognition, rebates, impairment of long-lived assets, intangible assets and goodwill, inventory valuation, financial instruments, expected credit losses, product warranties, income taxes and post-retirement benefits. Estimates and assumptions used are based on factors such as historical experience, observance of trends in the industries in which we operate and information available from our customers and other outside sources.

Due to the inherent uncertainty involved in making assumptions and estimates, events and changes in circumstances arising after January 1, 2022, including those resulting from the continuing impacts of the COVID-19 pandemic, may result in actual outcomes that differ from those contemplated by our assumptions and estimates.

3. Recent accounting pronouncements not yet adopted

The following recent accounting pronouncements are relevant to Gates' operations but have not yet been adopted:

- ASU 2021-10 *"Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance"*

  In November 2021, FASB issued this ASU to increase the transparency of government assistance including the disclosure of (i) the types of assistance, (ii) an entity's accounting for the assistance, and (iii) the effect of the assistance on an entity's financial statements. This update requires certain annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy, including (i) information about the nature of the transactions and the related accounting policy used to account for them, (ii) the line items on the balance sheet and income statement that are affected by the transactions, and the amounts applicable to each line item, and (iii) significant terms and conditions of the transactions, including commitments and contingencies.

  The amendments are effective for all entities within their scope for financial statements issued for annual periods beginning after December 15, 2021. Early application of the amendments is permitted. We do not expect significant impact on our consolidated financial statements on adoption of this ASU.

4. 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 net sales 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-based measure.

C. Segment net sales and disaggregated net sales

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)	January 1, 2022	January 2, 2021	December 28, 2019
Power Transmission	$ 2,216.3	$ 1,800.2	$ 1,945.7
Fluid Power	1,258.1	992.8	1,141.4
Continuing operations	**$ 3,474.4**	**$ 2,793.0**	**$ 3,087.1**

Our commercial function is organized by region and therefore, in addition to reviewing net sales by our reporting segments, the CEO also reviews net sales information disaggregated by region, including between emerging and developed markets.

The following table summarizes our net sales by key geographic region of origin:

	For the year ended					
	January 1, 2022		January 2, 2021		December 28, 2019	
(dollars in millions)	Power Transmission	Fluid Power	Power Transmission	Fluid Power	Power Transmission	Fluid Power
U.S.	$ 621.8	$ 615.5	$ 538.3	$ 513.9	$ 580.4	$ 590.0
North America, excluding U.S.	179.8	193.8	147.3	146.9	165.3	175.9
United Kingdom ("U.K.")	50.2	58.3	44.3	28.2	43.6	37.3
EMEA[(1)], excluding U.K.	640.6	198.8	487.4	151.0	509.9	173.6
East Asia and India	308.6	86.3	251.8	60.5	288.6	74.3
Greater China	344.2	67.8	279.5	66.9	288.4	57.8
South America	71.1	37.6	51.6	25.4	69.5	32.5
Net Sales	**$ 2,216.3**	**$ 1,258.1**	**$ 1,800.2**	**$ 992.8**	**$ 1,945.7**	**$ 1,141.4**

(1) Europe, Middle East and Africa ("EMEA").

The following table summarizes our net sales into emerging and developed markets:

	For the year ended		
(dollars in millions)	January 1, 2022	January 2, 2021	December 28, 2019
Developed	$ 2,214.6	$ 1,787.8	$ 2,013.4
Emerging	1,259.8	1,005.2	1,073.7
Net sales	**$ 3,474.4**	**$ 2,793.0**	**$ 3,087.1**

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.

"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 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)	January 1, 2022	January 2, 2021	December 28, 2019
Power Transmission	$ 500.6	$ 353.0	$ 412.6
Fluid Power	235.2	153.6	198.4
Adjusted EBITDA	**$ 735.8**	**$ 506.6**	**$ 611.0**

Reconciliation of net income from continuing operations to Adjusted EBITDA:

	For the year ended		
(dollars in millions)	January 1, 2022	January 2, 2021	December 28, 2019
Net income from continuing operations	$ 331.3	$ 90.3	$ 694.7
Income tax expense (benefit)	18.4	(19.3)	(495.9)
Income from continuing operations before taxes	**349.7**	**71.0**	**198.8**
Interest expense	133.5	154.3	157.8
Other expenses (income)	0.9	(14.2)	(9.8)
Operating income from continuing operations	**484.1**	**211.1**	**346.8**
Depreciation and amortization	222.6	218.6	222.2
Transaction-related expenses (1)	3.7	5.2	2.6
Asset impairments	0.6	5.2	0.7
Restructuring expenses	7.4	37.3	6.0
Share-based compensation expense	24.6	19.8	15.0
Sponsor fees (included in other operating expense)	—	1.9	6.5
Impact of fair value adjustment on inventory (included in cost of sales)	—	—	—
Inventory impairments (included in cost of sales)	1.4	1.4	1.2
Duplicate expenses incurred on facility relocation	—	—	—
Severance expenses (included in cost of sales)	—	1.0	4.0
Severance expenses (included in SG&A)	0.7	8.0	3.4
Other items not directly related to current operations (2)	(9.3)	(2.9)	2.6
Adjusted EBITDA	**$ 735.8**	**$ 506.6**	**$ 611.0**

(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.

(2) During Fiscal 2021, we realized a net gain of $9.3 million related to the sale of a purchase option on a building that we lease in Europe.

E. Selected geographic information

(dollars in millions)	As of January 1, 2022	As of January 2, 2021
Property, plant and equipment, net by geographic location		
U.S.	$ 172.9	$ 184.4
Rest of North America	127.1	121.5
U.K.	32.8	31.8
Rest of EMEA	151.3	161.4
East Asia and India	45.7	54.9
Greater China	124.8	134.9
South America	15.7	16.1
	$ 670.3	**$ 705.0**

F. Information about major customers

Gates has a significant concentration of sales in the U.S., which accounted for 36.3% of Gates' net sales by destination from continuing operations during Fiscal 2021, compared to 39.0% during Fiscal 2020 and 43.2% during Fiscal 2019. During Fiscal 2021, Fiscal 2020 and Fiscal 2019, no single customer accounted for more than 10% of Gates' net sales. Two customers of our North America businesses accounted for 13.9% and 10.0%, respectively, of our total trade accounts receivable balance as of January 1, 2022, compared to 11.9% and 16.5%, respectively, as of January 2, 2021. These concentrations are due to the extended payment terms common in the industry in which these businesses operate.

5. Employees

Employee-related costs recognized in operating income from continuing operations during the year were as follows:

	For the year ended		
(dollars in millions)	January 1, 2022	January 2, 2021	December 28, 2019
Wages and salaries	$ 614.9	$ 553.7	$ 543.6
Social security costs	78.5	70.9	73.4
Post-retirement benefits	26.2	25.7	24.7
Share-based incentives	24.6	19.8	15.0
Medical insurance costs	34.0	30.4	29.6
Other primarily insurance-related costs	43.8	39.0	42.3
Aggregate remuneration	**822.0**	**739.5**	**728.6**
Termination benefits	3.2	36.1	12.4
Total employee-related costs	**$ 825.2**	**$ 775.6**	**$ 741.0**

The average number of persons employed by Gates, excluding the Company's non-executive directors but including temporary employees, was as follows:

	For the year ended		
	January 1, 2022	January 2, 2021	December 28, 2019
U.S.	3,946	3,938	4,460
Rest of North America	3,287	2,776	2,980
U.K.	765	648	694
Rest of EMEA	3,759	3,326	3,463
East Asia and India	2,359	2,276	2,410
Greater China	2,187	2,200	2,291
South America	758	654	686
	17,061	**15,818**	**16,984**

The directors' remuneration, analyzed under the headings required by Company Law, is set out below.

(dollars in millions)	For the year ended January 1, 2022	For the year ended January 2, 2021
Directors' remuneration:		
Emoluments	$ 5.8	$ 3.6
Company contributions to money purchase pension plans	0.2	0.1
	$ 6.0	**$ 3.7**

	For the year ended January 1, 2022	For the year ended January 2, 2021
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	8	6

(dollars in millions)	For the year ended January 1, 2022	For the year ended January 2, 2021
Remuneration of the highest paid director:		
Emoluments	$ 4.6	$ 3.0
Company contributions to money purchase pension plans	0.2	0.1
	$ 4.8	**$ 3.1**

6. 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 2021 and Fiscal 2020.

(dollars in millions)	For the year ended January 1, 2022	For the year ended January 2, 2021
Fees payable for the audit of the Company's annual accounts	$ 4.1	$ 4.2
Audit of the Company's subsidiaries	0.5	0.7
Audit-related assurance services	0.4	0.1
Total audit fees	**5.0**	**5.0**
Taxation compliance services	0.1	0.1
Taxation advice	0.2	0.1
Total non-audit fees	**0.3**	**0.2**
	$ 5.3	**$ 5.2**

In Fiscal 2021 and Fiscal 2020, all of Deloitte's services and fees were pre-approved by the Audit Committee.

7. 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. Expenses incurred in relation to certain of these actions qualify as restructuring expenses under U.S. GAAP.

	For the year ended		
(dollars in millions)	January 1, 2022	January 2, 2021	December 28, 2019
Restructuring expenses:			
—Severance expenses	$ 0.7	$ 24.0	$ 4.7
—Non-severance labor and benefit expenses	2.5	3.8	—
—Consulting expenses	2.2	2.1	1.6
—Other net restructuring expenses	2.0	7.4	(0.3)
	7.4	**37.3**	**6.0**
Restructuring expenses in asset impairments:			
—Impairment of fixed assets	0.6	5.2	0.7
Restructuring expenses in cost of sales:			
—Impairment of inventory	1.4	1.4	1.2
Total restructuring expenses	**$ 9.4**	**$ 43.9**	**$ 7.9**
Expenses related to other strategic initiatives:			
—Severance expenses included in cost of sales	$ —	$ 1.0	$ 4.0
—Severance - related expenses included in SG&A	0.7	8.0	3.4
Total expenses related to other strategic initiatives	**$ 0.7**	**$ 9.0**	**$ 7.4**

Restructuring and other strategic initiatives during Fiscal 2021 included $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.

Expenses incurred in connection with our restructuring and other strategic initiatives during Fiscal 2020 related primarily to the closure of a manufacturing facility in Korea, our European reorganization involving office and distribution center closures or downsizings and implementation of a regional shared service center, the closure of two North American manufacturing facilities, in addition to reductions in workforce, primarily in EMEA and North America. The closure of the Korean facility resulted in an accrual for severance and other labor costs of $13.2 million, an impairment of inventory of $1.4 million (recognized in cost of sales) and an impairment of fixed assets of $4.8 million (included in asset impairments). Restructuring costs related to our European reorganization were $12.6 million, of which $11.4 million related to estimated severance.

Restructuring activities

As indicated above, restructuring expenses, as defined under U.S. GAAP, 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:

(dollars in millions)	For the year ended January 1, 2022	January 2, 2021	December 28, 2019
Power Transmission	$ 5.6	$ 32.6	$ 3.5
Fluid Power	3.8	11.3	4.4
Continuing operations	**$ 9.4**	**$ 43.9**	**$ 7.9**

The following summarizes the reserve for restructuring expenses for the year ended January 1, 2022 and January 2, 2021, respectively:

(dollars in millions)	For the year ended January 1, 2022	January 2, 2021
Balance as of the beginning of the period	$ 17.9	$ 2.9
Utilized during the period	(18.0)	(23.4)
Charge for the period	8.0	37.7
Released during the period	(0.6)	(0.4)
Foreign currency translation	(0.8)	1.1
Balance as of the end of the period	**$ 6.5**	**$ 17.9**

Restructuring reserves, which are expected to be utilized during 2022, are included in the consolidated balance sheet within the accrued expenses and other current liabilities line.

8. 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 expense (benefit) 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 January 1, 2022	January 2, 2021	December 28, 2019
U.K.	$ (32.9)	$ (82.7)	$ (80.6)
U.S.	63.5	(105.3)	0.9
Other foreign	319.1	259.0	278.5
Income from continuing operations before income taxes	**$ 349.7**	**$ 71.0**	**$ 198.8**

Income tax expense (benefit) on income from continuing operations analyzed by tax jurisdiction is as follows:

	For the year ended		
(dollars in millions)	January 1, 2022	January 2, 2021	December 28, 2019
Current tax			
U.K.	$ 4.2	$ (0.1)	$ 7.5
U.S.	12.9	5.4	21.0
Other foreign	95.6	23.1	124.3
Total current tax expense	**$ 112.7**	**$ 28.4**	**$ 152.8**
Deferred income tax			
U.K.	$ (18.1)	$ (19.2)	$ (4.7)
U.S.	(61.7)	2.0	(49.3)
Other foreign	(14.5)	(30.5)	(594.7)
Total deferred income tax benefit	**(94.3)**	**(47.7)**	**(648.7)**
Income tax expense (benefit)	**$ 18.4**	**$ (19.3)**	**$ (495.9)**

Reconciliation of the applicable statutory income tax rate to the reported effective income tax rate:

	For the year ended		
	January 1, 2022	January 2, 2021	December 28, 2019
U.K. corporation tax rate	19.0%	19.0%	19.0%
Effect of:			
—State tax provision, net of Federal benefit	1.4%	(0.9%)	(2.1%)
—Provision for unrecognized income tax benefits	(0.4%)	(30.8%)	34.0%
—Company Owned Life Insurance	(2.4%)	(11.3%)	(4.4%)
—Tax on international operations(1)	(31.2%)	(4.4%)	(325.9%)
—Manufacturing incentives(2)	(1.8%)	(4.4%)	0.5%
—Change in valuation allowance(3)	36.3%	(2.8%)	6.6%
—Deferred income tax rate changes	(17.8%)	(3.8%)	17.8%
—Currency exchange rate movements	0.8%	8.2%	6.5%
—Other permanent differences	1.4%	4.0%	(1.4%)
Reported effective income tax rate	**5.3%**	**(27.2%)**	**(249.4%)**

(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 Fiscal 2019 in Luxembourg. Fiscal 2020 and Fiscal 2019 include the effects of tax law enactments other than deferred income tax rate changes. Also, Fiscal 2020 includes the impact of nondeductible transaction-related expenses, and Fiscal 2019 includes $608.6 million for the generation of finite-lived net operating losses in Luxembourg.

(2) "Manufacturing incentives" for Fiscal 2019 includes an adjustment of $5.0 million for the expiration of manufacturing incentives in the Czech Republic, offset partially by $4.1 million of incentives generated during the year.

(3) "Change in valuation allowance" is comprised primarily of:

	For the year ended		
Expense (benefit)	January 1, 2022	January 2, 2021	December 28, 2019
Luxembourg finite-lived net operating losses	$ 129.9	$ —	$ 608.6
Luxembourg indefinite-lived net operating losses	$ —	$ —	$ (579.0)
U.S. foreign tax credits	$ (53.4)	$ 5.4	$ —
Disallowed interest carryforwards	$ —	$ (11.7)	$ 42.9
Rate change	$ 48.3	$ —	$ (36.4)

Significant Events

CARES Act

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was enacted and signed into law in the U.S. in response to the COVID-19 pandemic. One of the provisions of this law is an increase to the allowable business interest deduction from 30% of adjusted taxable income to 50% of adjusted taxable income for the 2019 and 2020 tax years. This modification significantly increased the current deductible interest expense of the Company for both years, which resulted in a cash benefit while increasing our effective tax rate through requirements to allocate and apportion interest expense for certain other tax purposes, including in determining our global intangible low-taxed income inclusion, deduction for foreign derived intangible income, and the utilization of foreign tax credits.

Deferred income tax assets (liabilities)

Deferred income tax assets (liabilities) recognized by the Company were as follows:

(dollars in millions)	As of January 1, 2022	As of January 2, 2021
Deferred income tax assets:		
Accounts receivable	$ 3.8	$ 3.3
Inventories	—	8.0
Property, plant and equipment	—	8.6
Lease liabilities	37.2	36.8
Accrued expenses	36.2	39.8
Post-retirement benefit obligations	4.9	30.1
Compensation	19.9	19.3
Net operating losses	1,629.4	1,540.7
Capital losses	200.8	151.9
Credits	117.1	147.9
Interest	140.2	122.1
Other items	4.4	14.2
	$ 2,193.9	**$ 2,122.7**
Valuation allowances	(1,349.1)	(1,219.9)
Total deferred income tax assets	**$ 844.8**	**$ 902.8**
Deferred income tax liabilities:		
Inventories	$ (16.6)	$ (22.1)
Property, plant and equipment	(37.8)	(54.8)
Lease right-of-use assets	(31.3)	(30.3)
Intangible assets	(382.5)	(428.3)
Post-retirement benefit obligations	—	(12.9)
Undistributed earnings	(21.0)	(40.6)
Other items	—	(1.6)
Total deferred income tax liabilities	**$ (489.2)**	**$ (590.6)**
Net deferred income tax assets	**$ 355.6**	**$ 312.2**

As of January 1, 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 $6,504.7 million and U.S. state operating tax losses amounting to $147.9 million. Operating losses of $3,331.4 million can be carried forward indefinitely and $3,321.2 million have expiration dates between 2021 and 2040. We recognized a related deferred income tax asset of $603.4 million after valuation allowance of $1,026.0 million;
- Gates had U.S. federal and U.K. capital tax losses amounting to $805.2 million, of which $791.8 million can be carried forward indefinitely and $13.4 million expire in 2026. We recognized no related deferred income tax asset after valuation allowance of $200.8 million;

- Gates had U.S. federal, Luxembourg, Belgium and U.K. interest expense deductions which can be carried forward amounting to $570.8 million. Interest expense carried forward can be carried forward indefinitely. We recognized a related deferred tax asset of $114.0 million after valuation allowance of $26.2 million; and
- Gates had U.S. federal foreign tax credits amounting to $117.1 million, which expire between 2022 and 2027. We recognized a related deferred income tax asset of $25.4 million after valuation allowance of $91.7 million.

As of January 1, 2022, income and withholding taxes in the various tax jurisdictions in which Gates operates have not been provided on approximately $1,621.6 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 $21.0 million on taxable temporary differences related to undistributed earnings of the Company's subsidiaries.

Recoverability of Deferred Income Tax Assets and Liabilities We recognize deferred tax assets and liabilities for future tax consequences arising from differences between the carrying amounts of existing assets and liabilities under U.S. GAAP and their respective tax bases, and for net operating loss carryforwards and tax credit carryforwards. We evaluate the recoverability of our deferred tax assets, weighing all positive and negative evidence, and are required to establish or maintain a valuation allowance for these assets if we determine that it is more likely than not that some or all of the deferred tax assets will not be realized.As of each reporting date, we consider new evidence, both positive and negative, that could impact our view with regard to the future realization of deferred tax assets. We will maintain our positions with regard to future realization of deferred tax assets, including those with respect to which we continue maintaining valuation allowances, until there is sufficient new evidence to support a change in expectations. Such a change in expectations could arise due to many factors, including those impacting our forecasts of future earnings, as well as changes in the international tax laws under which we operate and tax planning. It is not reasonably possible to forecast any such changes at the present time, but it is possible that, should they arise, our view of their effect on the future realization of deferred tax assets may impact materially our financial statements.After weighing all of the evidence, giving more weight to the evidence that was objectively verifiable, we determined in Fiscal 2021 that it was more likely than not that deferred income tax assets in the U.S. related to foreign tax credits totaling $53.4 million are realizable as a result of changes in estimates of taxable profits against which these credits can be utilized. Similarly, we determined that it was more likely than not that deferred income tax assets in Fiscal 2020 primarily related to disallowed interest carryforwards in the U.K., Luxembourg, and Belgium totaling $29.5 million and Fiscal 2019 primarily related to indefinite-lived net operating losses in Luxembourg totaling $586.2 million were realizable.

In Fiscal 2020, the deferred tax assets above include $26.0 million of assets which have no expiration in these jurisdictions. As a result of changes in estimates of future taxable profits in the third quarter of Fiscal 2020, due primarily to anticipated changes to the composition of our intercompany financing arrangements related to proposed international tax law changes, our judgment changed regarding valuation allowances on these deferred tax assets.

Included within the $586.2 million of valuation allowances released in Fiscal 2019 are deferred income tax assets totaling $579.0 million related to €2.1 billion of indefinite-lived net operating losses in Luxembourg for which our evaluation of the positive and negative evidence changed during the first quarter of Fiscal 2019 due to the implementation of our European corporate center. Our European corporate center was implemented in Fiscal 2019 to centralize and strengthen regional operations in Europe, which thereafter became centrally managed from Luxembourg.

Unrecognized income tax benefits

The following is a reconciliation of the gross beginning and ending amount of unrecognized income tax benefits, excluding interest and penalties:

(dollars in millions)	For the year ended January 1, 2022	January 2, 2021	December 28, 2019
At the beginning of the period	$ 121.6	$ 147.3	$ 80.1
Increases for tax positions related to the current period	6.7	6.9	70.6
Increases for tax positions related to prior periods	0.7	0.5	5.8
Decreases for tax positions related to prior periods	(12.1)	(18.9)	(2.1)
Decreases related to settlements	—	(14.0)	—
Decreases due to lapsed statute of limitations	(7.2)	(5.8)	(8.1)
Foreign currency translation	(5.1)	5.6	1.0
At the end of the period	**$ 104.6**	**$ 121.6**	**$ 147.3**

Unrecognized income tax benefits represent the difference between the income tax benefits that we are able to recognize for financial reporting purposes and the income tax benefits that we have recognized or expect to recognize in filed tax returns. Such amounts represent a reasonable provision for income taxes ultimately expected to be paid and may need to be adjusted over time as more information becomes known.

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 $93.5 million, including all competent authority offsets.

As of January 1, 2022, January 2, 2021, and December 28, 2019, Gates had accrued $14.0 million, $12.3 million, and $19.6 million, respectively, for the payment of worldwide interest and penalties on unrecognized income tax benefits, which are not included in the table above. Gates recognizes interest and penalties relating to unrecognized income tax benefits in the provision for income tax expense.

The primary driver of the reduction in unrecognized income tax benefits during the year relates to a change in underlying facts and lapses in statute of limitations. We believe that it is reasonably possible that a decrease of up to $9.8 million in unrecognized income tax benefits will occur in the next 12 months as a result of the expiration of the statutes of limitations in multiple jurisdictions and the settlement of audits in Germany and India.

As of January 1, 2022, Gates remains subject to examination in the US for tax years 2016 and 2018 to 2020 and in other major jurisdictions for tax years 2008 to 2020.

9. 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 treasury stock method is used to determine the potential dilutive shares resulting from assumed exercises of equity-related instruments.

The computation of earnings per share is presented below:

(dollars in millions, except share numbers and per share amounts)	For the year ended January 1, 2022	January 2, 2021	December 28, 2019
Net income attributable to shareholders	$ 297.1	$ 79.4	$ 690.1
Weighted average number of shares outstanding	291,623,523	290,681,615	290,057,360
Dilutive effect of share-based awards	5,670,552	1,434,349	1,570,101
Diluted weighted average number of shares outstanding	**297,294,075**	**292,115,964**	**291,627,461**
Number of anti-dilutive shares excluded from diluted earnings per share calculation	3,981,424	5,257,654	3,679,014
Basic earnings per share	$ 1.02	$ 0.27	$ 2.38
Diluted earnings per share	$ 1.00	$ 0.27	$ 2.37

10. Inventories

(dollars in millions)	As of January 1, 2022	As of January 2, 2021
Raw materials and supplies	$ 199.6	$ 135.1
Work in progress	43.4	34.3
Finished goods	439.6	338.8
Total inventories	**$ 682.6**	**$ 508.2**

11. Property, plant and equipment

(dollars in millions)	As of January 1, 2022	As of January 2, 2021
Cost		
Land and buildings	$ 329.2	$ 333.0
Machinery, equipment and vehicles	873.3	881.3
Assets under construction	81.0	50.4
	1,283.5	**1,264.7**
Less: Accumulated depreciation and impairment	(613.2)	(559.7)
Total	**$ 670.3**	**$ 705.0**

During Fiscal 2021, the depreciation expense in relation to the above assets was $90.0 million, compared to $89.3 million during Fiscal 2020 and $92.3 million during Fiscal 2019.

During Fiscal 2021, impairments of property, plant and equipment of $0.6 million were recognized, compared to $5.2 million in Fiscal 2020, and $0.7 million in Fiscal 2019.

Property, plant and equipment includes assets held under finance leases with a carrying amount of $4.1 million as of January 1, 2022, compared to $4.1 million as of January 2, 2021.

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.

12. Goodwill

(dollars in millions)	Power Transmission	Fluid Power	Total
Cost and carrying amount			
As of December 28, 2019	$ 1,377.5	$ 683.0	$ 2,060.5
Foreign currency translation	56.9	2.8	59.7
As of January 2, 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**

13. Intangible assets

	As of January 1, 2022			As of January 2, 2021		
(dollars in millions)	Cost	Accumulated amortization and impairment	Net	Cost	Accumulated amortization and impairment	Net
Finite-lived:						
—Customer relationships	$ 2,031.7	$ (901.6)	**$ 1,130.1**	$ 2,073.0	$ (796.9)	**$ 1,276.1**
—Technology	90.9	(89.4)	1.5	90.9	(88.5)	2.4
—Capitalized software	97.8	(56.6)	41.2	89.9	(49.2)	40.7
	2,220.4	(1,047.6)	1,172.8	2,253.8	(934.6)	1,319.2
Indefinite-lived:						
—Brands and trade names	513.4	(44.0)	469.4	513.4	(44.0)	469.4
Total intangible assets	**$ 2,733.8**	**$ (1,091.6)**	**$ 1,642.2**	**$ 2,767.2**	**$ (978.6)**	**$ 1,788.6**

During Fiscal 2021, the amortization expense recognized in respect of intangible assets was $132.6 million, compared to $129.3 million for Fiscal 2020 and $129.9 million for Fiscal 2019. In addition, movements in foreign currency exchange rates resulted in a decrease in the net carrying value of total intangible assets of $24.3 million in Fiscal 2021, compared to an increase of $30.8 million in Fiscal 2020.

The amortization expense for the next five years is estimated to be as follows:

(dollars in millions)	Total
Fiscal year:	
—2022	$ 135.2
—2023	$ 137.1
—2024	$ 128.7
—2025	$ 125.0
—2026	$ 122.1

14. Leases

(dollars in millions)	For the year ended January 1, 2022	January 2, 2021	December 28, 2019
Lease expenses			
Operating lease expenses	$ 31.5	$ 29.9	$ 30.3
Finance lease expenses:			
—Finance lease amortization expenses	1.1	0.9	0.3
—Interest on lease liabilities	0.1	0.1	—
Short-term lease expenses	6.7	5.8	4.6
Variable lease expenses	7.9	7.0	6.9
Sublease income	—	—	(0.1)
Total lease expenses	**$ 47.3**	**$ 43.7**	**$ 42.0**
Other information			
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 29.9	$ 17.7	$ 19.7
Assets obtained in exchange for new finance lease liabilities	$ 1.5	$ 2.0	$ 0.9
Gain on sale and leaseback transactions, net	$ (9.3)	$ —	$ —
Cash paid for amounts included in the measurement of lease liabilities:			
—Operating cash flows from finance leases	$ 0.1	$ —	$ —
—Operating cash flows from operating leases	30.1	30.3	26.3
—Financing cash flows from finance leases	1.2	1.0	0.4
	$ 31.4	**$ 31.3**	**$ 26.7**
Weighted-average remaining lease term — finance leases	4.0 years	5.3 years	8.5 years
Weighted-average remaining lease term — operating leases	9.0 years	9.4 years	10.1 years
Weighted-average discount rate — finance leases	2.5 %	3.0 %	2.5 %
Weighted-average discount rate — operating leases	5.1 %	5.5 %	5.4 %

Maturity analysis of liabilities

(dollars in millions)	Operating leases	Finance leases
Next 12 months	$ 24.8	$ 1.4
Year 2	22.9	1.0
Year 3	19.5	0.6
Year 4	17.9	0.3
Year 5	14.7	0.1
Year 6 and beyond	70.2	—
Total lease payments	**170.0**	**3.4**
Interest	(34.9)	(0.1)
Total present value of lease liabilities	**$ 135.1**	**$ 3.3**

Balance sheet presentation of leases as of January 1, 2022 and January 2, 2021

	As of January 1, 2022		As of January 2, 2021	
(dollars in millions)	Operating leases	Finance leases	Operating leases	Finance leases
Right-of-use assets	**$ 124.2**	**$ 4.1**	**$ 120.9**	**$ 4.1**
Short-term lease liabilities (included in "Accrued expenses and other current liabilities")	$ 20.9	$ 1.1	$ 21.8	$ 0.8
Long-term lease liabilities	114.2	2.2	111.4	2.2
Total lease liabilities	**$ 135.1**	**$ 3.3**	**$ 133.2**	**$ 3.0**

Right-of-use assets arising under finance leases are presented in the property, plant and equipment, net line item in the consolidated balance sheet. The amortization of right-of-use operating assets during Fiscal 2021 was $23.7 million, compared to $22.8 million and $23.6 million during Fiscal 2020 and Fiscal 2019, respectively. This is included in the change in prepaid expenses and other assets line in the consolidated statement of cash flows.

15. 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:

	As of January 1, 2022					As of January 2, 2021				
(dollars in millions)	Prepaid expenses and other assets	Other non-current assets	Accrued expenses and other current liabilities	Other non-current liabilities	Net	Prepaid expenses and other assets	Other non-current assets	Accrued expenses and other current liabilities	Other non-current liabilities	Net
Derivatives designated as hedging instruments:										
—Currency swaps	$ —	$ —	$ (19.8)	$ —	**$ (19.8)**	$ 1.1	$ —	$ —	$ (42.6)	**$ (41.5)**
—Interest rate caps	—	—	(1.3)	(0.5)	**(1.8)**	—	—	(1.4)	(2.0)	**(3.4)**
—Interest rate swaps	—	7.7	(12.9)	(26.9)	**(32.1)**	—	—	(13.4)	(43.6)	**(57.0)**
Derivatives not designated as hedging instruments:										
—Currency swaps	—	—	—	—	—	—	—	—	—	—
—Currency forward contracts	2.9	—	(0.6)	—	**2.3**	0.6	—	(1.9)	—	**(1.3)**
	$ 2.9	**$ 7.7**	**$ (34.6)**	**$ (27.4)**	**$ (51.4)**	**$ 1.7**	**$ —**	**$ (16.7)**	**$ (88.2)**	**$(103.2)**

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 January 1, 2022 and January 2, 2021, the notional principal amount of these contracts was $270.0 million and they mature in March 2022. In addition, as of both January 1, 2022 and January 2, 2021, we had designated €147.0 million of our Euro-denominated debt as a net investment hedge of certain of our European operations.

The fair value gains (losses) before tax recognized in OCI in relation to the instruments designated as net investment hedging instruments were as follows:

(dollars in millions)	For the year ended January 1, 2022	For the year ended January 2, 2021	For the year ended December 28, 2019
Net fair value gains (losses) recognized in OCI in relation to:			
—Euro-denominated debt	$ 12.4	$ (15.5)	$ (0.2)
—Designated cross currency swaps	21.4	(26.3)	5.7
Total net fair value gains (losses)	**$ 33.8**	**$ (41.8)**	**$ 5.5**

During Fiscal 2021, a net gain of $1.8 million was recognized in interest expense in relation to our cross currency swaps that have been designated as net investment hedges, compared to a net gain of $3.7 million and $7.8 million during Fiscal 2020 and Fiscal 2019, respectively.

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. These instruments are all designated as cash flow hedges. As of January 1, 2022 and January 2, 2021, we held pay-fixed, receive-floating interest rate swaps with an aggregate notional amount of $870.0 million which run from June 30, 2020 through June 30, 2025.

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 and January 2, 2021, the notional amount of our interest rate caps outstanding was €425.0 million, covering the period from July 1, 2019 to June 30, 2023.

The movements before tax recognized in OCI in relation to our cash flow hedges were as follows:

(dollars in millions)	For the year ended January 1, 2022	For the year ended January 2, 2021	For the year ended December 28, 2019
Movement recognized in OCI in relation to:			
—Fair value gain (loss) on cash flow hedges	$ 11.7	$ (29.1)	$ (31.7)
—Amortization to net income of prior period fair value losses	17.9	9.1	—
—Reclassification from OCI to net income	3.7	3.6	2.5
Total movement	**$ 33.3**	**$ (16.4)**	**$ (29.2)**

As of January 1, 2022, we expect to reclassify an estimated $22.8 million of losses in OCI to earnings within the next twelve months associated with cash flow hedges along with the earnings effects of the related forecasted transactions.

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 January 1, 2022 and January 2, 2021, there were no outstanding currency swaps.

As of January 1, 2022, the notional amount of outstanding currency forward contracts that are used to manage operational foreign exchange exposures was $171.9 million, compared to $87.6 million as of January 2, 2021.

The fair value gains (losses) recognized in net income in relation to derivative instruments that have not been designated as hedging instruments were as follows:

	For the year ended		
(dollars in millions)	January 1, 2022	January 2, 2021	December 28, 2019
Fair value gains (losses) recognized in relation to:			
—Currency forward contracts recognized in SG&A	$ 5.1	$ (1.9)	$ 3.0
—Currency swaps recognized in other expenses	—	0.4	0.6
Total	**$ 5.1**	**$ (1.5)**	**$ 3.6**

16. Fair value measurement

A. Fair value hierarchy

We account for certain assets and liabilities at fair value. Topic 820 "*Fair Value Measurements and Disclosures*" establishes the following hierarchy for the inputs that are used in fair value measurement:

- "Level 1" inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- "Level 2" inputs are those 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); and
- "Level 3" inputs are not based on observable market data (unobservable inputs).

Assets and liabilities that are measured at fair value are categorized in one of the three levels on the basis of the lowest-level input that is significant to its valuation.

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.

The carrying amount and fair value of our debt are set out below:

	As of January 1, 2022		As of January 2, 2021	
(dollars in millions)	Carrying amount	Fair value	Carrying amount	Fair value
Current	$ 38.1	$ 37.9	$ 42.7	$ 42.3
Non-current	2,526.5	2,553.0	2,666.0	2,700.0
	$ 2,564.6	**$ 2,590.9**	**$ 2,708.7**	**$ 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 on the Dollar Term Loan and a 0% EURIBOR floor on the Euro Term Loan. 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 and liabilities measured at fair value on a recurring basis

The following table categorizes the assets and liabilities that are measured at fair value on a recurring basis:

(dollars in millions)	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Total
As of January 1, 2022			
Equity investments	$ 0.6	$ —	$ **0.6**
Derivative assets	$ —	$ 10.6	$ **10.6**
Derivative liabilities	$ —	$ (62.0)	$ **(62.0)**
As of January 2, 2021			
Equity investments	$ 2.1	$ —	$ 2.1
Derivative assets	$ —	$ 1.7	$ 1.7
Derivative liabilities	$ —	$ (104.9)	$ (104.9)

Equity 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.

D. 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. No significant impairment was recognized during Fiscal 2021 or Fiscal 2019. During Fiscal 2020, impairments of property, plant and equipment of $5.2 million were recognized in relation to restructuring and other strategic initiatives, primarily the closure of our manufacturing facility in Korea.

17. Debt

(dollars in millions)	As of January 1, 2022	As of January 2, 2021
Secured debt:		
—Dollar Term Loan	$ 1,363.7	$ 1,377.4
—Euro Term Loan	647.5	775.2
Unsecured debt:		
—6.25% Dollar Senior Notes due 2026	568.0	568.0
—Other loans	—	0.2
Total principal of debt	**2,579.2**	**2,720.8**
Deferred issuance costs	(31.5)	(29.4)
Accrued interest	16.9	17.3
Total carrying value of debt	**2,564.6**	**2,708.7**
Debt, current portion	38.1	42.7
Debt, less current portion	**$ 2,526.5**	**$ 2,666.0**

Gates' 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:	
—2022	$ 21.2
—2023	21.3
—2024	642.9
—2025	17.2
—2026	581.8
Thereafter	1,294.8
	$ 2,579.2

Debt issuances and redemptions

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).

On December 31, 2020, we made a principal debt repayment of $300.0 million against our Dollar Term Loan facility. As a result of this repayment, we accelerated the recognition of $3.7 million of deferred financing costs (recognized in interest expense).

On November 22, 2019, we issued and sold $568.0 million of unsecured Dollar Senior Notes, described further below. The proceeds from this debt issuance were used on December 5, 2019 to redeem all $568.0 million of our outstanding 6.00% Dollar Senior Notes, plus interest accrued up to and including the redemption date of $13.2 million. The majority of the costs totaling approximately $8.6 million related to the refinancing transactions were deferred and are being amortized to interest expense over the remaining term of the related borrowings using the effective interest method.

Dollar and Euro Term Loans

Our secured credit facilities include a Dollar Term Loan credit facility and a Euro Term Loan credit facility that were drawn on July 3, 2014. 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 plus an applicable margin. The Euro Term Loan matures on March 31, 2024. On February 24, 2021, we made amendments to the Dollar Term Loan credit agreement, including extending the maturity date of the Dollar Term Loan, from March 31, 2024 to March 31, 2027, reducing the floor applicable to the Dollar Term Loan from 1.00% to 0.75% and modifying the applicable interest rate margin for the Dollar Term Loan 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 Dollar Term Loan using the effective interest method.

The Dollar Term Loan interest rate is currently LIBOR, subject to a floor of 0.75%, plus a margin of 2.50%, and as of January 1, 2022, borrowings under this facility bore interest at a rate of 3.25% 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 Dollar Term Loan interest rate is re-set on the last business day of each month.

As of January 1, 2022, the Euro Term Loan bore interest at EURIBOR, which is currently below 0%, subject to a floor of 0%, plus a margin of 3.00%. The Euro Term Loan interest rate is re-set on the last business day of each quarter.

Both 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 2021, we made amortization payments against the Dollar Term Loan and the Euro Term Loan of $13.8 million and $7.6 million, respectively. During Fiscal 2020, we made amortization payments against the Dollar Term Loan and the Euro Term Loan of $21.7 million and $9.4 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 2021 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 2022.

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 (loss) were recognized in OCI.

	For the year ended		
(dollars in millions)	January 1, 2022	January 2, 2021	December 28, 2019
Gain (loss) recognized in statement of operations	$ 38.2	$ (51.4)	$ 17.3
Gain (loss) recognized in OCI	12.4	(15.5)	(0.2)
Total gain (loss)	**$ 50.6**	**$ (66.9)**	**$ 17.1**

The above net foreign exchange gain (loss) recognized in the other expenses (income) line of the consolidated statement of operations 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 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 January 1, 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.

On and after January 15, 2022, 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:	
—2022	103.125 %
—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 Euro Term Loan and Unsecured Senior Notes if more than $500.0 million is outstanding in respect of either such facility 91 days prior to their respective maturities), 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 January 1, 2022 and January 2, 2021, 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 ($240.4 million as of January 1, 2022, compared to $230.2 million as of January 2, 2021, 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 Euro Term Loan and Unsecured Senior Notes if more than $500.0 million is outstanding in respect of either such facility 91 days prior to their respective maturities). 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 January 1, 2022 and January 2, 2021, there were no drawings for cash under the asset-backed revolver, but there were letters of credit outstanding of $45.3 million and $28.5 million, 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.

18. Accrued expenses and other liabilities

Accrued expenses and other liabilities consisted of the following:

(dollars in millions)	As of January 1, 2022	As of January 2, 2021
Accrued compensation	$ 80.2	$ 70.0
Current portion of lease obligations	22.0	22.6
Derivative financial instruments	62.0	104.9
Payroll and related taxes payable	21.9	25.0
VAT and other taxes payable	10.9	11.7
Warranty reserve	18.7	19.8
Restructuring reserve	6.5	17.9
Workers' compensation reserve	7.9	8.8
Other accrued expenses and other liabilities	106.2	92.5
	$ 336.3	$ 373.2

The above liabilities are presented in Gates' balance sheet as follows:

(dollars in millions)	As of January 1, 2022	As of January 2, 2021
—Accrued expenses and other current liabilities	$ 277.1	$ 252.2
—Other non-current liabilities	59.2	121.0
	$ 336.3	$ 373.2

Warranty reserves

Changes in warranty reserves (included in accrued expenses and other liabilities) were as follows:

	For the year ended		
(dollars in millions)	January 1, 2022	January 2, 2021	December 28, 2019
Balance at the beginning of the period	$ 19.8	$ 17.7	$ 14.3
Charge for the period	10.3	11.8	16.5
Utilized during the period	(9.6)	(9.5)	(10.9)
Released during the period	(1.9)	(0.7)	(2.2)
Foreign currency translation	0.1	0.5	—
Balance at the end of the period	**$ 18.7**	**$ 19.8**	**$ 17.7**

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 2022, 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.

19. Post-retirement benefits

A. Defined contribution pension plans

Gates provides defined contribution pension benefits in most of the countries in which it operates; in particular, the majority of its employees in the U.S. are entitled to such benefits.

During Fiscal 2021, the expense recognized by Gates in respect of defined contribution pension plans was $20.6 million, compared to $19.0 million in Fiscal 2020 and $17.9 million in Fiscal 2019.

B. Defined benefit pension plans

Gates operates defined benefit pension plans in certain of the countries in which it operates, in particular, in the U.S. and U.K. Generally, the pension benefits provided under these plans are based on pensionable salary and the period of service of the individual employees. Plan assets are held separately from those of Gates in funds that are under the control of trustees. All of the defined benefit pension plans operated by Gates are closed to new entrants. In addition to the funded defined benefit pension plans, Gates has unfunded defined benefit obligations to certain current and former employees.

Funded status

The net deficit recognized in respect of defined benefit pension plans is presented in the balance sheet as follows:

(dollars in millions)	As of January 1, 2022	As of January 2, 2021
Pension surplus	$ (75.5)	$ (69.3)
Accrued expenses and other current liabilities	2.6	2.3
Post-retirement benefit obligations	64.2	91.5
Net funded status	**$ (8.7)**	**$ 24.5**
Plans whose projected benefit obligation was in excess of plan assets:		
—Aggregate projected benefit obligation	$ 341.4	$ 376.3
—Aggregate fair value of plan assets	$ 274.6	$ 282.5
Plans whose accumulated benefit obligation was in excess of plan assets:		
—Aggregate accumulated benefit obligation	$ 336.1	$ 371.6
—Aggregate fair value of plan assets	$ 274.0	$ 281.9

During Fiscal 2021, the net unfunded pension obligation decreased by $33.2 million. This decrease was driven primarily by actuarial gain of $43.4 million, offset partially by actual loss on plan assets of $4.9 million.

Benefit obligation

Changes in the projected benefit obligation in relation to defined benefit pension plans were as follows:

	For the year ended	
(dollars in millions)	January 1, 2022	January 2, 2021
Benefit obligation at the beginning of the period	$ 905.9	$ 898.1
Employer service cost	4.3	5.6
Plan participants' contributions	0.1	0.2
Plan amendments	—	1.5
Interest cost	13.4	18.3
Net actuarial (gain) loss	(43.4)	31.3
Benefits paid	(47.6)	(44.6)
Expenses paid from assets	(1.3)	(2.0)
Curtailments and settlements	(1.6)	(30.6)
Foreign currency translation	(8.7)	28.1
Benefit obligation at the end of the period	**$ 821.1**	**$ 905.9**
Accumulated benefit obligation	**$ 816.3**	**$ 901.6**

Changes in plan assets

Changes in the fair value of the assets held by defined benefit pension plans were as follows:

(dollars in millions)	For the year ended January 1, 2022	January 2, 2021
Plan assets at the beginning of the period	$ 881.4	$ 835.2
Actual (loss) return on plan assets	(4.9)	83.0
Employer contributions	11.3	9.8
Plan participants' contributions	0.1	0.2
Settlements	(1.6)	(29.2)
Benefits paid	(47.6)	(44.6)
Expenses paid from assets	(1.3)	(2.0)
Foreign currency translation	(7.6)	29.0
Plan assets at the end of the period	**$ 829.8**	**$ 881.4**

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.

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.

The fair values of pension plan assets by asset category were as follows:

	As of January 1, 2022				As of January 2, 2021			
(dollars in millions)	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	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**	$ —	$ 144.1	$ —	**$ 144.1**
Debt Securities								
—Corporate bonds	—	240.1	—	**240.1**	—	190.6	—	**190.6**
—Government bonds	—	199.6	—	**199.6**	—	249.5	—	**249.5**
Annuities and insurance	—	21.2	210.5	**231.7**	—	49.4	239.4	**288.8**
Other	—	5.6		**5.6**	—	—	—	—
Cash and cash equivalents	7.5	—	—	**7.5**	8.4	—	—	**8.4**
Total	**$ 7.5**	**$ 611.8**	**$ 210.5**	**$ 829.8**	**$ 8.4**	**$ 633.6**	**$ 239.4**	**$ 881.4**

Investments in equities and bonds held in pooled investment funds are measured at the bid price quoted by the investment managers, which reflect the quoted prices of the underlying securities. Insurance contracts are measured at their surrender value quoted by the insurers. Cash and cash equivalents largely attract floating interest rates.

Changes in the fair value of plan assets measured using significant unobservable inputs (level 3) were as follows:

	For the year ended	
(dollars in millions)	January 1, 2022	January 2, 2021
Fair value at the beginning of the period	$ 239.4	$ 235.9
Actual (loss) return on plan assets	(13.0)	11.2
Purchases	1.2	0.9
Sales	—	(6.7)
Impacts of benefits paid	(12.6)	(12.6)
Settlements	(1.3)	(0.4)
Foreign currency translation	(3.2)	11.1
Fair value at the end of the period	**$ 210.5**	**$ 239.4**

Estimated future contributions and benefit payments

Gates' funding policy for its defined benefit pension plans is to contribute amounts determined annually on an actuarial basis to provide for current and future benefits in accordance with federal law and other regulations. During 2022, Gates expects to contribute approximately $10.0 million to its defined benefit pension plans (including non-qualified supplemental plans).

Benefit payments, reflecting expected future service, are expected to be made by Gates' defined benefit pension plans as follows:

(dollars in millions)	Total
Fiscal year:	
—2022	$ 46.7
—2023	$ 45.6
—2024	$ 45.8
—2025	$ 45.1
—2026	$ 47.1
—2027 through 2031	$ 230.8

Net periodic benefit cost

Components of the net periodic benefit cost for defined benefit pension plans relating to continuing operations were as follows:

	For the year ended		
(dollars in millions)	January 1, 2022	January 2, 2021	December 28, 2019
Employer service cost	$ 4.3	$ 5.6	$ 5.5
Settlements and curtailments	0.1	(2.1)	(0.6)
Interest cost	13.4	18.3	23.4
Expected return on plan assets	(19.3)	(22.0)	(27.8)
Amortization of prior net actuarial loss	0.4	0.2	—
Amortization of prior service cost	1.0	0.8	0.8
Net periodic benefit cost	**$ (0.1)**	**$ 0.8**	**$ 1.3**

Other comprehensive income

Changes in plan assets and benefit obligations of defined benefit pension plans recognized in OCI were as follows:

(dollars in millions)	For the year ended January 1, 2022	January 2, 2021	December 28, 2019
Current period net actuarial (gain) loss	$ (19.1)	$ (32.6)	$ 20.5
Amortization of prior net actuarial loss	(0.4)	(0.2)	—
Prior service cost	—	1.5	—
Amortization of prior service cost	(1.0)	(0.8)	(0.8)
(Loss) gain recognized due to settlements and curtailments	(0.1)	2.1	(0.8)
Pre-tax changes recognized in OCI other than foreign currency translation	**(20.6)**	**(30.0)**	**18.9**
Foreign currency translation	(0.3)	1.7	1.0
Total pre-tax changes recognized in OCI	**$ (20.9)**	**$ (28.3)**	**$ 19.9**

Cumulative losses before tax recognized in OCI in respect of post-retirement benefits that had not yet been recognized as a component of the net periodic benefit cost were as follows:

(dollars in millions)	For the year ended January 1, 2022	January 2, 2021	December 28, 2019
Actuarial (gain) loss	$ (29.1)	$ (9.5)	$ 21.2
Prior service costs	10.8	11.8	11.1
Foreign currency translation	(1.5)	(1.2)	(2.9)
Cumulative total	**$ (19.8)**	**$ 1.1**	**$ 29.4**

Assumptions

Major assumptions used in determining the benefit obligation and the net periodic benefit cost for defined benefit pension plans are presented in the following table as weighted averages:

	As of January 1, 2022	As of January 2, 2021
Benefit obligation:		
—Discount rate	2.003 %	1.527 %
—Rate of salary increase	3.095 %	3.032 %
Net periodic benefit cost:		
—Discount rate	1.527 %	2.144 %
—Rate of salary increase	3.032 %	3.170 %
—Expected return on plan assets	2.380 %	2.832 %

In determining the expected return on plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes, and economic and other indicators of future performance. Return projections are validated using a simulation model that incorporates yield curves, credit spreads and risk premiums to project long-term prospective returns.

C. Other defined benefit plans

Gates provides other post-employment benefits, principally health and life insurance cover, on an unfunded basis to certain of its employees in the U.S. and Canada.

Funded status

The deficit recognized in respect of other defined benefit plans is presented in the balance sheet as follows:

(dollars in millions)	As of January 1, 2022	As of January 2, 2021
Accrued expenses and other current liabilities	$ 4.0	$ 5.7
Post-retirement benefit obligations	42.0	51.0
	$ 46.0	$ 56.7

Benefit obligation

Changes in the accumulated benefit obligation in relation to other defined benefit plans were as follows:

	For the year ended	
(dollars in millions)	January 1, 2022	January 2, 2021
Benefit obligation at the beginning of the period	$ 56.7	$ 57.9
Interest cost	1.2	1.7
Actuarial (gain) loss	(8.4)	0.3
Benefits paid	(3.8)	(3.7)
Foreign currency translation	0.3	0.5
Benefit obligation at the end of the period	**$ 46.0**	**$ 56.7**
Accumulated benefit obligation	**$ 46.0**	**$ 56.7**

Estimated future contributions and benefit payments

Contributions are made to our other defined benefit plans as and when benefits are paid from the plans. During 2022, Gates expects to contribute approximately $4.1 million to its other benefit plans.

Benefit payments, reflecting expected future service, are expected to be made by Gates' other defined benefit plans as follows:

(dollars in millions)	Total
Fiscal years:	
—2022	$ 4.1
—2023	$ 3.9
—2024	$ 3.7
—2025	$ 3.5
—2026	$ 3.4
—2027 through 2031	$ 14.4

Net periodic benefit cost

Components of the net periodic benefit cost for other defined benefit plans were as follows:

	For the year ended		
(dollars in millions)	January 1, 2022	January 2, 2021	December 28, 2019
Interest cost	$ 1.2	$ 1.7	$ 2.3
Amortization of prior net actuarial gain	(1.0)	(1.0)	(0.8)
Amortization of prior service credit	(0.4)	(0.4)	(0.4)
Net periodic benefit cost	**$ (0.2)**	**$ 0.3**	**$ 1.1**

The net periodic benefit cost relates entirely to continuing operations.

Other comprehensive income

Changes in the benefit obligation of other defined benefit plans recognized in OCI were as follows:

(dollars in millions)	For the year ended January 1, 2022	January 2, 2021	December 28, 2019
Current period net actuarial (gain) loss	$ (8.4)	$ 0.3	$ (1.8)
Amortization of prior net actuarial gain	1.0	1.0	0.8
Amortization of prior service credit	0.4	0.4	0.4
Pre-tax changes recognized in OCI other than foreign currency translation	**(7.0)**	**1.7**	**(0.6)**
Foreign currency translation	—	—	(0.2)
Total pre-tax changes recognized in OCI	**$ (7.0)**	**$ 1.7**	**$ (0.8)**

Cumulative gains before tax recognized in OCI in respect of other post-retirement benefits that had not yet been recognized as a component of the net periodic benefit cost were as follows:

(dollars in millions)	For the year ended January 1, 2022	January 2, 2021	December 28, 2019
Actuarial gains	$ (23.4)	$ (16.0)	$ (17.3)
Prior service credits	(2.6)	(3.0)	(3.4)
Other adjustments	0.2	0.2	0.2
Foreign currency translation	(0.2)	(0.2)	(0.2)
Cumulative total	**$ (26.0)**	**$ (19.0)**	**$ (20.7)**

Assumptions

The primary assumption used in determining the benefit obligation and the net periodic benefit cost for other defined benefit plans is the discount rate, the weighted average of which is presented in the following table:

	Benefit obligation		Net periodic benefit cost	
	As of January 1, 2022	As of January 2, 2021	As of January 1, 2022	As of January 2, 2021
Discount rate	2.81 %	2.30 %	2.30 %	3.08 %

The initial healthcare cost trend rate as of January 1, 2022, starts at 5.74%, compared to 6.14% as of January 2, 2021, with an ultimate trend rate of 4.91%, compared to 4.92% as of January 2, 2021, beginning in 2028.

20. 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 Fiscal 2021, we recognized a charge of $24.6 million, compared to $19.8 million and $15.0 million, respectively, in the prior year periods.

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 be 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.

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 Topic 718 "*Compensation - Stock Compensation*" 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 Topic 718 "*Compensation - Stock Compensation*" 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, 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 performance-based RSUs ("PRSUs"). The time-vesting RSUs vest evenly over either one, three or four years from the date of grant, subject to the participant's continued provision of service to Gates on the vesting date. The PRSUs 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.

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 January 1, 2022 Number of options		Weighted average exercise price $
Outstanding at the beginning of the period:				
—Tier I	*2014 Plan*	3,165,482	$	6.93
—Tier II	*2014 Plan*	3,779,467	$	6.89
—Tier III	*2014 Plan*	3,779,467	$	6.89
—Tier IV	*2014 Plan*	3,779,467	$	10.34
—SARs	*Both plans*	841,811	$	9.00
—Share options	*2018 Plan*	2,565,066	$	14.75
—Premium-priced options	*2018 Plan*	796,460	$	19.00
		18,707,220	**$**	**9.28**
Granted during the period:				
—SARs	*2018 Plan*	36,360	$	15.00
—Share options	*2018 Plan*	925,024	$	15.00
—Premium-priced options	*2018 Plan*	39,009	$	16.50
		1,000,393	**$**	**15.06**
Forfeited during the period:				
—Tier I	*2014 Plan*	(10,343)	$	7.87
—Tier II	*2014 Plan*	(201,997)	$	6.73
—Tier III	*2014 Plan*	(201,997)	$	6.73
—Tier IV	*2014 Plan*	(201,997)	$	10.09
—Share options	*2018 Plan*	(119,832)	$	14.26
		(736,166)	**$**	**8.89**
Exercised during the period:				
—Tier I	*2014 Plan*	(402,439)	$	7.05
—SARs	*Both Plans*	(49,063)	$	8.20
—Share options	*2018 Plan*	(116,161)	$	14.80
		(567,663)	**$**	**8.74**
Outstanding at the end 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**
Exercisable at the end of the period		4,002,291	$	9.65
Vested and expected to vest at the end of the period		7,651,212	$	11.83

As of January 1, 2022, the aggregate intrinsic value of options that were vested or expected to vest was $34.8 million, and these options had a weighted average remaining contractual term of 6.2 years. As of January 1, 2022, the aggregate intrinsic value of options that were exercisable was $25.9 million, and these options had a weighted average remaining contractual term of 5.0 years.

As of January 1, 2022, the unrecognized compensation charge relating to the nonvested options other than Tier II, Tier III and Tier IV options, was $5.3 million, which is expected to be recognized over a weighted-average period of 1.4 years. The unrecognized compensation charge relating to the nonvested Tier II, Tier III and Tier IV options was $23.2 million, which may be recognized on occurrence of a liquidity event as described above.

During Fiscal 2021, cash of $4.6 million was received in relation to the exercise of vested options, compared to $3.1 million and $1.8 million during Fiscal 2020 and Fiscal 2019, respectively. The aggregate intrinsic value of options exercised during Fiscal 2021 was $4.8 million, compared to $2.5 million and $2.1 million during Fiscal 2020 and Fiscal 2019, respectively.

Summary of movements in RSUs and PRSUs outstanding

	Year ended January 1, 2022		
	Number of awards	Weighted average grant date fair value $	
Outstanding at the beginning of the period:			
—RSUs	1,583,910	$	12.88
—PRSUs	571,650	$	16.45
	2,155,560	**$**	**13.83**
Granted during the period:			
—RSUs	954,504	$	15.16
—PRSUs	325,052	$	17.92
	1,279,556	**$**	**15.86**
Forfeited during the period:			
—RSUs	(163,130)	$	13.69
—PRSUs	(12,724)	$	16.97
	(175,854)	**$**	**13.93**
Vested during the period:			
—RSUs	(630,879)	$	13.07
	(630,879)	**$**	**13.07**
Outstanding at the end of the period:			
—RSUs	1,744,405	$	13.98
—PRSUs	883,978	$	16.98
	2,628,383	**$**	**14.99**

As of January 1, 2022, the unrecognized compensation charge relating to nonvested RSUs and PRSUs was $14.7 million, which is expected to be recognized over a weighted average period of 1.5 years, subject, where relevant, to the achievement of the performance conditions described above. The total fair value of RSUs and PRSUs vested during Fiscal 2021 was $12.3 million, compared to $3.1 million and $0.6 million during Fiscal 2020 and Fiscal 2019, 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		
	January 1, 2022	January 2, 2021	December 28, 2019
Weighted average grant date fair value:			
—SARs	$ 6.66	$ 4.59	$ 5.88
—Share options	$ 6.66	$ 4.78	$ 5.88
—Premium-priced options	$ 6.36	n/a	$ 5.65
—RSUs	$ 15.16	$ 11.79	$ 16.28
—PRSUs	$ 17.92	$ 14.41	$ 20.07
Inputs to the model:			
—Expected volatility - SARs	46.1 %	37.7 %	31.9 %
—Expected volatility - share options	46.1 %	37.6 %	31.9 %
—Expected volatility - premium-priced options	46.1 %	n/a	31.9 %
—Expected volatility - PRSUs	50.8 %	40.4 %	32.8 %
—Expected option life for SARs (years)	6.0	6.0	6.0
—Expected option life for share options (years)	6.0	6.0	6.0
—Expected option life for premium-priced options (years)	6.0	n/a	7
—Risk-free interest rate:			
SARs	0.95 %	1.25 %	2.51 %
Share options	0.95 %	1.33 %	2.51 %
Premium-priced options	0.95 %	n/a	2.53 %
PRSUs	0.27 %	1.29 %	2.48 %

21. Equity

Movements in the Company's number of shares in issue for the year ended January 1, 2022 and January 2, 2021, respectively, were as follows:

	For the year ended	
(number of shares)	January 1, 2022	January 2, 2021
Balance as of the beginning of the period	290,853,067	290,157,299
Exercise of share options	518,600	468,890
Vesting of restricted stock units, net of withholding taxes	566,921	226,878
Shares repurchased and cancelled	(656,451)	—
Balance as of the end of the period	**291,282,137**	**290,853,067**

The Company has one class of authorized and issued shares, with a par value of $0.01, and each share has equal voting rights.

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.

22. Analysis of accumulated other comprehensive income (loss)

Changes in accumulated other comprehensive income (loss) by component, net of tax, were as follows:

(dollars in millions)	Post-retirement benefit	Cumulative translation adjustment	Cash flow hedges	Accumulated OCI attributable to shareholders	Non-controlling interests	Accumulated OCI
As of December 29, 2018	$ 7.6	$ (850.0)	$ (11.9)	$ (854.3)	$ (43.6)	$ (897.9)
Foreign currency translation	—	37.7	—	37.7	(2.8)	34.9
Cash flow hedges movements	—	—	(24.9)	(24.9)	—	(24.9)
Post-retirement benefit movements	(16.9)	—	—	(16.9)	0.4	(16.5)
Other comprehensive (loss) income	(16.9)	37.7	(24.9)	(4.1)	(2.4)	(6.5)
As of December 28, 2019	(9.3)	(812.3)	(36.8)	(858.4)	(46.0)	(904.4)
Foreign currency translation	1.7	42.1	—	43.8	27.4	71.2
Cash flow hedges movements	—	—	(13.3)	(13.3)	—	(13.3)
Post-retirement benefit movements	22.5	—	—	22.5	0.5	23.0
Other comprehensive income (loss)	24.2	42.1	(13.3)	53.0	27.9	80.9
As of January 2, 2021	14.9	(770.2)	(50.1)	(805.4)	(18.1)	(823.5)
Foreign currency translation	(0.1)	(66.5)	—	(66.6)	(5.2)	(71.8)
Cash flow hedges movements	—	—	25.0	25.0	—	25.0
Post-retirement benefit movements	21.8	—	—	21.8	(0.1)	21.7
Other comprehensive income (loss)	21.7	(66.5)	25.0	(19.8)	(5.3)	(25.1)
As of January 1, 2022	$ 36.6	$ (836.7)	$ (25.1)	$ (825.2)	$ (23.4)	$ (848.6)

23. 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 consideration of these oversight services, Gates agreed to pay BMP an annual fee of 1% of a covenant EBITDA measure defined under the agreements governing our senior secured credit facilities. In addition, the Monitoring Service Recipients agreed to reimburse the Managers for any related out-of-pocket expenses incurred by the Managers and their affiliates. During Fiscal 2021, Gates incurred $0 million, compared to $1.9 million and $6.5 million during Fiscal 2020 and Fiscal 2019, respectively, in respect of these oversight services and out-of-pocket expenses, and there were no amounts owing at January 1, 2022 or January 2, 2021.

In addition, 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.

B. Equity method investees

Sales to and purchases from equity method investees were as follows:

(dollars in millions)	For the year ended January 1, 2022		For the year ended January 2, 2021		For the year ended December 28, 2019	
Sales	$	0.1	$	0.9	$	1.4
Purchases	$	(14.9)	$	(13.8)	$	(15.4)

Amounts outstanding in respect of these transactions were payables of $1.0 million as of January 1, 2022, compared to $0.6 million as of January 2, 2021. 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 January 1, 2022		For the year ended January 2, 2021		For the year ended December 28, 2019	
Sales	$	67.3	$	47.5	$	51.3
Purchases	$	(21.7)	$	(18.5)	$	(20.5)

Amounts outstanding in respect of these transactions were as follows:

(dollars in millions)	As of January 1, 2022		As of January 2, 2021	
Receivables	$	5.4	$	0.4
Payables	$	(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.

24. Commitments and contingencies

A. Capital and other commitments

As of January 1, 2022, we had entered into contractual commitments for the purchase of property, plant and equipment amounting to $5.1 million, compared to $3.5 million as of January 2, 2021, and for the purchase of non-integral computer software amounting to $0.7 million, compared to $0.6 million as of January 2, 2021. As of January 1, 2022, we had entered into contractual commitments for non-capital items such as raw materials and supplies amounting to $31.3 million, compared to $26.1 million as of January 2, 2021.

B. Performance bonds, letters of credit and bank guarantees

As of January 1, 2022, letters of credit were outstanding against the asset-backed revolving facility amounting to $45.3 million, compared to $28.5 million as of January 2, 2021. We had additional outstanding performance bonds, letters of credit and bank guarantees amounting to $6.3 million as of January 1, 2022, compared to $6.0 million as of January 2, 2021.

C. Company-owned life insurance policies

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 January 1, 2022, the surrender value of the policies was $966.1 million, compared to $954.9 million as of January 2, 2021, and the amount outstanding on the related loans was $964.3 million, compared to $953.2 million as of January 2, 2021. 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 $1.7 million as of January 2, 2021, is included in other receivables.

D. 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 determined in accordance with U.S. GAAP, an estimate is made of the loss and the appropriate accrual 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.

E. Allowance for expected credit losses

Movements in our allowance for expected credit losses were as follows:

(dollars in millions)	For the year ended January 1, 2022	January 2, 2021	December 28, 2019
Balance at beginning of year	$ 5.2	$ 8.6	$ 7.4
Current period provision for expected credit losses	0.2	0.7	2.4
Write-offs charged against allowance	(0.1)	(4.3)	(1.3)
Foreign currency translation	(0.2)	0.2	0.1
Balance at end of year	**$ 5.1**	**$ 5.2**	**$ 8.6**

25. Subsequent event

Subsequent to January 1, 2022, Gates repurchased a further 3,465,917 shares under our share repurchase program at an aggregate cost of $53.6 million. All shares repurchased were cancelled.

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 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 this offering, which closed on March 30, 2022.

In connection with this transaction, 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. This repurchase was funded by cash on hand and borrowings under Gates' asset-backed revolving credit facility. All shares repurchased are expected to be cancelled in May 2022.

Gates Industrial Corporation plc

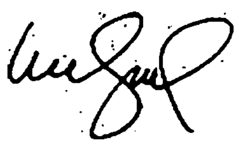
Parent Company Balance Sheets

(dollars in millions)	Notes	As of January 1, 2022	As of January 2, 2021
Non-current assets			
Investments in subsidiaries	3	$ 2,173.6	$ 2,031.1
Trade and other receivables	4	3,969.8	—
Deferred tax assets		—	0.5
		6,143.4	**2,031.6**
Current assets			
Trade and other receivables	4	—	3,935.2
Cash and cash equivalents		12.6	4.0
		12.6	**3,939.2**
Total assets		**6,156.0**	**5,970.8**
Current liabilities			
Income tax liabilities		(11.0)	(10.4)
Trade and other payables	5	(0.6)	(0.5)
Total liabilities		**(11.6)**	**(10.9)**
Net assets		**$ 6,144.4**	**$ 5,959.9**
Capital and reserves			
Ordinary share capital	7	2.9	2.9
Share premium	7	7.8	3.3
Accumulated surplus	8	6,133.7	5,953.7
Shareholders' equity		**$ 6,144.4**	**$ 5,959.9**

Gates Industrial Corporation plc reported a profit for the year ended January 1, 2022 of $166.3 million, compared to a profit of $143.0 million for the year ended January 2, 2021.

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 4, 2022. 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 December 28, 2019		$ 2.9	$ 0.2	$ 5,790.6	$ 5,793.7
Shares issued on exercise of share options	7	—	3.1	—	3.1
Profit for the year attributable to equity shareholders		—	—	143.0	143.0
Capital contribution to subsidiaries		—	—	19.3	19.3
Credit to equity for share-based compensation, including tax benefit		—	—	0.8	0.8
Balance as of January 2, 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

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 January 1, 2022 and January 2, 2021 and the related statement of changes in equity is presented for the year ended January 1, 2022 and the year ended January 2, 2021.

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 and support 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 January 1, 2022	As of January 2, 2021
Cost and net book value		
Balance at beginning of the period	$ 2,031.1	$ 1,679.8
—Additions	142.5	351.3
Balance at the end of the period	**$ 2,173.6**	**$ 2,031.1**

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 January 1, 2022		As of January 2, 2021
Current assets				
Receivables due from subsidiaries	$	—	$	3,935.2
Non-current assets				
Receivables due from subsidiaries		3,969.8		—
	$	3,969.8	$	3,935.2

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 and which were repayable in January 2021. These amounts bear interest at floating rates based on prevailing market interest rates. Early in 2021, these loan notes were refinanced on similar terms, with a maturity date of February 2026.

5. Trade and other payables

(dollars in millions)		As of January 1, 2022		As of January 2, 2021
Current liabilities				
Payables due to subsidiaries	$	—	$	(0.2)
Accruals and other payables		(0.6)		(0.3)
	$	(0.6)	$	(0.5)

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 2021, the total compensation cost for share-based arrangements recognized by the Parent Company was $0.8 million, compared with $0.5 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 January 1, 2022		For the year ended January 2, 2021	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at the beginning of the period	152,586	$ 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**	**152,586**	**$ 6.56**
Exercisable at the end of the period	76,293	$ 6.56	137,327	$ 6.56
Vested and expected to vest at the end of the period	76,293	$ 6.56	152,586	$ 6.56

As of January 1, 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 $0.7 million and they had a weighted-average remaining contractual term of 4.4 years. The weighted average share price on the dates on which options were exercised during the year was $17.38.

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 January 1, 2022		For the period ended January 2, 2021	
	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	60,281	$ 10.37	18,361	$ 16.34
Granted during the period	56,099	$ 15.60	60,281	$ 10.37
Vested during the period	(60,281)	$ 10.37	(18,361)	$ 16.34
Outstanding at the end of the period	**56,099**	**$ 15.60**	**60,281**	**$ 10.37**

As of January 1, 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 2021 was $0.6 million, compared to $0.3 million during Fiscal 2020.

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 January 1, 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.

Subsequent to January 1, 2022, Gates repurchased a further 3,465,917 shares under our share repurchase program at an aggregate cost of $53.6 million. All shares repurchased were cancelled.

On March 24, 2022, the Parent 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 Parent Company at a price of $15.14 per ordinary share. The selling shareholders also granted to Citigroup an option to purchase up to 750,000 additional ordinary shares of the Parent Company; this option was exercised in full on March 25, 2022. The Parent Company did not receive any proceeds from the sale of ordinary shares in this offering, which closed on March 30, 2022.

In connection with this transaction, the Parent Company repurchased 8,000,000 ordinary shares from the same selling shareholders at a price of $15.14 per ordinary share for an aggregate consideration of $121.1 million. This repurchase was funded by cash on hand and borrowings from subsidiaries. All shares repurchased are expected to be cancelled in May 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 December 28, 2019	290,157,299	$ 2.9	$ 0.2	$ 3.1
Exercise of share options	468,890	—	3.1	3.1
Vesting of restricted stock units	226,878	—	—	—
Balance as of January 2, 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**

8. Other reserves

(dollars in millions)	Accumulated surplus
Balance as of December 28, 2019	$ 5,790.6
Profit for the year attributable to equity shareholders	143.0
Capital contribution to subsidiaries	19.3
Credit to equity for share-based compensation	0.8
Balance as of January 2, 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**

9. Listing of subsidiaries and associates

The following entities are included in the consolidated financial statements of the Company as of January 1, 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 City of Buenos Aires Argentina, C1107CPE
Gates Australia Pty, Limited	100%	Australia	Wholesaler of industrial and automotive hose, belts and fittings	1-15 Hydrive Close Dandenong 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 9320 Erembodegem-Aalst 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 Sao Paolo Brazil 04565-909
Gates Fleximak Ltd	100%	British Virgin Islands	Holding company	c/o Intertrust BVI 171 Main Street Road Town Tortola VG1110
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 Calgary Alberta T2P4K9 Canada
Gates Industrial Canada Ltd	100%	Canada	Corporate functions	66 Wellington Street W., Suite 5300, Toronto, ON M5K 1E6
Gates Cayman Finance Ltd.	100%	Cayman Islands	Treasury company	190 Elgin Avenue, George Town, Grand Cayman KY1-9005
Gates Auto Parts (Suzhou) Co., Ltd	100%	China	Power Transmission product manufacturing and distribution	No. 155 Qian Ren Street, Weiting Town, Suzhou Industrial Park Suzhou, China
Gates Fluid Power Technologies (Changzhou) Co., Ltd	100%	China	Manufacturer and distributor of Power Transmission and Fluid Power products	#11 Kohler Road Changzhou JiangSu 213022
Gates Trading (Shanghai) Co., Ltd.	100%	China	Corporate offices and distribution	Room 2215 No.28 Jiafeng Road, Waigaoqiao Free Trade Zone, Shanghai
Gates Unitta Power Transmission (Shanghai) Limited	51%	China	Power Transmission product manufacturing	Apartment A, 233 Huashen Road, China (Shanghai) Pilot Free Trade Zone Shanghai, China
Gates Unitta Power Transmission (Suzhou) Limited	51%	China	Corporate functions and Power Transmission product manufacturing and distribution	No. 15 Hai Tang Street Suzhou Industrial Park Suzhou 215021
Gates Winhere Automotive Pump Products (Yantai) Co. Ltd	60%	China	Manufacture of automotive water pumps and accessories	51 Jialingjiang Road Yantai ETDZ, 264006 Shandong
Gates Hydraulics s.r.o	100%	Czech Republic	Manufacture and supply of couplings, hose and tube assemblies	Detmarovicka 409/1 Karvina 733 01
Gates France S.a.r.l.	100%	France	Sales/service center	12 Rue de la Briqueterie Zone Industrielle Louvres F-95380 Louvres

Name	Ownership Interest	Jurisdiction of Organization or Incorporation	Nature of Business	Registered Address
Gates S.A.S.	100%	France	Manufacture of belts	12 Rue de la Briqueterie Zone Industrielle Louvres F-95380 Louvres
Gates Service Center S.A.S.	100%	France	Distribution of belts and metal parts	21 Boulevard Monge F-69330 Meyzieu Lyon
Gates GmbH	100%	Germany	Sales office and technical center	Eisenbahnweg 50 D-52068 Aachen
Gates Holding GmbH	100%	Germany	Holding company	Kolumbusstrasse 54 Euskirchen NRW D-53881
Gates TPU Gmbh	100%	Germany	Manufacture of polyurethane belts	Werner von Siemens Strasse 2 Pfungstadt, Germany 64319
Gates Tube Fittings GmbH	100%	Germany	Manufacture of hydraulic fittings	Kolumbusstrasse 54 Euskirchen NRW D-53881
Gates India Private Limited	100%	India	Manufacture and assembly of industrial and hydraulic hose and assembly	Village Sarsani Lalru Ambala-Chandigarh Highway Lalru District Patiala (Punjab) 140501
Gates Unitta India Company Private Limited	51%	India	Manufacture and distribution of Power Transmission products	F-19, Sipcot Industrial Park Sriperumbudur 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 Peveril Buildings Loch Promenade Douglas IM1 2BS
Gates S.r.l.	100%	Italy	Sales office	Via Senigalia 18 I-20161 Milano
Gates Japan KK	100%	Japan	Sales office	20-9, Akatsukashinmachi 3-chome Itabashi-ku Tokyo
Gates Unitta Asia Company (aka Gates Unitta Asia Kabushikikaisha)	51%	Japan	Manufacture of belts, tensioners and associated products	4-26 Sakuragawa 4-chome Naniwa-ku Osaka 556-002
Gates Korea Company, Limited	51%	Korea	Manufacture and distribution of belts and tensioners	523, Nongong-ro, Nongong-eup, Dalsung-gun Daegu, Republic of Korea
Gates Unitta Korea Co., Ltd.	51%	Korea	Sales office	1006-71, Doksan-dong Keumcheon-gu Seoul
Pyung Hwa CMB Co. Limited **	21%	Korea	Manufacturer of industrial non-hardening rubber products	29-11, Bonri-Ri, Nongong-Eup Dalseong-Gun Daegu, Korea, Republic of, Republic of Korea
Gates Holding Luxembourg SARL	100%	Luxembourg	Holding company	16, Boulevard d'Avranches L-1160 Luxembourg
Gates Industrial Europe SARL	100%	Luxembourg	Holding company and European corporate center	16, Boulevard d'Avranches L-1160 Luxembourg
Gates Investments SARL	100%	Luxembourg	Holding company	16, Boulevard d'Avranches L-1160 Luxembourg
Gates Luxembourg SARL	100%	Luxembourg	Treasury company	16, Boulevard d'Avranches L-1160 Luxembourg
Gates Worldwide Holdings SARL	100%	Luxembourg	Holding company	16, Boulevard d'Avranches L-1160 Luxembourg

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Gates Worldwide SARL	100%	Luxembourg	Holding company	16, Boulevard d'Avranches 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
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 Bosques de las Lomas 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 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 E&S Industries LLC	49% *	UAE	Assembly of pipes and hoses	Dubai Real Estate Al Quoz Industrial No. 4 Bur Dubai PO Box 12973 Dubai, UAE
Gates E&S Trading LLC	49% *	UAE	Sale of heavy equipment and machinery, and spare parts	Dubai Real Estate Al Quoz Industrial No. 4 Bur Dubai PO Box 12973 Dubai, UAE
Gates Engineering & Services Co. LLC	49% *	UAE	Selling filters, cartridges and pumps, renting and service of hydraulic pumps and machines	Al Leyah P.O. Box 21327 Port Khalid, Sharjah, UAE
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

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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
Gates Fluid Power Technologies Investments Ltd	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Holdings Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Industrial Holdco Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Treasury (Brazilian Real) Limited	100%	UK	Treasury company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Treasury (Canadian Dollar) Company	100%	UK	Treasury company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Treasury (Dollar) Company	100%	UK	Treasury company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Treasury (Euro) Company	100%	UK	Treasury company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Treasury (TRY) Limited	100%	UK	Treasury company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates UK Finance Limited	100%	UK	Treasury company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates Worldwide Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Tomkins BP UK Holdings Limited ‡	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Tomkins Engineering Limited	100%	UK	Holding 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
Tomkins Investments Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Tomkins Overseas Investments Limited	100%	UK	Holding company	c/o Intertrust UK 1 Bartholomew Lane, London, EC2N 2AX United Kingdom
Gates International Holdings LLC	100%	Colorado, U.S.	Holding company	7700 East Arapahoe Rd, Suite 220 Centennial, CO 80112
Gates Nitta Belt Company, LLC	51%	Colorado, U.S.	Holding company	7700 East Arapahoe Rd Suite 220 Centennial, CO 80112
CoLinx, LLC ** †	20%	Delaware, U.S.	Provider of e-commerce and logistics services	1209 Orange Street Corporation Trust Center Wilmington, DE 19801
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