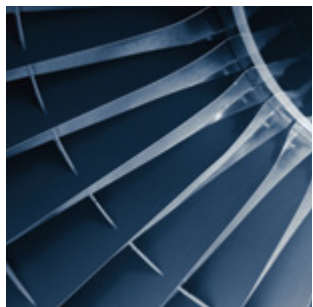
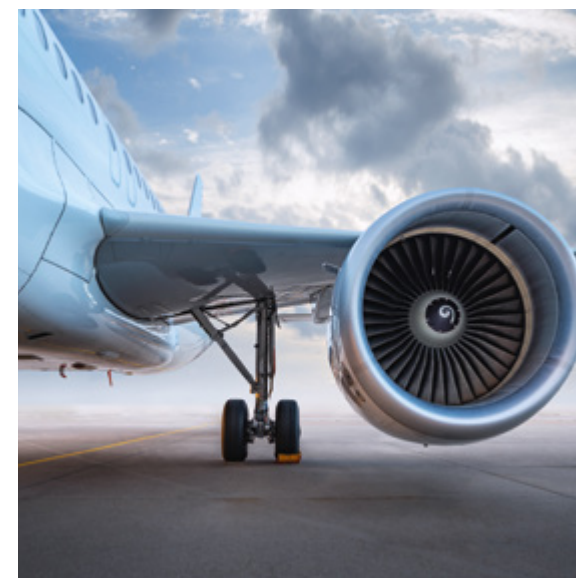




METALLURGY. MASTERED.



EXPERTISE. DELIVERED.

We are a leading, global performance metallurgy business, improving properties and extending lives of our customers' products through advanced thermal and surface processing.

As experienced metallurgists, engineers and technicians, we bring a wealth of knowledge, experience and specialist expertise to deliver quality service whenever and wherever it is needed.

**We are the metallurgy
performance experts.**

In this report



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See our report online: visit bodycote.com/investors for more information.
Scan the QR code to view or download the full annual report and financial statements.

Bodycote at a glance

Delivering high-quality through our international network of facilities. Bodycote offers significant advantages to our customers as a global thermal processing service provider. Through this network, Bodycote effectively utilises its wealth of knowledge, experience and specialist expertise to deliver unmatched quality service whenever and wherever it is needed.

The Group's network operates from more than 150 facilities, with customers benefiting from Bodycote's comprehensive range of services across multiple locations. Customers know that if their business expands, Bodycote has the capability to meet their needs and support their global manufacturing footprint. They recognise that they can rely on the same excellent process and high-quality standards across our multiple locations. Customers understand that Bodycote operates its facilities more efficiently than in-house operations so can reduce their overall costs and impact on the environment, assisting them in achieving their climate impact targets.

Such an extensive network brings economies of scale, with technology developed at one location being available globally if the market requires it. Network utilisation is enhanced by using logistics to put customers' work into the most effective facility to meet their requirements. Moreover, the network allows Bodycote to specialise in fewer technologies per location, reducing complexity, increasing efficiency and reducing the carbon footprint of our operations.

The Bodycote network has a wealth of industry, regulatory and technical accreditations, which are industry- or customer-specific.



Specialist Technologies

Advanced, distinctive processes to improve product strength, performance and durability

- Hot Isostatic Pressing (HIP)
- Surface Technology
- Specialty Stainless Steel Processes (S³P)

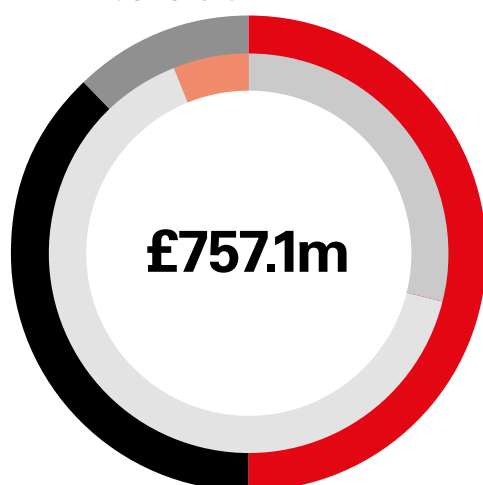


Precision Heat Treatment

Precisely controlled heating and cooling to achieve performance-critical metallurgical properties

- Atmospheric and vacuum heat treatment
- Nitriding and Corr-I-Dur[®]
- Low Pressure Carburising (LPC)

Revenue by geography and division

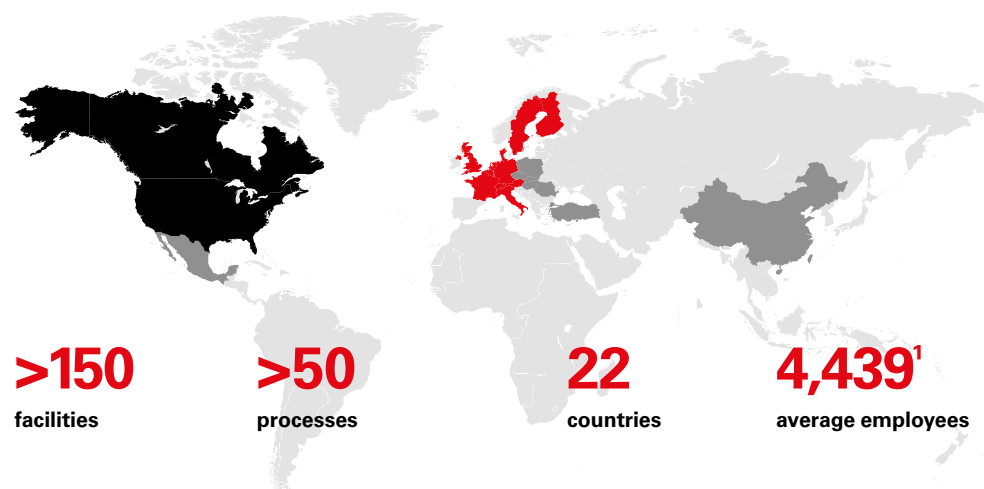


Geography

Western Europe	50%
North America	38%
Emerging Markets	12%

Revenue by division

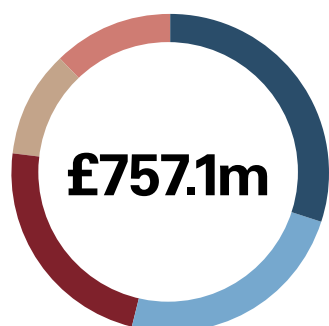
Specialist Technologies	30%
Precision Heat Treatment	64%
Non-core	6%



¹ During FY 2024.

Our markets

Bodycote offers materials solutions for virtually every market sector, providing expertise across heat treatment and specialist thermal processes. Bodycote supports many market sectors; however, we categorise our business into five major end markets.



2024 revenues by end market:

Aerospace & Defence	30%
Industrial Markets	24%
Automotive	23%
Energy	11%
Consumer, Medical & Other	12%



The aerospace market is highly complex and demands significant technical expertise. We specialise in thermal processing solutions for engine components operating under extreme conditions, as well as landing gear and other aircraft parts. Our services span commercial, business, and military aviation. Bodycote's global network of quality accredited facilities supports aerospace Original Equipment Manufacturers (OEMs), aftermarket providers, and their supply chains.



Bodycote supports a wide array of industrial markets, including components for machining, machinery and tooling, and equipment used in construction, mining, and agriculture. Our customer base ranges from leading equipment manufacturers to material and machining suppliers. Leveraging our global network of facilities, we provide technical expertise, high-quality services and a diverse range of value-added solutions which are tailored to this broad range of industrial applications.



The automotive industry is evolving with hybrid/electrification and the demand for lighter, high-performance components. Bodycote supports this transition by delivering thermal processing solutions that strengthen and enhance critical components in passenger cars, light and heavy trucks, and buses. Partnering with leading automotive OEMs and their supply chains, we offer global thermal processing services to meet the industry's changing needs.



We serve a number of niche and high-tech markets, including medical devices, semiconductors and electronics, and consumer products. These markets are driven by global trends such as expanding healthcare, electrification, and growing demand for cloud computing and AI. Our processes enhance the properties of critical components, improving wear and corrosion resistance, while meeting stringent product requirements in each industry. We partner with leading medical technology and semiconductor manufacturers to address these industry-specific demands.



We deliver specialised treatments for critical components in the energy sector. This includes the oil and gas market as well as a number of power generation applications including industrial gas turbines, nuclear energy, and renewables. In the oil and gas market, safety and reliability are critical, with products often operating in extreme environments. Our success is built on our technical expertise and reliable, high-quality service. We help to enable continued innovation and support the rising demand for electrified and clean energy.

Highlights

Group summary

	Adjusted			Statutory		
	Full year 2024	Full year 2023	Organic Growth	Full year 2024	Full year 2023	Organic Growth ³
Revenue ¹	£757.1m	£802.5m	-5.7%	£757.1m	£802.5m	-5.7%
Operating profit ¹	£129.0m	£127.6m	+1.1%	£37.9m	£119.2m	-68.2%
Operating margin ¹	17.0%	15.9%	+110bps	5.0%	14.9%	-990bps
Operating cash flow ^{1,4}	£115.5m	£112.2m	+2.9%	£152.6m	£191.6m	-20.4%
Basic earnings per share ^{1,2}	48.6p	48.4p	+0.4%	10.8p	45.1p	-76.1%
Full year ordinary dividend per share				23.0p	22.7p	+1.3%

Core summary¹ (excludes sites to be exited under Optimise programme)

	Full year 2024	Full year 2023	Organic Growth ³
Revenue	£712.5m	£747.3m	-2.9%
Revenue excluding surcharges	£679.6m	£685.5m	+1.0%
Adjusted operating profit	£127.6m	£124.8m	+2.9%
Adjusted operating margin	17.9%	16.7%	

Key achievements

- Stable organic revenue performance, excluding surcharges, in a challenging market environment
- Significant improvement in adjusted operating margin, progressing towards >20% target by 2028
- Performance led by Specialist Technologies, with further growth and margins +300bps to 29%
- Early progress delivered on strategic plan to create an efficient, high performing Bodycote
 - **Optimise:** first plant closures commenced, £12m-14m profit benefit at full run-rate (end 2026)
 - **Perform:** HEAT programme to improve operational performance rolled-out to pilot sites
 - **Grow:** growth framework in place and attractive investment options identified in high margin areas
- Close to £100m returned to shareholders in 2024 (~£40m dividend and ~£60m buyback)
- Further £30m buyback now underway; leverage remains low at ~0.3x net debt/adjusted EBITDA (pre-leases)

Group Financial Performance (including Non-Core)

- Total revenue of £757.1m, down 5.7% reflecting lower Non-Core revenue, reduced energy surcharges, and FX
- Adjusted Group operating profit of £129.0m, 1.1% higher with margins +110bps to 17.0%
- Statutory operating profit of £37.9m, reflects previously indicated charges: £31.9m related to the Optimisation programme, £28.4m ERP-related impairment, and a goodwill impairment of £18.0m
- Adjusted operating cash flow modestly higher year-on-year at £115.5m (90% conversion)

Core¹ Financial Performance

- Revenue up 1.0% year-on-year organically, excluding surcharges
- Adjusted operating profit up 2.9% organically to £127.6m, led by Specialist Technologies
- Adjusted operating margins 120bps higher at 17.9%

2025 Outlook

All guidance comments are provided on an organic basis³

- End markets remain mixed, with challenging conditions in Automotive and Industrial. Structural demand in Aerospace & Defence remains strong, although there continues to be a temporary impact from industry-wide supply chain disruption
- Reflecting this backdrop, current run-rate profit performance is at a broadly similar level to H2 2024. We are successfully executing our Optimisation programme, which will deliver additional profit benefits as we move into H2 2025
- **Our continued focus on cost control and progressing our strategic actions is ensuring we are well positioned to capitalise when markets recover. We remain confident in the delivery of our medium-term financial targets**

¹ Adjusted performance measures and measures excluding surcharges represent the statutory results excluding certain items and are considered alternative performance measures (APMs). A reconciliation to the nearest IFRS equivalent is provided at the end of this Full Year 2024 Results (hereafter 'Report').

² An earnings per share reconciliation is provided in note 5 to the condensed consolidated financial statements.

³ Organic measures are stated at constant currency and exclude contributions from acquisitions. Further details are provided at the end of this Report.

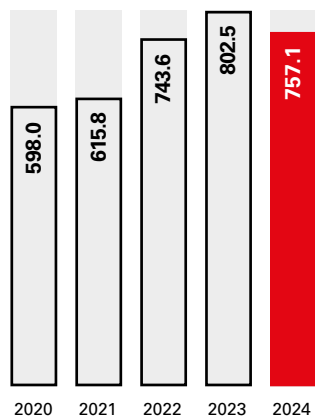
⁴ The definition of the cash flow APMs have been modified and prior year figures have been restated. Refer to the Financial Review for more information.

Highlights continued

Financial highlights

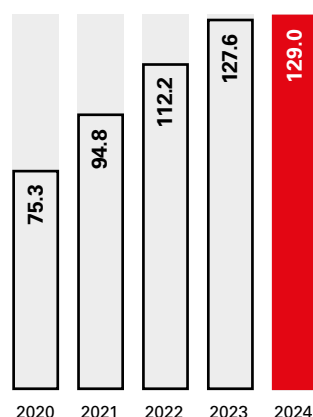
£757.1m

Revenue
(£m)



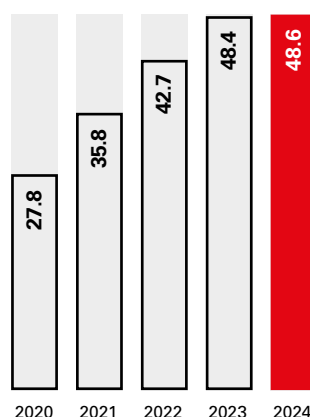
£129.0m

Adjusted operating profit
(£m)



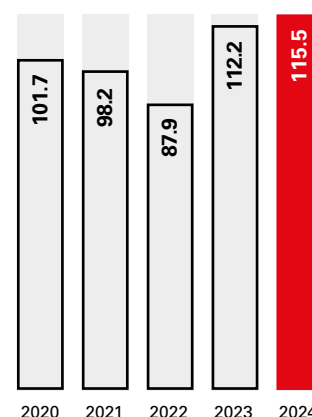
48.6p

Basic adjusted earnings
per share (pence)



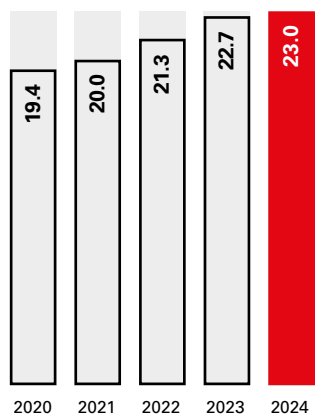
£115.5m

Adjusted operating cash flow
(£m)¹



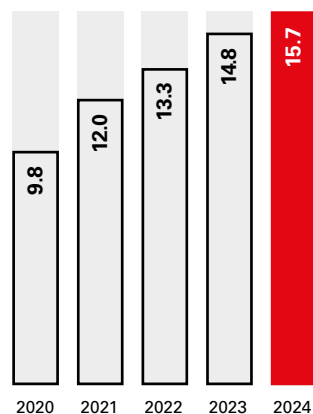
23.0p

Full year dividend per share
(pence)



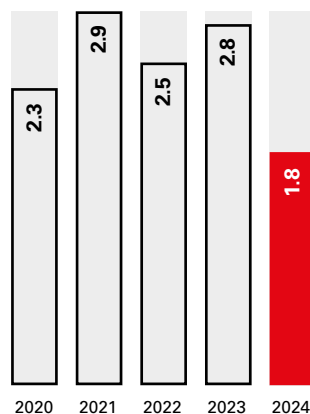
15.7%

Return on capital
employed (ROCE) (%)



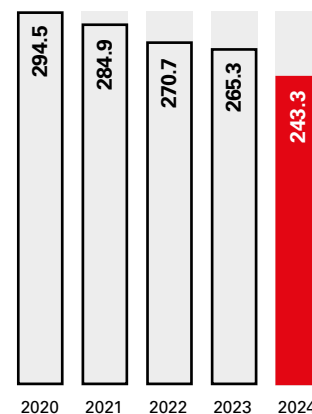
1.8

Total Recordable
Incident Rate (TRIR)



243.3

Carbon footprint
(ktCO₂e)



¹ Adjusted operating cash flow has been restated to more closely align to common market practice, most notably by including expansionary capex. For further details see the 'alternative performance measures (APMs)' section on page 175.

Our purpose and values

OUR PURPOSE

Defining who we are, why we do what we do and the difference we bring.



We deliver performance metallurgy that powers sustainable global progress.

→ See more on pages 08 to 09, 11 to 15 and 18

STRATEGIC LEVERS

Our performance is driven by our strategic levers.



Optimise



Perform



Grow

→ See more on page 17

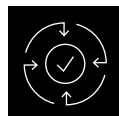
OUR VALUES

Our values govern how we operate and underpin our purpose.



Safety

For us, safety is not only a priority, it is a way of life. Our belief in the value of recognising and reducing unnecessary risks, far exceeds the demands of regulation or compliance. It ensures our people, property, partners and customers always feel protected, able to flourish and operate with confidence.



Performance

Products destined for extreme operating environments not only require precision engineering and insights, but performance thinking and action. For us, there can be no shortcuts or compromises. The result is unequalled service quality and performance value because our customers' reputations depend on us, and we depend on them.



Customer experience

As ingenious solvers of engineering challenges, we focus on building strong customer relationships and close collaborations that unleash remarkable outcomes. These actions reinforce our market relevance and strengthen our financial resilience but, more importantly, they create exceptional customer experiences and the basis for lifelong trust. Our customers see and feel our openness, transparency and our sense of shared ambition.



Sustainability

Visionary engineering is changing the world, and we have a leading role to play in shaping its future. This comes with considerable responsibility that, in meeting our business needs, we do not compromise the ability of future generations to meet theirs. To do this, we will pursue technologies and methodologies which reduce our environmental impact and help us to deliver positive, measurable, environmental, societal and economic effects, in the global geographies we operate in.

SUSTAINABILITY

Our 5-year vision is to be widely recognised as a sustainability leader.



46% reduction

in Scope 1 and 2 greenhouse gas emissions vs 2019 by 2030

125,000 tonnes

of CO₂e avoided by our customers of atmospheric processing by 2030

20% increase

in the proportion of our revenue which supports sustainable end-use markets and applications to 20% by 2035

→ See more on page 42

Investment proposition

We deliver performance metallurgy that powers sustainable global progress through two leading divisional platforms: Specialist Technologies and Precision Heat Treatment.

We service a wide range of end markets, enabling improved, longer lasting and more efficient products. We are focused on creating sustainable value for all our stakeholders, whether investors, customers, employees, or the communities where we operate.



Mix of total capital deployed (2018–2024)

Total capital expenditure	40%
Acquisitions	24%
Ordinary dividend	23%
Additional shareholder returns	13%

Investment proposition has three essential components:

01

A strong market position with two leading platforms with defined strategies and targets



Specialist Technologies

Highly differentiated processes
Leading technology positions
Growing addressable market

Maximise growth



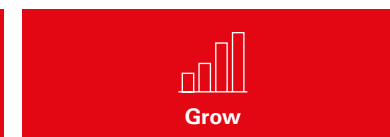
Precision Heat Treatment

Clear market leader
Global scale and network
Deep customer partnerships

Quality and performance

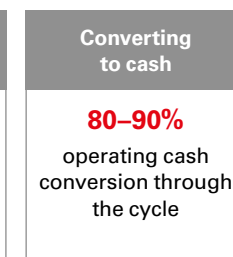
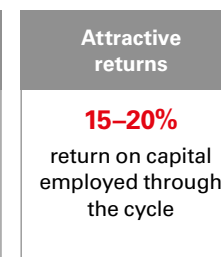
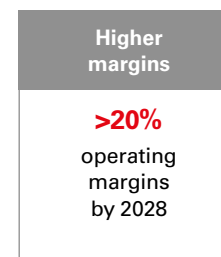
02

Three clear strategic levers



03

Our strategy supports delivery of a compelling set of five key financial targets and one key sustainability target



46%

reduction in CO₂ emissions by 2030¹
Underpinned and accelerated by sustainability

¹ SBTi-aligned target versus 2019 baseline.

Our processes



Our Specialist Technologies business comprises highly differentiated processes with high margins, significant market opportunities and appealing growth prospects. These are cleaner processes which have lower carbon emissions. These technologies include:

Hot Isostatic Pressing (HIP) Services

Through the application of extreme pressure and heat, HIP improves component integrity and strength

HIP PF including Powdermet®

Additive manufacturing of often complex components in conjunction with HIP

Specialty Stainless Steel Processes (S³P)

Our proprietary S³P process improves the strength, hardness and wear resistance of stainless steels while maintaining corrosion resistance

Surface Technology

The application of ceramic and metal coatings enhances component life



Revenue by end market:

Aerospace & Defence	37%
Industrial Markets	16%
Automotive	9%
Energy	22%
Consumer, Medical & Other	16%

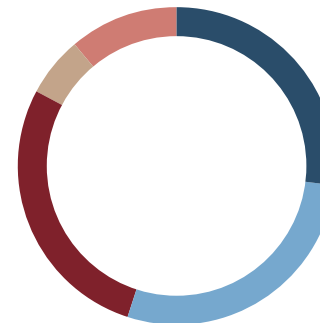
Our processes continued



PRECISION HEAT TREATMENT

Precision Heat Treatment is the process of precise and controlled heating and cooling of metals to obtain improved mechanical, chemical and metallurgical properties of complex products.

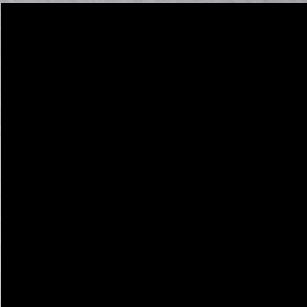
- Precisely controlled industrial furnaces can heat to temperatures above 1000°C
- The microstructure of metal is transformed, resulting in the hardening or softening of the material depending on the process
- Surface hardness can be controlled by diffusing elements such as carbon and nitrogen into the metal during the heating stages
- As a result of our processes we can fine-tune material properties allowing our customers to design thinner, lighter, but stronger components
- The environment is positively impacted by extending the life of our customers' products, reducing their carbon footprint
- Additionally we offer our customers the benefit of lower CO₂ emissions per part compared with in-house treatment



Revenue by end market:

Aerospace & Defence	27%
Industrial Markets	28%
Automotive	28%
Energy	6%
Consumer, Medical & Other	11%

STRATEGIC REPORT.



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Chair's statement

PERFORMANCE. DELIVERED.



The Group delivered well despite some challenging end markets in 2024 and we look forward with confidence, remaining committed to delivering leading performance for all our stakeholders."

Daniel Dayan
Chair

Overview

We delivered a resilient performance during 2024, despite challenging conditions in a number of our end markets. Maintaining revenue, excluding energy surcharges, while delivering strong margin progress in the year, are both testament to the underlying quality of our businesses as well as the agility and capability of our people.

Following a detailed review, we have clarified the Company's strategy, and defined ambitious medium-term operational and financial targets reflecting our plans to further improve the business. We build on solid foundations and in 2024 took some significant early steps towards realising Bodycote's full potential.

Board

Our new Chief Executive, Jim Fairbairn, joined the Board in March 2024, succeeding Stephen Harris who retired from Bodycote and stepped down from the Board at the end of May 2024. Since joining, Jim has assessed the business, travelling extensively to see many sites first-hand, to meet our people, and engage with key customers. He and the team have undertaken a comprehensive strategic review and a detailed plant-by-plant assessment of our footprint to ensure the business is well-positioned for the next chapter of Bodycote's development. He has also made significant changes to strengthen his leadership team, upgrading capabilities across a number of areas and adding new expertise in operational efficiency and execution.

The Board and I are delighted with the impact Jim has had since joining and the pace of early progress. The organisation has also responded with real enthusiasm and excitement to the refreshed culture and pace. At our Capital Markets Event in December 2024, Jim announced our new strategy, including for the first time, a set of compelling and comprehensive medium-term financial and ESG targets. As we move into 2025 the key focus for Bodycote will be execution against this clear plan to deliver value.

As we head into 2025, we acknowledge that Patrick Larmon's tenure on the Board will reach nine years. Patrick intends to step down as Senior Independent Director at the 2025 Annual General Meeting, with this role being passed to our existing Non-Executive Director, Lili Chahbazi. A process to recruit a new Non-Executive Director commenced in early 2025.

Chair's statement continued

Governance

Good governance is an integral part of our success. Our commitment to maintaining high governance standards remains a key point for me as Chair and for the Board as a whole. As regulation and best practice evolve, we strive to keep our governance approach under review to ensure it remains effective.

During 2024, we completed an externally-facilitated Board effectiveness review, which critically assessed the content and conduct of Board discussions. While the outcome of this review was positive and concluded that the Board continues to operate effectively, several improvement opportunities were identified for further discussion within the Board. The evaluation process enabled us to reflect positively on the Board's role in adding value to the business in the implementation of our strategic and operational objectives. Further details are set out on pages 80 and 81.



Sustainability

The Board has been actively involved throughout the year in the continued oversight of the development and execution of our sustainability strategy. Our much-improved Sustainability report highlights the significant progress made throughout 2024, particularly in relation to the achievement of our carbon reduction plans, which have allowed us to deliver against the Science Based Target initiative (SBTi) targets several years ahead of schedule. In December 2024 we laid out new targets, including a more ambitious carbon reduction target and a customer-avoided emissions target; more information can be found on page 42.

Dividend and shareholder returns

The Board is proposing a final dividend of 16.1 pence per share, to be paid on 5 June 2025, subject to shareholder approval at the 2025 AGM. Combined with the interim dividend of 6.9 pence, this takes the full year dividend to 23.0 pence per share for the year, a 1.3% increase, extending our unbroken record of 37 years of maintaining or increasing the dividend to shareholders.

In addition to our regular dividend, the Group launched Bodycote's first share buyback programme in March 2024. The £60 million buyback programme concluded in January 2025, with the purchase and cancellation of 8.98m shares, representing 4.9% of the issued share capital. In December 2024, we announced a further £30m extension to the buyback programme which is currently underway. Taken together with our dividend, we returned almost £100m to shareholders in 2024. Our balance sheet remains strong and the buyback demonstrates the Board's continued commitment to disciplined and balanced capital allocation and to delivering value for our shareholders.

Our People

Our people are critical to our success and, as a service business, it is our colleagues' dedication to delivering outstanding service levels that materially contributes to our competitive advantage. We are fortunate to have impressive teams across all levels of the organisation who continue to deliver against demanding expectations. I would like to share my thanks and appreciation for everyone within Bodycote for their efforts during 2024.

Shareholders

During the year, I have again had the privilege of engaging with many of our shareholders and investors to better understand their views and expectations. Our December Capital Markets Event was well attended by a range of investors, analysts and advisers and this provided the Company with the opportunity to outline the plans being put in place to deliver our new strategic objectives. The Board appreciates the support of our shareholders, and we endeavour to ensure their views are considered as part of our decision-making processes. I look forward to further opportunities to meet with shareholders throughout 2025.

Summary

This has been a year of transition for Bodycote, with a new leader at the helm, new strategic levers and an exciting and challenging action plan. Overall, the Group has made good progress and while short-term macro-economic challenges remain, I look forward with confidence. With a newly-defined and compelling strategy, excellent leadership and the continued commitment of our people, I am optimistic about our prospects to deliver further value to our customers, shareholders and employees.

Daniel Dayan

Chair

13 March 2025

Chief Executive's review

POTENTIAL. ENHANCED.



Bodycote has strong foundations, as well as significant opportunities to drive further value. Our new strategic approach will create a higher quality, more efficient and faster growing Company."

Jim Fairbairn
Chief Executive Officer

Introducing our new CEO

"Since joining Bodycote in March, I've had the opportunity to travel extensively around our plant network and to meet our staff, customers and investors. What struck me from day one was the capability of our people, the enthusiasm for metallurgy, and the importance of the services we provide. We deliver performance metallurgy which transforms the characteristics of our customers' products, enabling them to perform in critical environments.

The business has strong foundations, and I firmly believe there is further potential to enhance the quality of the portfolio and improve our financial performance. Our aim is to create an efficient and high performing group, with stronger growth and an emphasis on customer experience. We've taken our first steps on this journey with the launch of our new strategy at the end of 2024. As we look forward, the team is motivated and energised to deliver.

The passion and potential of the business is evident, and it's inspiring to lead the Company during this next phase in its evolution."

Chief Executive's review continued

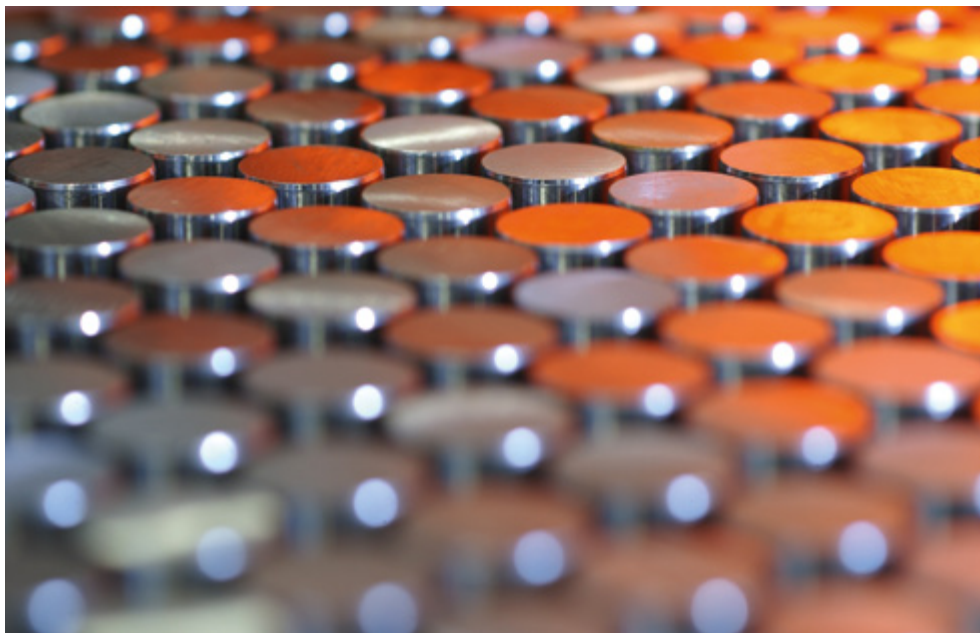
Core Overview

Core revenue grew by 1.0% organically in 2024, excluding surcharges. This was despite a challenging market environment, with both North America and Western Europe seeing low levels of demand in Automotive and Industrial Markets. The resilient performance reflected further growth in Specialist Technologies (+5.0% organic, excluding surcharges), partly offset by a modest decline in Precision Heat Treatment (-0.8%). Growth in Specialist Technologies was supported by market share gains, continued efforts to expand the addressable market with new applications, as well as strong demand globally in Aerospace & Defence and Energy markets. Precision Heat Treatment delivered good growth globally in Aerospace & Defence and outperformed a challenging Automotive market, supported by growth in Emerging Markets and new customer wins in Western Europe. The modest revenue decline was driven by soft demand in North America and Europe across Industrial, Consumer and Medical markets.

Profitability in our Core business improved significantly year-on-year, with adjusted operating profit up 2.9% organically to £127.6m and margins 120bps higher at 17.9%. The improvement was led by Specialist Technologies, where adjusted operating margins increased by 300bps to 29.0% thanks to improved utilisation, better operational performance in our HIP business, and a positive contribution from the Lake City business acquired in January 2024. Precision Heat Treatment margins were resilient at 17.0% (down 60bps year-on-year), which reflected the soft volume environment and the non-recurrence of government energy grants received in 2023, offset by decisive cost actions taken in the year. Central costs also reduced year-on-year reflecting tight cost control and a lower level of incentive-based pay, which is expected to normalise in 2025.

Group Overview

Including Non-Core businesses, total Group revenue was £757.1m (2023: £802.5m), 5.7% lower year-on-year and 3.9% lower organically excluding the impact of Lake City. This reflected 1.0% organic growth in the Core business excluding surcharges, offset by the decline in Non-Core revenue, FX headwinds and a significant fall in surcharges year-on-year, which reduced by around 50% due to the normalisation of energy prices. Group adjusted operating profit of £129.0m was modestly higher year-on-year (2023: £127.6m), representing a significant improvement in margins to 17.0% (+110bps).



£757.1m

Group revenue
(2023: £802.5m)

17.0%

Group adj. operating margin,
up 110bps (2023: 15.9%)

15.7%

Group ROCE,
up 90bps (2023: 14.8%)

Our Non-Core businesses, which are almost entirely focused on European and North American Automotive and Industrial markets, declined during the year. Revenue was down by 17.1% organically to £44.6m and adjusted operating margins reduced by 200bps to 3.1%. This business represents a small number of sites with lower differentiation and a less attractive financial profile than the rest of the Group. The difference in performance between our Core Precision Heat Treatment division and the Non-core division in 2024 demonstrates the higher quality and greater resilience of our Core business. As outlined at our December 2024 Capital Markets Event, we plan to exit all Non-Core activity as part of our optimise programme to enhance the quality and profitability of the Group.

Group statutory operating profit reduced year-on-year to £37.9m (2023: £119.2m). This was due to the impact of previously indicated one-off charges, which totalled £78.3m in 2024. In H1 we announced a £28.4m impairment charge arising from the decision to cease the rollout of the operations module of our ongoing ERP upgrade programme. In addition, as part of the Optimise programme announced at our December 2024 Capital

Markets Event, we recognised a £31.9m restructuring charge. This programme will deliver a significant improvement in the quality of our plant portfolio and in our financial performance. Finally, goodwill of £18.0m was impaired in H2 2024, relating to our North American Automotive and Industrial focused activities, which have seen challenging market conditions and carry a high level of associated goodwill from historical acquisitions.

Basic adjusted earnings per share grew to 48.6p (2023: 48.4p), reflecting higher operating profit offset by a 125bp increase in the tax rate and higher finance costs. The lower statutory operating profit resulted in basic earnings per share of 10.8p (2023: 45.1p).

Adjusted operating cash flow of £115.5m was 2.9% ahead of the prior year (2023: £112.2m), driven by the growth in adjusted operating profit alongside lower capital expenditure, partly due to the timing of investment in key projects around year-end. Free cash flow was lower year-on-year at £70.6m (2023: £95.2m), which reflected a higher level of cash tax compared with the prior year, which had benefited from a substantial tax refund.

Chief Executive's review continued

The closing net debt position, excluding lease liabilities, was £68.3m¹, reflecting the acquisition of Lake City (£54.9m including acquisition costs) and the share buyback programme (£57.7m executed in 2024) compared with a net cash position of £12.6m at year end 2023. The Group continues to have a strong balance sheet and leverage remains low with net debt/adjusted EBITDA of 0.3x (excluding lease liabilities).

Strategic progress: Optimise, Perform, Grow

As outlined at our Capital Markets Event in December, our strategy consists of three key levers: Optimise, Perform, and Grow, which are focused on creating a higher quality, more efficient and faster growing Bodycote. We have already begun to make good early progress executing on these levers in 2024.

Optimise: approximately 6% of Group revenue has been classified as Non-Core (FY 2024: £45m). This comprises heat treatment activity with lower differentiation and financial characteristics that do not fit with our revised strategy and focus. A significant portion of this revenue will be transferred to other more profitable sites in our network at a higher margin, while the remainder will be exited. We are also making a number of reductions to our overhead cost base, enabled by the smaller footprint. Work has already commenced on transferring or exiting activity in over a third of the impacted locations, and approximately one third of the targeted overhead cost reductions have been completed. We anticipate a benefit of low-to-mid single-digit millions of pounds to adjusted operating profit in 2025, reflecting the gradual transfer of customer sales, with the full run-rate benefit of £12m-14m expected to be reached by the end of 2026.

Perform: the HEAT framework will enable us to deliver more consistent and sustained levels of performance. It will embed systematically across the Group a high performance culture, enhanced service quality, and a more agile cost base, while also enabling us to transition to a sustainable future. Once in place, this approach will drive a significant improvement in our operational performance and margins. Our new Chief Excellence Officer will join the business in June 2025, with a focus on driving these Group-wide operational improvements. We have already

rolled-out the key elements of HEAT to a select group of pilot sites which represent around 10% of our total footprint. We are seeing early benefits materialise in these pilot sites, and in 2025 we expect to begin the group-wide rollout of HEAT, with more material benefits to begin from 2026.

Grow: we see potential for a significant acceleration in growth and aim to deliver mid-single-digit revenue growth through the cycle. To achieve this, we are focused on a number of higher-growth and higher-margin areas, including structural growth end markets, driving adoption of Specialist Technologies and more advanced heat treatment processes, and expanding in attractive geographies. In 2024 we compiled a funnel of initiatives in these target areas, and we have begun to allocate management resource and capital to specific projects. In 2025 this includes Specialist Technologies expansion projects across HIP, S³P, and Surface Technology in North America, Europe and Asia. In Precision Heat Treatment, investment is focused on modernising and expanding our Aerospace footprint in North America, as well as capacity expansions in Turkey and China.

Our growth strategy will also be supported by improved commercial capability and inter-divisional collaboration. Our new Chief Marketing Officer joined in late 2024 and is building capability in strategic marketing and key account management. In addition, we are aiming to leverage our ability to reduce our customers' carbon emissions to drive revenue growth. We have developed proprietary tools to demonstrate the carbon reductions we can offer, and have now trained our sales teams and deployed these tools. Live discussions are ongoing with a number of large customers on our sustainability offering.

Sustainability

The increasing pressure to decarbonise provides a growing opportunity to support customers in achieving their sustainability goals. Our suite of energy efficient processes in both Specialist Technologies and Precision Heat Treatment can help customers to reduce their emissions and environmental impact. Outsourcing is already recognised by customers as one of the key levers for achieving their carbon reduction targets, some of whom would pay a premium for a more sustainable service.

We are focused on developing and executing our strategy to capture sustainability-related growth opportunities, and we have recently launched three new environmental targets:

- By 2030, to reduce our absolute Scope 1 and 2 greenhouse gas emissions by 46% versus 2019 levels. This now aligns to a 1.5°C pathway, enhancing our existing SBTi approved target of a 28% reduction which we achieved in 2024, six years early.
- To enable our customers of atmospheric processing to avoid at least 125,000 tonnes of CO₂e by 2030. This target has been externally validated and is aligned with best practice guidance.
- An increase in the share of revenue which supports sustainable end-use markets to at least 20% by 2035 (from 7% in 2023).

This year, we have also broadened our emissions measurement to include a full Scope 3 emissions inventory and set ourselves new supply chain goals. These include targets to reduce emissions from our fuel and energy-related activities by 45% by 2030, and for 30% of our suppliers to have an SBTi or equivalent carbon reduction target by 2030. Over the next 12-18 months we will build on this to develop our longer-term decarbonisation strategy and evaluate our roadmap towards net zero.

Summary and outlook

We delivered a resilient performance in 2024 despite a challenging market backdrop. Core revenue grew by 1% organically, pre-surcharges, and Core adjusted operating margins reached 17.9%. This was led by strong performance in Specialist Technologies and supported by decisive cost actions taken in the adversely impacted areas of Precision Heat Treatment.

End markets remain mixed, with challenging conditions in Automotive and Industrial. Structural demand in Aerospace & Defence remains strong, although there continues to be a temporary impact from industry-wide supply chain disruption

Reflecting this backdrop, current run-rate profit performance is at a broadly similar level to H2 2024. We are successfully executing our Optimisation programme, which will deliver additional profit benefits as we move into H2 2025

Our continued focus on cost control and progressing our strategic actions is ensuring we are well positioned to capitalise when markets recover. We remain confident in the delivery of our medium-term financial targets

Jim Fairbairn

Chief Executive Officer
13 March 2025

¹ Net debt/cash is considered an alternative performance measures (APM). A reconciliation to the nearest IFRS equivalent is provided at the end of this Report.

Executive Committee

Bodycote's strength is its people and technology and it is our employees who set us apart.

We are determined that Bodycote should be a place where people feel proud to work, as well as a place where they feel safe. We are therefore looking to the refreshed executive team to develop their respective parts of the business to ensure we maintain consistent standards and implement our values throughout the Group.



JIM FAIRBAIRN
Chief Executive Officer



BEN FIDLER
Chief Financial Officer



RICK LLOPE
President, Global AGI



HEIDI McNARY
President, Global ADE



THOMAS OURY
President,
Specialist Technologies



BARIŞ TELSEREN
Executive Vice President,
Emerging Markets



ALISON BROUGHTON
Group Company Secretary



MICHELA FUSCO
Chief Marketing Officer



MICHAEL HARKCOM
Group General Counsel



LILY HEINEMANN
Chief Sustainability Officer



VICKI POTTER
Chief Human Resources Officer



JAMES RICHARDSON
Chief Information Officer

Strategic levers



OPTIMISE

1 Improve portfolio quality

Objective: Our aim is to create a high-quality portfolio focused on differentiated processes, complex customer applications and attractive end markets where we can add the most value and optimise our returns.

Our improved portfolio is structured around two leading, technology-focused divisions: Specialist Technologies and Precision Heat Treatment. For a temporary period we are also reporting a small Non-core division as we progress with the Group's Optimise programme.

2 Maintain an efficient operating model

Objective: Maintain a low-cost corporate centre and ensure that our support functions are appropriately sized to provide the necessary capability at the lowest reasonable cost.



PERFORM

1 High performance culture

Objective: We aim to have a winning team of highly capable and engaged people, all working towards the same clear strategic goals and collaborating effectively across divisions.

2 Enhance service quality

Objective: We are a service business, and are focused on delivering the highest levels of customer service, including quality, cost, and turnaround times.

3 Agile cost base

Objective: Preserve and enhance the flexibility of our cost base, to ensure we are able to respond to changes in market conditions.

4 Transition to a sustainable future

Objective: Continue to reduce our energy consumption and thereby reduce our costs, improve our customer offering, and reduce our impact on the planet.



GROW

1 Target high-growth, high-margin areas

Objective: Focus our sales efforts and disciplined investments on structural growth end markets (eg. Aerospace, Medical), advanced processes (including Specialist Technologies), and emerging market geographies, improving our mix.

2 Accelerate via sustainability

Objective: Drive growth and accelerate outsourcing through our ability to process parts with significantly lower carbon emissions than in-house treatment.

3 Add aligned M&A

Objective: Boost growth through disciplined M&A, aligned to our target high-growth, high-margin areas and with compelling financial returns.

Our business model

Our business model ensures we are the supplier of choice for performance metallurgy solutions.

WE PROVIDE ESSENTIAL MATERIALS SCIENCE SOLUTIONS.

Our Specialist Technologies and Precision Heat Treatment divisions provide performance metallurgy solutions that are vital to the safe and effective working life of thousands of components. Our services allow our customers' parts to achieve optimal performance and reduce their environmental impact, supporting a more sustainable future.

Our global network of engineers and metallurgists collaborate with customers to solve complex materials challenges, enhance operational efficiencies and help reduce carbon emissions.

Utilising our strategic differentiators

Global and local

With 153 facilities in 22 countries, we are an established global partner to multinationals, whilst serving deep local relationships with our customers. This network provides customers, large and small, with unique access to the Group's extensive capabilities, expertise and backup processing.

Expert knowledge

With decades of experience in all major markets and deep knowledge of all areas of metallurgy, Bodycote's engineers and metallurgists are able to utilise the global network of expertise, skills and experience to provide solutions for customers, whatever their market or wherever in the world they may be.

Technology leader

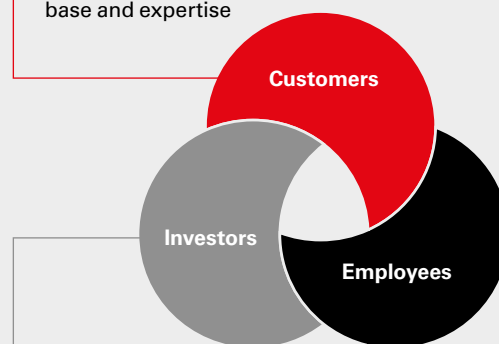
The broadest range of metallurgical processing capabilities and an unrivalled equipment network enable our customers to access materials performance solutions that fulfil multiple requirements from a single quality-assured provider, whilst reducing their carbon footprint.

Fully accredited

Quality has always been at the forefront of Bodycote's services, delivering the very best in precision-controlled treatments and quality inspection. Our facilities hold multiple certifications for critical industries and approved supplier status with key OEMs.

Creating value for...

- Value-adding services
- Global supplier meeting multiple processing needs
- Carbon reduction versus in-house operations, reducing overall emissions
- Cost reduction benefits versus in-house operations
- Access to the entire Bodycote knowledge base and expertise



- Appealing growth drivers
- Strong margins, cash flows and balance sheet
- High return on investment
- Proactive approach to sustainability and climate change
- Attracting, developing and retaining a diverse workforce
- Ongoing and open engagement
- Operating as a responsible business

Supported by our focus on...



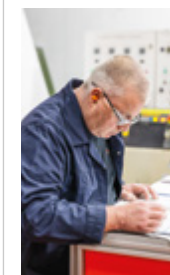
Customer service

A focus on enhancing customer experience underpins our business. We build strong customer relationships through local service expertise, delivering quality processing and turnaround that adds value to our customers' workflows and their components.



Carbon reduction

Bodycote has achieved existing targets and set new ambitious targets for sustainability. We actively work towards transitioning to lower carbon technologies that have a lower environmental impact. Bodycote's proprietary carbon reduction app has been rolled out globally to enable our teams to support our customers meet their carbon reduction targets.

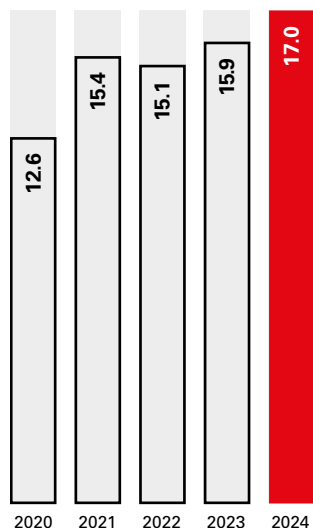


Operational excellence

Improving safety and optimising productivity and efficiency are our foundations for operational excellence. Targeted investment in the latest processes and the most efficient and environmentally friendly equipment, combined with key geographies, enables us to access high-growth markets and extend our customer base.

Our key performance indicators¹

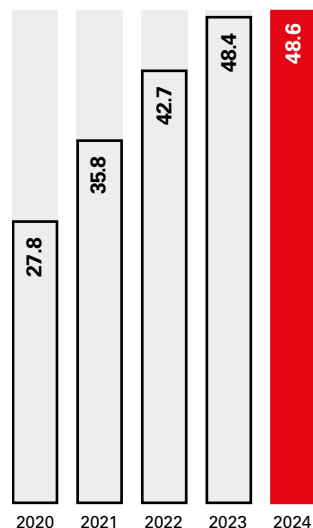
Adjusted operating margin (%)



↑ 110bps

Adjusted operating margin is a key measure of the efficiency of our business in generating profit from operations.

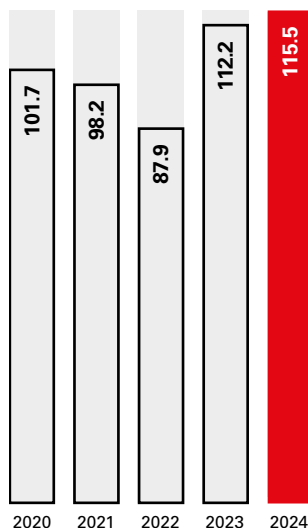
Basic adjusted earnings per share (pence)



↑ 0.2p

Earnings per share is an important profitability metric and a key measure of how our business operations have driven shareholder value.

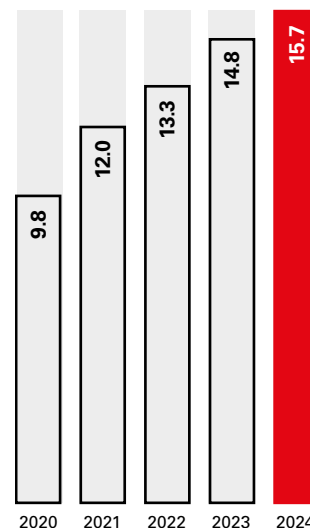
Adjusted operating cash flow (£m)



↑ 2.9%

Adjusted operating cash flow is used to assess how well our business generates cash from operations.

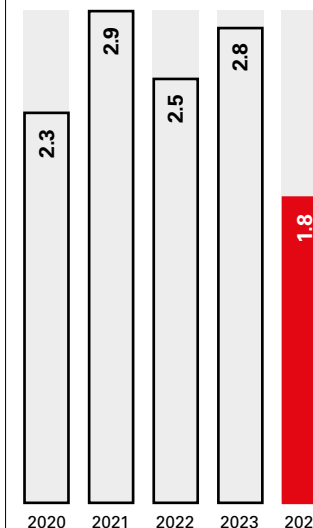
Return on capital employed (ROCE) (%)



↑ 90bps

ROCE shows how efficiently we have deployed our capital to generate returns.

Total Recordable Incident Rate (TRIR)



↓ 1.0

TRIR is a key health and safety performance metric. TRIR represents the number of lost time incidents, restricted work cases and medical treatments cases x 200,000, divided by the total number of employee hours worked.

Carbon footprint (ktCO₂e) (Scope 1 and 2)



↓ 8.3%

Our Scope 1 and 2 footprint is a key measure of our progress towards our science-based Greenhouse Gas reduction target. See page 59.

 Part of the Executive Directors' Remuneration

¹ Adjusted operating cash flow has been restated to reflect common industry and investor practice. For further details see the 'alternative performance measures (APMs)' section on page 175.

Business review

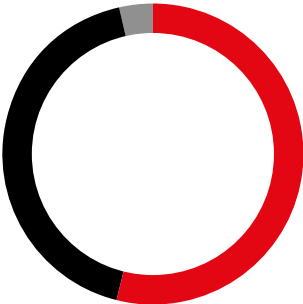
Specialist Technologies



Specialist Technologies delivered a good performance in 2024 despite the mixed market environment, demonstrating the strong underlying characteristics of this set of differentiated technologies.

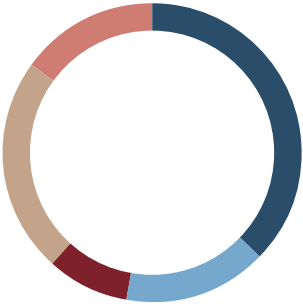
Organic revenue growth was 3.3%, and 5.0% excluding surcharges, which reflected good growth in both North America and Europe in Aerospace and Defence, as well as growth in Energy supported by market share gains. We also continue to drive above market growth by expanding the addressable market in Specialist Technologies with new applications. To keep pace with the demand growth in Specialist Technologies, capacity expansions were made during the year in both HIP and S³P, focused primarily in North America. Operating margin improved by 300bps during the year to 29.0%, driven by a significant improvement in operational performance in our HIP business, as well as volume benefits and pricing improvements on long-term contracts secured in Surface Technology. The acquisition of Lake City was completed in January 2024 and has proved an excellent fit for the Group, delivering strong profit performance in 2024.

Revenue by geography (£m)



Western Europe	121.0
North America	95.7
Emerging Markets	7.5
Total	224.2

Revenue by market sector (£m)



Aerospace & Defence	83.5
Industrial Markets	34.9
Automotive	19.9
Energy	52.5
Consumer, Medical & Other	33.4
Total	224.2

Case study



Ian Tough
Market Development Manager, Energy

FUTURE. POWERED.



We contribute to sustainable manufacturing, demonstrating that focusing on environmental factors can reduce costs, lead-times, and enhance quality.”

Ian Tough
Market Development Manager, Energy

ENERGY EFFICIENCY

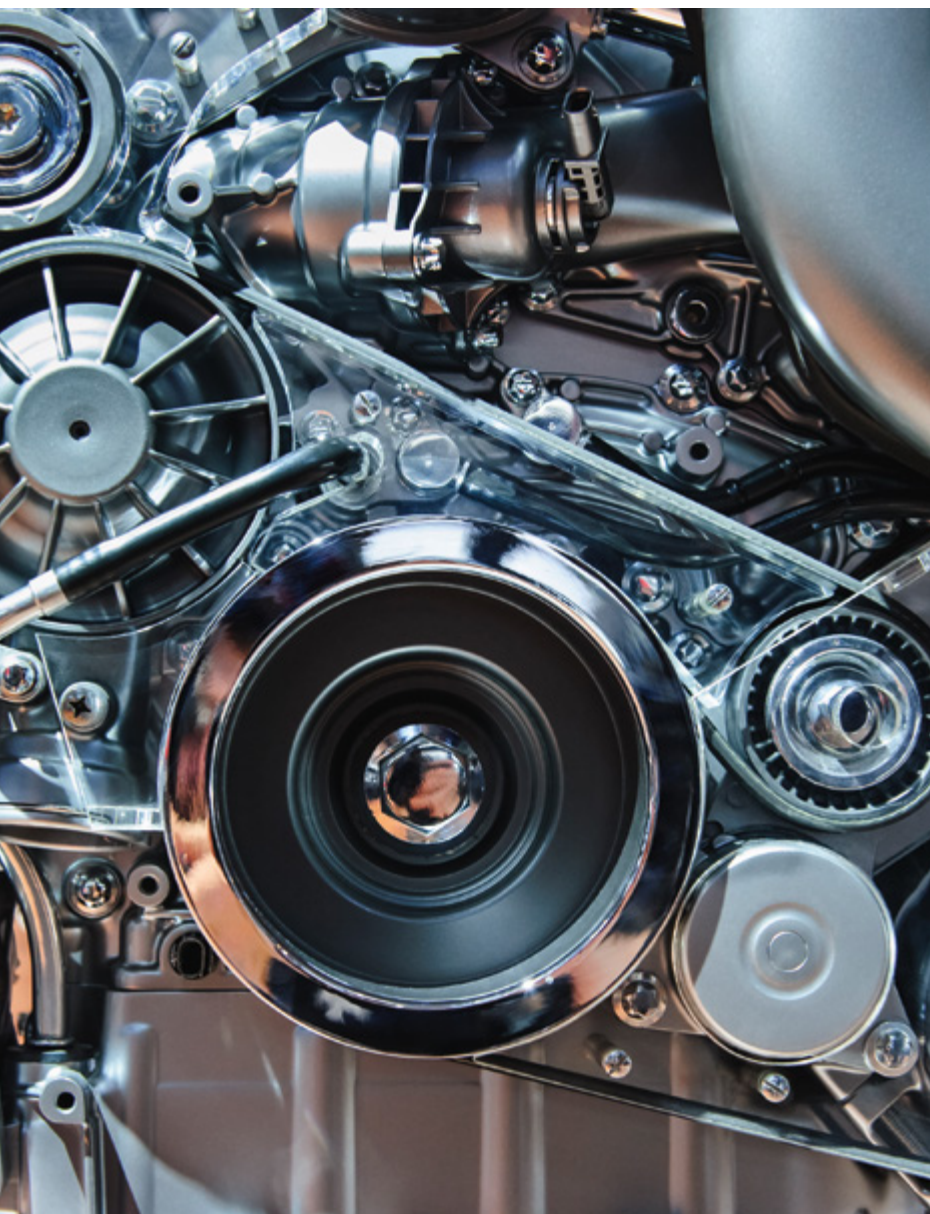
In the quest for more sustainable and energy-efficient production methods that also support cost, quality and lead-time drivers, a study was undertaken during the year to compare the energy consumption of Bodycote's Powder Metallurgy-Hot Isostatic Pressing (PM-HIP) process to produce near-net-shape parts versus traditional hot forging for fabricating metallic components for industrial applications. The study focused on the energy use in the manufacturing stages of each process, a crucial topic as industries aim for sustainable production without compromising quality or timelines. The results of the study showed that hot forging used 15.1 MWh, while our PM-HIP used just 5.3 MWh, a 65% reduction; enough to power an average home for a year. Key factors included a 60% weight reduction in the optimised PM-HIP design, consolidated post-process heat treatment, reduced machining, and no overlay welding, which also reduces risk and lead time. Bodycote's PM-HIP Powdermet® technology offers freedom of design and superior material properties, transforming primitive forged shapes into sleeker, lighter designs with homogenous material properties and leaner manufacturing processes. This enables customers to produce improved products while reducing costs and lead times.



Further information about this study can be found at:
<https://www.bodycote.com/energy-efficiency-in-manufacturing/>.

Business review

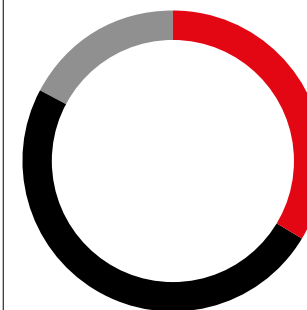
Precision Heat Treatment



Precision Heat Treatment performance reflected the challenging market conditions in 2024, offset by decisive cost control actions.

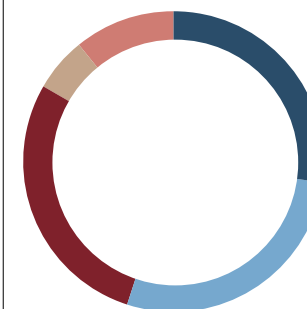
Industrial demand softened through the year in both Europe and the US, and demand was also sluggish in Automotive across developed markets. Despite this backdrop, performance in Precision Heat Treatment was resilient. Revenue was down 5.3% organically, however the majority of this was driven by lower energy surcharges with organic revenue down just 0.8% excluding surcharges. The business outperformed its underlying end markets in Automotive, driven by good growth in Emerging Markets and market share gains in Europe. There was also strong growth in both Europe and North America in Aerospace & Defence. These tailwinds helped to offset the majority of the broader weakness in developed markets industrial demand. Cost agility was a key focus during the year, with a number of decisive actions taken to reduce capacity and flex labour cost to meet the level of market demand. Operating margins reduced by 60bps in the year, to 17.0%, driven by soft volumes coupled with the non-repeat of energy grants received in 2023, partly offset by stringent cost control measures.

Revenue by geography (£m)



Western Europe	165.0
North America	239.3
Emerging Markets	84.0
Total	488.3

Revenue by market sector (£m)



Aerospace & Defence	134.1
Industrial Markets	135.6
Automotive	138.1
Energy	28.9
Consumer, Medical & Other	51.6
Total	488.3

Case study

DIRECTION. DRIVEN.



Alexander Larsson
Technical Sales, Sweden

TOOLS IN ACTION

During the year, Bodycote partnered with a world-leading manufacturer of marine engines and power systems to improve the technical and environmental credentials of their products. Work was undertaken to encourage the customer to switch from atmospheric processing to low pressure carburising (LPC), which creates less distortion and has a lower carbon footprint. The team demonstrated the potential of LPC by using our proprietary product carbon footprint calculator which has been recently developed.

Bodycote collaborated with the customer's innovation team to set the correct processing specification and support their extensive testing and approval procedures. As a result of transitioning to LPC, the customer's thermal processing emissions have reduced from 9.8kg to 0.68kg CO₂ per part, equating to a 93% reduction, which means the emissions associated with the overall manufacture of their product are materially reduced. Bodycote is a global leader in LPC processing, and through tools like our new carbon footprint calculator we are increasingly able to show customers the remarkable carbon savings that can be achieved by switching technology, while also improving the final product performance characteristics versus conventional atmospheric processing.

▴▴
Our technical expertise, coupled with our focus on strong customer relationships, enables us to deliver high-value solutions that minimise environmental impact."

Alexander Larsson
Technical Sales, Sweden

Chief Financial Officer's review

RETURNS. IMPROVED.



A resilient performance showing good margin progression despite challenging end markets.”

Ben Fidler
Chief Financial Officer

Financial overview

	2024 £m	2023 £m
Revenue	757.1	802.5
Adjusted operating profit	129.0	127.6
Exceptional charges	(78.3)	–
Amortisation of acquired intangible assets	(10.4)	(8.1)
Acquisition costs	(2.4)	(0.3)
Operating profit	37.9	119.2
Net finance charge	(9.5)	(7.5)
Profit before taxation	28.4	111.7
Taxation charge	(7.7)	(24.9)
Profit for the year	20.7	86.8

Group revenue decreased by 5.7% to £757.1m (2023: £802.5m) at actual exchange rates and 2.6% at constant currency. The fall in revenue reflected a 47% reduction in energy surcharges to £35.6m (2023: £66.8m) as energy prices normalised. At constant FX rates and normalised for surcharges, revenue performance was stable, increasing by 1.3% (-0.1% organic).

Despite the challenging end markets, adjusted operating profit for the year increased by 1.1% to £129.0m (2023: £127.6m), representing growth of 4.9% at constant currency (+1.7% organic). Adjusted operating margin further improved to 17.0% (2023: 15.9%) reflecting good growth in Specialist Technologies and pro-active cost management in Precision Heat Treatment in response to the challenging conditions in Automotive and Industrial markets. Statutory operating profit was £37.9m (2023: £119.2m) after a charge of £78.3m for exceptional items (see below).

Excluding the Non-Core businesses which we plan to exit as part of the Optimise programme, Core revenue reduced by 4.7%. On an organic basis and excluding the impact of lower surcharges, Core revenue increased by 1.0%, demonstrating the stronger underlying growth potential of the Core business despite challenging market conditions. Core adjusted operating margins increased by 120bps to 17.9%.

Chief Financial Officer's review continued

Exceptional items

Exceptional charges for the year of £78.3m (2023: £nil) comprised £28.4m in respect of the write-down of the Group's ERP system; £31.9m in respect of the Group's strategic Optimisation programme; and a £18.0m goodwill impairment in respect of our North American Automotive and Industrial focused operations.

The Group has been developing a new enterprise-wide ERP solution and after a detailed evaluation the decision was taken in June 2024 to cease further investment in the Operations module. This decision significantly reduced risk and future implementation costs but has resulted in an impairment charge of £28.4m which was recorded as an exceptional item in the first half of the year.

As part of the Group's strategic review, we announced a number of Optimisation actions to enhance the quality of our plant footprint and improve operational and financial performance. The associated plant closures and overhead cost reduction actions led to an exceptional cost of £31.9m in the year comprising £4.1m of severance costs and £27.8m of asset write-downs and site closure costs, including a loss of £2.7m on the sale of a site in France.

An £18.0m goodwill impairment was taken relating to our North America Automotive and Industrial focused operations in Precision Heat Treatment. This area of our business has seen challenging market conditions for a number of years and has a high level of associated goodwill based on historical acquisitions.

Further detail can be found in note 7 to the financial statements.

Net finance charge

The net finance charge increased to £9.5m (2023: £7.5m), as summarised in the table below:

	2024 £m	2023 £m
Interest on loans and bank overdrafts	(3.9)	(2.7)
Interest on lease and pension liabilities	(3.0)	(2.7)
Financing and bank charges	(3.4)	(2.9)
Total finance charge	(10.3)	(8.3)
Interest received	0.8	0.8
Net finance charge	(9.5)	(7.5)

The increase in interest charges during the year were driven primarily by higher borrowing as a result of the acquisition of Lake City Heat Treating in January 2024 and outflows in respect of share buybacks of £57.7m in the year.

Profit before taxation

	2024 £m	2023 £m
Adjusted profit before taxation	119.5	120.1
Exceptional charges	(78.3)	–
Amortisation of acquired intangibles	(10.4)	(8.1)
Acquisition costs	(2.4)	(0.3)
Profit before taxation	28.4	111.7

Adjusted profit before tax remained broadly in line with the prior year at £119.5m (2023: £120.1m) at actual exchange rates, reflecting our active management of the cost base in light of the challenging end market conditions. Statutory profit before taxation fell to £28.4m (2023: £111.7m). This reflected the impact of exceptional charges of £78.3m, as well as higher amortisation of acquired intangibles and acquisition costs, both as a result of the Lake City Heat Treating acquisition.

Taxation

The tax charge for the year was £7.7m (2023: £24.9m). The adjusted tax rate for the Group was 23.8% (2023: 22.5%), before accounting for amortisation of acquired intangibles, acquisition costs and exceptional items. This was in line with our expectations. The Group's overall tax rate reflects the blended average of the tax rates in the jurisdictions around the world in which the Group trades and generates profit. Looking ahead, the adjusted tax rate is expected to moderately increase over the next few years.

The effective statutory tax rate was 27.1% (2023: 22.3%) with the increase reflecting that not all of the exceptional costs were deductible. Provisions of £24.9m (2023: £26.4m) are carried in respect of potential future tax assessments related to 'open' historical tax years. Note 5 of the consolidated financial statements provides more information.

The OECD Pillar II Rules for a global minimum tax rate have been applicable to the Group from 1 January 2024. The changes have not had a material impact on the Group's tax charge in 2024.



Chief Financial Officer's review continued

Earnings per share

Basic adjusted earnings per share increased 0.4% to 48.6p (2023: 48.4p) reflecting the improved operating profit and the impact of share buybacks during the year, offset by higher interest costs and the higher adjusted tax rate. Basic statutory earnings per share for the year decreased to 10.8p (2023: 45.1p) reflecting the exceptional charges recorded in the year. Note 6 of the consolidated financial statements provides further details of the basis of these calculations.

	2024 £m	2023 £m
Profit for the year	20.7	86.8
Attributed to non-controlling interests	0.7	1.2
Earnings attributable to equity holders of the parent	20.0	85.6
Weighted average number of ordinary shares in issue	186,012,493	189,877,099
Basic adjusted EPS	48.6p	48.4p
Basic EPS	10.8p	45.1p

Return on capital employed

Return on capital employed rose by 90bps in the year to 15.7% from 14.8% in 2023. The increase reflects improvement in adjusted operating profit together with the Group's disciplined approach to the capital expenditure projects, focused on delivering the Group's strategy and driving attractive returns.

Cash flow

	2024 £m	2023 ² £m
Adjusted operating profit	129.0	127.6
Depreciation and amortisation	75.3	74.0
Other, including impairment and profit on disposal of PPE	(5.6)	(2.7)
Adjusted EBITDA¹	198.7	198.9
Net capital expenditure	(60.5)	(72.0)
Principal element of lease payments	(13.5)	(13.0)
Provisions movement	(7.3)	(0.9)
Net working capital movement	(1.9)	(0.8)
Adjusted operating cash flow	115.5	112.2
Restructuring	(3.9)	(1.6)
Financing costs, net	(8.9)	(6.4)
Tax, net	(32.1)	(9.0)
Free cash flow	70.6	95.2
Net lease liability additions and disposals	(0.7)	(0.5)
Ordinary dividend	(42.9)	(40.6)
Acquisition spend	(55.6)	(0.1)
Ordinary shares purchased for share buyback	(57.7)	–
Own shares purchased less share-based payments	0.6	(8.1)
(Increase)/reduction in net debt	(85.7)	45.9
Opening net debt	(51.7)	(99.4)
Foreign exchange movements	5.6	1.8
Closing net debt	(131.8)	(51.7)
Lease liabilities	63.5	64.3
Net (debt)/cash excluding lease liabilities	(68.3)	12.6

1 Refer to page 177 of the Annual Report for a reconciliation of operating profit to Adjusted EBITDA.

2 In 2024 the definition of adjusted operating cash flow has been updated to include expansionary capital expenditure, which was previously reflected outside free cash flow. In addition, adjusted operating cash flow has been restated to include the principal element of lease payments and exclude non-cash movements in net debt arising from lease liability asset additions and disposals. These changes aim to bring the definition of adjusted operating cash flow closer to market norms. A reconciliation to adjusted operating cash flow and free cash flow as previously stated is included on page 177.

Adjusted operating cash flow increased to £115.5m (2023: £112.2m), a conversion ratio of 90% (2023: 88%), as a result of the improved operating profit and lower capital expenditure, due partly to timing and partly to additional discipline around our capital spend given the challenging market conditions. These tailwinds were partially offset by higher provision outflows (£6.4m higher year-on-year) driven almost entirely by a first half payment to resolve a historical environmental issue that was fully provided for.

Free cash flow fell to £70.6m (2023: £95.2m) for the year. This was driven almost entirely by higher tax, with net tax payments in 2024 of £32.1m compared with just £9.0m in 2023. The low level of payments in 2023 reflected the receipt of tax refunds relating to prior years and other timing differences. The statutory measure, net cash from operating activities, fell to £152.6m (2023: £191.6m) largely reflecting the increased cash tax outflows in the year and the payments to resolve the historical environmental issue.

Closing net debt was £131.8m (2023: £51.7m). Excluding lease liabilities, the Group moved from a net cash position of £12.6m in 2023 to a net debt of £68.3m in 2024 after returning £100.6m (2023: £40.6m) to shareholders through dividends and share buybacks and after acquisition spend relating to Lake City Heat Treating of £54.9m (including acquisition costs).

Capital expenditure

Total capital expenditure in the year – including both maintenance and expansionary – was £60.5m (2023: £72.0m). The reduction year-on-year was partly driven by the timing of payments on certain projects around year-end, and partly by decisions taken during the second half of the year to delay certain investments in response to the challenging market environment. The Group remains committed to maintaining its assets to the highest standards of quality and safety.

Chief Financial Officer's review continued

Dividend and dividend policy

The Group has a long and stable track record of dividend growth and aims to pay ordinary dividends so that dividend cover will be at or above 2.0 times earnings on a 'normalised' multi-year basis.

In line with this policy, the Board has recommended a final dividend of 16.1p (2023: 16.0p), bringing the full year dividend to 23.0p (2023: 22.7p). The interim dividend of 6.9p, approved by the Board on 30 July 2024, was paid on 7 November 2024 to shareholders on the register at the close of business on 4 October 2024. Subject to shareholder approval at the 2025 AGM, the final dividend will be paid on 5 June 2025 to shareholders on the register at the close of business on 25 April 2025.

Borrowing facilities

During the year the Group renewed and extended its existing Revolving Credit Facility by over 2 years. The Group is financed by a mix of cash flows from operations, short-term borrowings and leases. The Group's funding policy aims to ensure continuity of financing at a reasonable cost, based on committed and uncommitted facilities and loans to be procured from several banking partners. The Group continues to have access to committed facilities at competitive rates and currently deems this to be the most effective means of long-term funding.

At 31 December 2024, the facility was drawn as follows:

Facility	Expiry date	Facility £m	Facility utilisation £m	Facility headroom £m
Revolving Credit Facility	19 September 2029	251.0	84.3	166.7

In addition to the Revolving Credit Facility, the Group also has access to an additional committed facility of £8.7m (undrawn) bringing total committed facility headroom to £175.4m at 31 December 2024 (2023: £228.3m).

Alternative performance measures

To provide additional information and analysis and to enable a full understanding of the Group's results, management makes use of a number of APMs in its internal management of the business and as part of its internal and external reporting. Definitions of these alternative performance measures, the reasons why they are used, along with reconciliations to equivalent IFRS measures can be found on page 175.

During the year the Group has renamed a number of its APMs from headline to adjusted with no change to their definition other than where explained.

Going concern

As described on page 133 of the consolidated financial statements, the Directors have formed a judgement, at the time of approving the financial statements, that there are no material uncertainties that cast doubt on the Group's going concern status and that it is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months. In making this judgement, they have considered the impacts of potential severe but plausible consequences arising from the Group's activities. For this reason, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Ben Fidler

Chief Financial Officer
13 March 2025

Principal risks and uncertainties

The Board is committed to protecting and enhancing the Group's interests through the effective management of risk. As a global business operating in 22 countries we understand that effectively managing risk underpins the successful performance of the Group.

The Board has ultimate responsibility for the Group's systems of risk management and internal control and ensures the Group's risk processes and systems of internal control are robust and monitored and that they evolve to address changing business conditions and threats. The Board determines the Group's risk appetite and ensures that the Group's exposures to risk are appropriate and align to the Group's strategic levers and priorities.

The Board also provides direction and sets the tone on the importance of risk management. The review of financial risk has been delegated to the Group's Audit Committee.

The Executive Committee has taken ownership of specific business risks. Each risk is evaluated based on its likelihood of occurrence and severity of impact on the Group's strategy. Risks are then assessed at both a gross and net level, i.e. before and after the effect of mitigation. The Executive Committee also assists in the identification and evaluation of principal risks and controls as part of the Group's risk assessment and risk management processes.

This approach allows the identification and consistent evaluation of significant and principal risks, as well as consideration of the effect of current lines of defence in mitigation.

In addition, there are established, routine oversight and reporting processes in place including regular operational review meetings with each Division that cover key areas of performance and risk. This includes market, customer and supplier risks, health, safety and environmental performance, projects, capital expenditures, resources and other topical areas for consideration. Divisional and functional leadership also inherently manage risk through the day-to-day running of the business.

Group Internal Audit provides independent assurance to help ensure that the Group's risk management, governance and internal control processes are operating effectively. Updates are provided at the Board, Audit Committee and Executive Committee throughout the year on the Group's risk and internal control activities.

A comprehensive review of the Group's current and emerging risks was also presented to, and discussed with, the Board in June 2024 and January 2025. The Board is satisfied that an ongoing process of identifying, evaluating and managing the Group's significant risks has been in place throughout 2024 and a robust assessment of both the Group's principal and emerging risks has been undertaken.

Details of the Group's financial risks (liquidity, credit, interest rate and currency), which are managed by the Group's Treasury function, are provided in note 16 to the consolidated financial statements. The mitigating activities described in this report will reduce the impact or likelihood of these risks occurring, although the Board recognises that it will not be possible to eliminate these risks entirely.

Key events in the year

During 2024 the Aerospace and Defence sector has seen increased growth and demand, however continued supply chain disruption has impacted production rates.

As with previous years, macro-economic conditions have remained challenging in the automotive and industrial markets. In the automotive sector the focus on the electric vehicle (EV) market continues albeit with some uncertainty over the pace and timing of transition from internal combustion engines (ICE) to EV. Conditions in the industrial markets have remained challenging due to slow demand and de-stocking.

Bodycote has continued to manage inflationary cost pressures throughout the year. The Ukraine war and geopolitical tensions in the Middle East have continued, albeit Bodycote has no direct exposure to any of the countries involved and has no facilities, customers, or suppliers in those territories.

Emerging risk

Bodycote's emerging risk identification process is based on horizon scanning. Each emerging risk is assessed based on its potential impact on the Group on a high, medium or low rating across three time horizons: 0-2 years; 2-5 years; and more than five years. This process takes place alongside the annual risk review, with emerging risks being considered in facilitated risk workshops conducted with the Executive Committee.

This review helps to ensure that any new and emerging risks are appropriately identified and ensures close monitoring of any emerging risks to ensure appropriate mitigating actions are undertaken.

As an international Group operating in multiple countries, the Group inevitably has exposure to a range of risks and uncertainties where internal and external factors are considered and inform the Group's response to managing such risks, many of which are similar in nature to those experienced by comparable companies and may not always be within the Group's control.

The Board has highlighted geopolitical risk, specifically, the unpredictable geopolitical landscape and the uncertainty over future global events as an emerging risk.

If tensions in the geopolitical landscape result in the implementation of aggressive trade barriers that reduce the movement of goods, this could result in customers shortening their supply chains and moving them closer to their main production locations. The emerging risk is mitigated by the fact that Bodycote has a global network of sites which allow us to service customers from multiple locations, such that the residual risk exposure is not considered significant.

An additional area of emerging risk identified during the year relates to the Group's ability to attract, retain and develop key skills, knowledge and capabilities. As the global employment environment continues to evolve, attracting new talent to the industry, particularly in engineering and operations will become an increasing priority. The Group appointed a new Chief Human Resources Officer in January 2025 who will drive the Group's people and transformation process going forward.

The risk of global pandemics and their impact on both supply chains and operations are no longer considered as either an emerging or principal risk for the Group.

Principal risks and uncertainties continued

Group Principal Risks

The following tables set out a description of the Group's principal risks and related mitigation measures, as agreed by the Board, and describe how these principal risks may affect Bodycote's ability to deliver its strategy. The risk rating sets out the direction of change from 2023. Please refer to page 17 for further information on our strategic levers.

Risk description	Risk rating	Mitigation and control	Relevance to strategic priority
Market and customer risks			
Markets Bodycote operates in 22 countries. There is a risk that macro-economic trends and changes in the economic and geopolitical environment will impact the end-markets that the Group serves, and, consequently, the number of parts that need to be treated. These events may result in supply chain disruptions, rising energy prices and labour shortages which can escalate inflationary pressure on earnings if not passed on to customers. The rate of transition from internal combustion engines (ICE) to hybrid and electric vehicles (EV) presents both a market risk and an opportunity to the Group. Bodycote needs to maintain progress in building a strong market position in the EV supply chain. Conditions in the industrial markets remain very challenging in the US and Europe. Geopolitical uncertainties arising from conflict, tariffs and other significant impacts to global aerospace and trading activity could impact Group revenue and profitability.	→ The high proportion of short-term fixed costs in the business means that a movement in sales can have a significant impact on the Group's profitability. High levels of cost inflation exert pressure on the Group's profitability if it is not successfully passed on to customers. The EV market continues to grow strongly, driven by the general focus on reducing global greenhouse gas (GHG) emissions resulting in a shift in consumer spending. Globally increased levels of geopolitical instability.	– Bodycote's presence in 22 countries, servicing customers across a wide variety of end-markets, acts as a natural hedge to neutralise localised economic volatility and component lifecycles. – Bodycote has demonstrated the ability to manage its cost structure in response to revenue shocks, supply chain issues and significant cost inflation, protecting profitability and returns. – Restructuring activities in prior years have been aimed at successfully adapting the Group's facilities footprint to respond to trends in end-markets in order to mitigate pressure on earnings. Bodycote has a long track record of passing on cost inflation to its customers and has acted quickly in the past to ensure that the surge in cost inflation is offset by energy surcharges and price increases to our customers. – Bodycote continues to focus on increasing its market share in the EV market. – Bodycote keeps its cost base and activity level under constant review and adjusts its capacity and investments as conditions evolve.	
Competitor action The threat of new and existing competitors affecting one or more of the Group's Specialist Technologies.	→ A number of small and mid-sized HIP vessels have been installed by competitors, but investment in large HIP vessels has, to date, been limited. The entrance of new competitors could result in the erosion of market share with a loss of revenue and profitability.	– The close control of proprietary knowledge. – Expansion in the Group's offerings to maintain its position as supplier of choice. – A focus on customer service to ensure that satisfied customers have no cause to seek alternative suppliers. – There are high financial barriers to entry.	

Principal risks and uncertainties continued

Risk description	Risk rating	Mitigation and control	Relevance to strategic priority
Corporate and community risks			
Health and safety The inherent nature of Bodycote's activities and the equipment operated presents safety and health risks. Bodycote's operations, if not properly managed, could have a significant impact on individual employees. Furthermore, poor safety and health practices could lead to disruption of business, financial penalties and loss of reputation.	 Bodycote is committed to providing a safe work environment for its employees.	– Well established Groupwide health and safety policies ensure continuous improvement of safety standards, monitoring and investigation of all events. – ISO 45001 and ISO 14001 aligned EHS management systems overseen by the Group Head of EHS and implemented with support of divisional environment, safety and health teams. – Programmes in place to focus on the reduction of incidents which could have a high impact. – Safety compliance audits at all plants at least every two years. – The Group appointed a new Senior Vice President, Health & Safety in February 2025.	
Environment			
Climate change As a thermal processing company, the Group's carbon reduction strategy is of particular importance to stakeholders, both as a potential risk and a commercial opportunity. Climate change poses a range of potential risks, arising from current and emerging regulation, technology, legal, market, reputational, and physical climate risk drivers, which could lead to business disruption, health risks, loss of reputation and financial costs.	 Climate change risk continues to rise in prominence in light of stakeholders' expectations, changing regulations and reporting requirements, and potential physical weather-related impacts.	– Centre of expertise established to drive climate-related activity. Risk and Sustainability Committee supports execution of strategy. – SBTi-validated Scope 1 and 2 emissions reduction target – SBTi target of 28% reduction by 2030 achieved six years early and new target set of 46% reduction by 2030 versus 2019. – A climate scenario process established to support the identification and mitigation of potential risks (see the TCFD report on pages 48 to 56). – Climate-related stakeholder communications, in alignment with internationally recognised standards. – Adherence to the ISO 14001 standard for environmental impact management (98% of the Group's facilities are accredited). Remediation of contaminated sites continues.	

Principal risks and uncertainties continued

Risk description	Risk rating	Mitigation and control	Relevance to strategic priority
Operational risks			
Service quality The Bodycote brand is reliant on the repeatable delivery of parts to agreed specification within an agreed time period. There is a risk that Bodycote fails to meet the needs of customers in terms of quality, delivery, innovation and problem-solving.	 The risk of poor quality, poor service levels or non-compliance with agreed specifications can cause serious long-term damage to Bodycote's reputation with financial consequences such as customer loss or the cost of damages or litigation.	– Bodycote has stringent quality systems in place managed by qualified staff. – Quality systems and processes are operated within our plants with strong oversight by our divisional quality teams. – Where necessary, our plants maintain industry relevant accreditations, such as ISO 9001, Nadcap and IATF 16949. – Each facility undergoes regular audits by quality staff, accreditation bodies and customers.	
Contract review There is risk that parts are not treated according to contractually agreed specification or additional customers' amendments.	 Non-compliance with agreed specifications or failure to update the process at a plant to comply with specification changes requested by the customer may potentially lead to parts being rejected or failing, which could result in material claims against Bodycote with significant reputational damage, financial penalties and a loss of future revenue.	– Each facility has a robust quality management system with regular audits by quality staff, accreditation bodies and customers. – Bodycote carefully negotiates terms and conditions associated with the supply of services to its customers, carefully managing potential liabilities. – Certain potential damages resulting from this risk are fully or partially covered through the Group's various insurance policies.	
Loss of key accreditations Bodycote is required to maintain specific accreditations in order to provide heat treatment and thermal processing services on parts for certain customers. Failing to maintain such accreditations would prevent Bodycote from delivering services to customers in these markets.	 Should a number of facilities fail to maintain their accreditations, customers could potentially move work to a competitor resulting in a loss of revenue to Bodycote.	– Each facility has a robust quality management system with regular audits by quality staff, accreditation bodies and customers. – Should a facility fail an accreditations audit, a remediation plan to fix any non-conformities is implemented. – Bodycote has a global network of more than 150 facilities enabling work to be transferred to another accredited facility.	

Principal risks and uncertainties continued

Risk description	Risk rating	Mitigation and control	Relevance to strategic priority
Operational risks			
Major disruption at a facility Bodycote's facilities are subject to man-made and natural hazards that could lead to their potential closure. Some business processes are inherently risky and there is a possibility that a major incident, such as a fire or utility outage, could occur. In addition, some facilities are exposed to natural hazards, such as earthquakes, flooding and storms.	 Any significant incident at a site could result in the service to Bodycote's customers from the affected site being disrupted.	– Business continuity plans are in place for all plants. – Independent insurer physical inspections of facilities to assess hazard and business interruption risks have been conducted during the year. – Insurance cover, including business interruption cover, is in place. – Scheduled equipment maintenance and inspections are carried out on a regular basis. – Bodycote's global network of more than 150 facilities creates a framework to provide backup capability if required.	
Machine downtime Bodycote relies upon its operational equipment, across its network of plants, being available to meet the requirements of its customers. Therefore unexpected equipment downtime would potentially affect Bodycote's ability to service its customers. Moreover, without an effective preventative maintenance programme there is a risk that equipment redundancy plans would need to be built into facility management in order to cope with equipment breakdowns.	 Significant periods of equipment downtime would impact customer service and revenue.	– Preventative maintenance programmes mitigate the risk of downtime occurrence associated with major breakdowns ensuring business continuity and customer satisfaction. – Spare parts replenishment programme ensures efficient maintenance activities occur according to plan. – Bodycote's global network of facilities with robust business continuity plans help to minimise the impact of equipment downtime on customer service. If required, customer work can be transferred to another facility within the network.	
Information technology and cybersecurity The Group relies upon its IT systems, including a range of ERP solutions, to manage its operations. IT system interruptions could lead to business process disruption and interruption to key business services.	 There is an increasing global risk of sophisticated cyber-attacks, including ransomware and phishing with the complexity of these attacks rising. A significant failure of IT systems as a result of external factors, such as a cyber-attack, could disrupt service to our customers, and result in reputational and financial loss.	– The Group has robust governance processes to ensure that IT projects are adequately reviewed and approved to ensure that they are consistent with the Group's IT strategy. – The Group continues to focus on information security management processes, business recovery planning and data backup procedures. – Regular training and awareness programmes are provided for our users.	 

Principal risks and uncertainties continued

Risk description	Risk rating	Mitigation and control	Relevance to strategic priority
Operational risks			
Investment and capital deployment It is important that where systems investments and programmes are implemented across Bodycote, they are delivered on target, with the expected benefits and within the timescales. Therefore, it is critical to the strategic objectives of Bodycote, that the rollout of key systems investments and programmes is successful.	 A failure of key systems, projects and/or acquisitions would adversely impact critical business operations or financial performance.	– For acquisitions, specified due diligence processes and procedures are established (including integrations). – Periodic assessments of progress on all key investments. – Project governance processes in place for all key business and IT projects (including contracts with third parties) to ensure deliverables.	 
Regulatory risks			
Regulatory and legislative compliance The global nature of Bodycote's operations means that the Group must comply with a wide range of local and international regulatory and legislative requirements, including modern slavery, anti-bribery and anti-competition legislation, employment law and import and export controls. The Group must also comply with taxation legislation and the advantages associated with the UK's controlled foreign companies that the Group has employed in its financing structures.	 Failure to comply with current and new legislation could lead to substantial financial penalties, disruption to business, diversion of management time, personal and corporate liability and loss of reputation.	– Business processes are supported by Human Resources policies and the Group Code of Conduct alongside training and awareness programmes. – The 'Open Door Line' whistleblowing facility operated by a third-party. – Engagement of specialists (lawyers, accountants, tax specialists, trade compliance consultants and freight forwarders) to support Bodycote at local, divisional and Group levels. – Regular audits of the effectiveness of implemented procedures. – Regular assessment to ensure continuing compliance with the UK Corporate Governance Code, including any proposed changes.	

Viability statement

In preparing this statement of viability, the Directors have considered the prospects of the Group over the five-year period immediately following the 2024 financial year. This longer-term assessment process supports the Board's statements on both viability, as set out below, and going concern (on page 27). The Directors have determined that a five-year period is an appropriate period over which the business could be restructured in the event that any material changes to demand for the Group's services transpired. This period is also consistent with that used for the Group's planning process. As a result, the Board determined that a period of longer than five years would not be meaningful for the purpose of concluding on longer-term viability.

The base case forecasts which underpin this assessment are based on the Board approved 2025 budget and the Board approved five-year strategic plan. These reflect the £30m share buyback announced in December 2024 which is assumed to be completed over a six month period ending June 2025. The projections reflect ongoing growth in the Group's geographies and end markets over the forecast period. The performance of the Group over the period of the assessment has then been assessed against the covenants that exist in the Group's Revolving Credit Facility, as explained on page 27, and the Group's liquidity.

In conducting their review of the Group's prospects, the Directors assessed the five-year plan alongside the Group's current position, the Group's strategy and the principal and emerging risks facing the Group (all of which are detailed in the Strategic Report on pages 11 to 67). This assessment included consideration of the principal risks to the business model, future performance, liquidity and solvency and was mindful of the limited forward visibility that the Group has as it carries limited order backlog. The Directors' viability assessment included a review of the sensitivity analysis performed on the five-year financial forecasts.

The assessment included two scenarios designed to stress-test the Group's base case forecasts as follows:

- A plausible downside scenario which assumes a slow-down in the global economy, resulting in a fall in FY25 revenues of 13% versus FY24 and limited revenue growth thereafter. This scenario represents a 19% reduction in revenues versus the base case over this period with no net revenue growth in that time. Profit margins are significantly lower than those achieved by the Group in recent years.
- A break-case scenario designed to establish the decline in revenues required to result in the Group's liquidity being exhausted or loan covenants breached. This scenario shows that FY25 revenues would need to fall 19% below FY24 levels, and demonstrate zero growth thereafter, before the Group's leverage ratio covenant is breached at the end of the five year review period. Whilst this scenario is not considered remotely plausible, it was designed to stress-test the financial resilience of the Group.

Both scenarios applied a 50% profit gearing to the fall in revenue.

In the plausible downside scenario, capital expenditure was reduced versus the base case and dividends were maintained at the same level as FY24 through FY25, before increasing at the same percentage growth rate as the base case thereafter. In the break-case scenario, capital expenditure was further reduced, reflecting the reduced maintenance capital expenditure required in that scenario due to sustained lower equipment utilisation, and the lower levels of expansionary capital expenditure that would be required. In addition, dividends were reduced significantly and the Group's share buyback programme was assumed to be paused at the end of the non-cancellable period with the broker. No mitigating actions such as undertaking further restructuring were included.

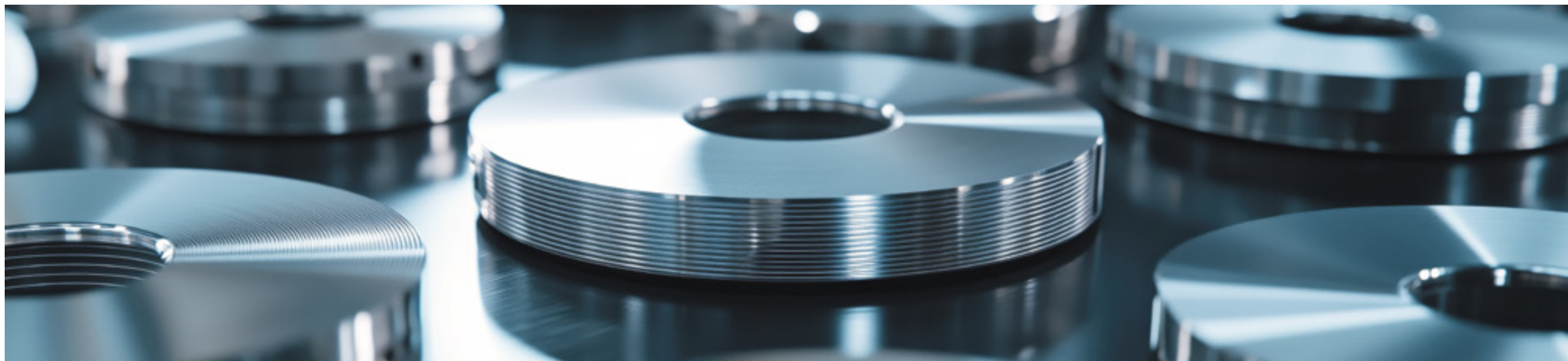
In the base case and plausible downside scenario, there were no breaches to the Group's covenants, and substantial headroom was maintained.

In making this viability statement the Directors considered the other mitigating actions (including, but not limited to, cost reduction initiatives, further discretionary capital expenditure reduction and the reduction of dividends) that may be taken by the Group in the event that the principal risks of the Company become realised, but note that none of these actions were modelled in performing the assessment since the Group maintained substantial headroom in both scenarios.

The Directors also took into consideration the Group's financial position at 31 December 2024, with available liquidity of £194m (December 2023: £274m) and a history of strong and resilient cash flow generation. Uncommitted facilities were not taken into account in performing the assessment. It is noted that the Group's RCF matures in September 2029, before the end of the assessment period, however the Directors have a reasonable belief that, based on previous experience and ongoing supportive discussions with our lenders, should any debt facility be required, the RCF will be able to be refinanced or extended.

The Directors have assessed the viability of the Group and, based on the procedures outlined above in addition to activities undertaken by the Board in its normal course of business, confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2029.

Section 172 statement



The Board is mindful of the duties of directors under section 172 of the Companies Act 2006, to act in the way they consider, in good faith, would most likely promote the long-term success of the Company for the benefit of shareholders as a whole, and with regard to other key stakeholders. Our Directors fully recognise the importance of our stakeholders in the successful operation of the business. We are also aware, that in some situations, stakeholders' interests may conflict, which may require some interests to be prioritised. The Board, led by the Chair, therefore ensures that an intrinsic part of its decision-making process includes an assessment of the likely long-term consequences of decisions taken and the potential impact on our stakeholders.

The Board is governed by a robust governance framework, which includes Groupwide policies and our Code of Conduct. Aligning with our purpose and values, we believe that by understanding what matters to our key stakeholders, we are better able to secure long-term success for the Group. We place a strong emphasis on proactive, transparent, and open engagement with our key stakeholder groups, which in turn promotes mutually beneficial relationships and value.

Further information about how these duties have been applied can be found throughout this Annual Report, as set out below. An overview of how and why we engage with key stakeholders and how we have considered their requirements relating to principal decisions taken during the year to ensure effective and continued engagement is set out on pages 37 to 39.

Section 172 duties	Key examples	Page
Consequences of decisions in the long-term	Strategic progress	06
	Chief Executive and Chief Financial Officer's reviews	13 and 24
	Our business model	18
	Going concern and viability statements	34 and 133
	Principal risks and uncertainties	28
Interests of employees	Chair's statement and Chief Executive's review	11 and 13
	Our stakeholders	37
	Sustainability report (including TCFD report)	40
	Board activities in the year	75
Fostering business relationships with suppliers, customers and others	Our stakeholders	37
	Sustainability report	40
	Strategy and objectives	13 to 17
	Board activities in the year	75
Impact of operations on the community and the environment	Sustainability report (including TCFD report)	40
	Principal risks and uncertainties	28
Maintaining high standards of business conduct	Sustainability report (including TCFD report)	40
	Corporate governance statement	73
Acting fairly between members	Shareholder engagement	37 and 76

Section 172 statement continued

Compliance with Directors' duties

Strategy

In determining the Group's strategic direction, and the sustainability of our business model, the Board is conscious of its collective responsibility to all stakeholders, seeking to ensure that corporate and management structures are in place for our strategy to be implemented effectively. At each Board meeting, progress against our strategic priorities and the changing shape of the business portfolio is reviewed. This approach, together with the Board's approval of the Group strategy, helps the Board to promote the long-term success of the Group. Board decisions are ultimately taken against the backdrop of what it considers to be in the best interests of the long-term financial success of the Company and each of the Group's stakeholders. The Group's strong underlying financial position enables us to pursue new opportunities for the Group within our disciplined financial framework.

Performance

We endeavour to drive performance through the communication of clear objectives and skills development and are committed to continuous improvement. The Board regularly reviews and monitors the Group's safety and environmental performance, with the aim of making Bodycote safer for our entire workforce and minimising our impact on climate change.

In 2024, the Group recorded a significant improvement in its total recordable injury rate of 1.8 (2023: 2.8). We conducted a comprehensive review of our health and safety strategy during the year and introduced a groundbreaking initiative called 'House of Safety'. This forward-thinking approach represents a significant milestone in our ambition to achieve world-class health and safety standards within the next five years.

The safety, health and wellbeing of our employees will always be our highest priority and we will remain focused on delivering targeted and timely employee engagement to tackle the occurrence of incidents. This is important to our workforce and local communities, while strong operational availability and reliability is crucial to our partners and customers. The Board's oversight ensures the Group continues to focus on maintaining financial discipline and delivering strong earnings, cash flow and returns to shareholders.

People

As a service business, it is our employees who are the key to our success. It is their attitudes, capabilities and skills that help us maintain our strong reputation for high standards of business conduct. This in turn is fundamental to delivering our purpose to support our customers in producing superior components. We are committed to ensuring we have safe and effective working environments, which enable everyone to perform to their true potential.

Bodycote operates Employee Engagement Groups, which are chaired by a Non-Executive Director. In 2024, two regional forums were held, with c.30 employee representatives in attendance in the virtual meetings. Feedback from these forums was reported to the Board, with Executive Directors charged with addressing particular items that were raised.

Governance

The Board believes that strong governance is essential to the success of our business and recognises that the Group's long-term success depends on a commitment to maintaining good governance standards. The Board sets the tone of the Group with regard to our governance framework, which underpins good governance practices and enables the Board to provide effective stewardship of the Group. It drives the highest levels of business standards and best practices, aligning these with Bodycote's business purpose, values, strategy and culture. The Board assesses and monitors culture and looks to obtain useful insight through effective dialogue with our key stakeholders, taking feedback into account in the Board's decision-making processes. The Board understands the benefits of annual performance evaluations and, in 2024, undertook an external evaluation process, the details of which are set out on pages 80 and 81.

Our stakeholders

By understanding what matters to our key stakeholders and building strong, positive relationships, we believe we are better able to achieve long-term success for our business.

This section describes how we have engaged with our key stakeholders during the year as well as how this engagement has influenced the Board's discussions and decision-making. Further details on Board stakeholder engagement can be found in our Governance report on page 76.

Shareholders and investors	Delivering an attractive return is a core priority for the Board. Our investment proposition builds upon our strengths to create value for shareholders, with capital rewarded through dividends and share price increases. We communicate progress on our financial and non-financial plans to cultivate the support of our investors, analysts, banks and proxy voting agencies. c.£40m in dividends paid and £60m share buyback completed in the year	Reasons for engagement Continued access to capital is important to the long-term performance of our business. We work to ensure that our investors and analysts have a clear understanding of our strategic objectives, performance and the risks and uncertainties we are managing. Our investors rely on us to protect and manage their capital in a responsible and sustainable way while generating long-term value.	Their interests – Financial performance and financial returns – Effective capital allocations and dividends – Commitment to sustainability and climate change – Health and safety performance – Good governance and transparency – Strong leadership – Mergers and acquisitions	Key engagement channels – Results presentations and regular engagement with top shareholders – Annual General Meeting – Annual Report and Accounts – Investor communications and our corporate website – Regular meetings throughout the year with existing and prospective shareholders and banking partners – Press releases (including regulatory announcements) – Addressing enquiries promptly	Outcome of engagement – Capital Markets Event in December 2024 attended by c.70 investors and analysts – £60m share buyback programme completed, with a £30m buyback extension announced in December 2024 – Continued engagement undertaken throughout the year, with meetings held with key shareholders, investors and analysts – Regular market updates issued to keep the market informed on business performance – Series of ESG-focused investor meetings, with shareholder input into the sustainability materiality assessment
Society and communities	We are committed to building positive relationships with the communities in which we operate. We consult through our plant network to better understand and manage the social impacts of our business and gain valuable perspectives on the ways in which our activities could impact the local community or environment. >150 facilities in 22 countries	Reasons for engagement Bodycote operates in a very large number of local communities across the world, and we aim to ensure that the business is seen as something that contributes positively to these communities and their inhabitants.	Their interests – Positive social impact – Employment opportunities – Future talent pipeline – Minimised environmental impact in the locations in which we operate and on the global community – Safety, health and environmental performance – Individual employee volunteering – Local site community activities – Labour and Human rights matters	Key engagement channels – Employee engagement activities involving families – Employee volunteering in local communities – Local site community activities – Our corporate website	Outcome of engagement – Continued to work on our supply chain strategy and engagement process to mitigate potential human rights risks and ensure everyone working for, and with, us is treated with fairness, dignity and respect – Increased understanding of the Company's impact on society and communities through our materiality assessment process (see page 42) – Local support at plant level for charitable and community initiatives

Our stakeholders continued

Employees

The knowledge, capabilities, expertise and skills of our employees are a major part of the Group's intangible value. We work to attract, develop and retain the best talent, equipped with the right skills for the future. Our people have a crucial role in delivering against our strategy and creating value. Our remuneration policies have been designed to support the Group's strategy, in alignment with the Group's purpose, values and culture to promote the long-term success of the organisation.

£280.6m

in annual staff costs

Reasons for engagement

Employee engagement is vital for our success. We work to create a diverse and inclusive workplace where every employee can reach their full potential. We engage with our employees to ensure we meet their expectations and make the right business decisions. This helps us to retain and develop the best talent.

Their interests

- Health, safety and wellbeing
- Fair pay and reward
- Career development opportunities
- Training opportunities
- Reputation of the organisation
- Sustainability
- Diversity and inclusion
- Two-way engagement

Key engagement channels

- Employee Engagement Groups
- Regular town hall meetings to update employees on performance
- Annual performance reviews
- Updates provided to the Board from the CEO on matters affecting or impacting the workforce
- Grievance and whistleblowing mechanisms
- Regular interaction between the Board and management during and after Board meetings
- Board site visits
- Environment, health and safety briefings and trainings
- Annual Report and Accounts
- Social media communications

Outcome of engagement

- Two virtual Employee Engagement Group meetings held during 2024, hosted by Patrick Larmon, with c.15 employees in attendance at each meeting
- Regular in-person and virtual town hall meetings held throughout the year to provide strategic and performance updates
- The Board visited three plants in Los Angeles, USA and one plant in Haag-Winden, Germany during the year, meeting with a range of employees, which helps them to better understand the business at plant level

Customers

We provide our services to the aerospace and defence, automotive and general industrial markets. Working closely with our customers, and seeking their feedback, we are better able to understand their evolving needs so we can continually improve and adapt to meet them, finding solutions to create value and improve their overall experience.

>50

processes

Reasons for engagement

We collaborate with our customers to improve our customers' product characteristics and to develop a project pipeline.

Engaging with our customers helps us to understand their needs and identify opportunities and challenges.

Their interests

- Value-enhancing services and satisfaction of their needs
- Service performance, efficiency and quality
- Commitment to sustainability and emissions reduction
- Supply chain transparency
- Implementation of strategic agenda

Key engagement channels

- Through ongoing customer relationship management
- Participation in industry forums and trade events, such as the Farnborough and Paris airshows
- Surveys of customer satisfaction
- Customer marketing communication programme, including utilisation of our corporate website

Outcome of engagement

- Continued development of long-term customer relationships
- Support for customers to achieve their climate and environmental goals
- Review of ways to harness innovation and digital technology to add value

Our stakeholders continued

Examples where the Board actively considered the interests of key stakeholders when making decisions during the year:

Share buyback

Examples

In January 2024, the Board recognising a lower than anticipated acquisition spend and consistent with its balanced approach to capital allocation, announced a £60 million share buyback programme.

In determining whether there was sufficient capital to be distributed to shareholders, the Board assessed the likelihood of near-term M&A opportunities, the Company's financial resilience, and the sustainable growth of dividends, while remaining conscious of the need to promote the success of the Company for the benefit of all stakeholders. This review included giving consideration to the Group's balance sheet, the Company's valuation, trading outlook and high-level business plan, as well as available funding facilities. The Board considered the macro-environment and market sentiment, noting that feedback received from the top 20 shareholders reflected a desire for the Company to demonstrate a balanced approach to capital allocation.

The share buyback programme commenced in March 2024 and concluded in January 2025, with nine million ordinary shares bought and cancelled. A £30 million extension to the programme was announced in December 2024. In line with its capital allocation policy, the Board will continue to periodically evaluate returning surplus capital to shareholders, either via share buyback programmes or special dividends. The share buyback programme has been well-received by stakeholders.

Section 172(1) considerations

The Board considered the share buyback programme to be for the benefit of its members as a whole, having given fair consideration to all members and key stakeholders. The share buyback programme was thought to be an efficient way to manage the Company's capital allocation, increasing shareholders' overall ownership of the Company, which is also beneficial to those employees who are also shareholders. The share buyback programme has been conducted in a clear and transparent manner through daily RIS announcements, updates on our corporate website, and through Companies House and FCA filings.

Climate change – updated SBTi target

Examples

In October 2022, the Board agreed to set carbon reduction targets in conjunction with the Science Based Targets initiative (SBTi) for Scopes 1 and 2. This target committed the Company to an absolute reduction of 28% in carbon emissions by 2030 compared with 2019. To achieve this, ambitious but realistic goals were set, based on clear and specific projects, with our progress to achieve these targets measured by metrics and an annual scorecard.

During 2024, the Board has been actively involved in the continued oversight of the development and execution of our integrated sustainability strategy. It became apparent that the Company was on track to achieve the original SBTi targets by the end of 2024, six years ahead of schedule and, as a result, consideration was given to upgrading the existing SBTi target. Recognising the Company's ambition to becoming a sustainability leader, the Directors acknowledged that upgrading the SBTi targets and setting new and wider sustainability targets would help to accelerate the sustainability strategy and further confirm Bodycote's commitment to tackling climate change, while also helping our customers meet their own sustainability targets.

At our Capital Markets Event in December, these new targets were announced. They included a tougher SBTi carbon reduction target, reducing our Scope 1 and 2 greenhouse gas emissions by 46% versus 2019 levels, up from 28%, introducing a customer-avoided emissions target of 125,000 tonnes of CO₂e by 2030, and increasing our proportion of sustainable revenue in end-use markets and applications to 20% by 2035, up from 7% in 2024. Further details are set out on page 42.

Section 172(1) considerations

The Board considered the upgrading of the sustainability targets would have a wide impact on key stakeholders, as well as on the community and the environment. In helping to foster business relationships with customers and suppliers, the Board reviewed the work to be undertaken to reduce emissions targets, help avoid emissions that would otherwise be released, while working towards a continuous reduction in greenhouse gases aligned with the SBTi. The investment and business impacts, including the ability to secure long-term access to low and zero carbon electricity were considered. The Board will monitor the Company's approach to meeting these targets and managing its climate-related risks, cognisant of increasing stakeholder expectations, and keep pace with regulation to build on the strong foundations in place to reach our 2030 ambitions.

Sustainability report

Our approach

POWERING. SUSTAINABILITY.



As a global leader in our industry, we are setting the standard for sustainability. We are committed to an ambitious journey towards lower environmental impact and we have the technologies, capabilities, and resources to succeed. We have already reached significant milestones and continue to set higher goals to further accelerate our progress.”

Jim Fairbairn
Chief Executive Officer

Bodycote's Powdermet® – Hot Isostatic Pressing manufactured component – see case study on page 20.

We enable customers to produce better, stronger and more sustainable components through our deep engineering expertise, world class range of metallurgy solutions and cutting-edge specialist technologies.

We recognise our opportunity to influence emissions and environmental performance across many end-markets. As well as impacting the Group's own productivity, our sustainability record influences customers' performance by extension. We process components for a wide range of industries and have an extensive sphere of influence. As global leader in the thermal processing industry, we take responsibility for being at the forefront of decarbonisation and setting the standard for sustainability. Our ability to provide solutions for the sustainability challenges our customers are facing also gives us a clear competitive advantage, and is a key focus of our strategy.

We have driven significant progress in our sustainability performance in recent years. In 2024, we delivered a step change in our safety performance, reducing the Total Recordable Incident Rate by 35%, and delivered our first SBTi-approved carbon reduction target six years early, having reduced emissions by 29% since 2019. This year, we introduced a new, integrated sustainability strategy to amplify our positive impact for customers and support the development of low-carbon industries. It is designed to meet customers' key requirements of Bodycote (CO₂ emissions reduction, safety and social responsibility, and environmental management) and, in parallel, drive performance within Bodycote in the areas that play the greatest role in enabling us to meet customers' expectations, and deliver operational and financial performance.

Sustainability is a key part of our 'Optimise, Perform and Grow' strategy, both underpinning and accelerating its execution. Our sustainability commitments are also enshrined in our new corporate values: Safety First, Performance, Customer Experience, and Sustainability. This ensures that both what we do as a business, and how we do it, is directed by our beliefs and maximises value creation for the benefit of all our stakeholders.

Sustainability report

Our approach continued

Our new integrated sustainability strategy positions Bodycote as a global leader both now and for the future.

In 2024 we developed a new, integrated sustainability strategy. It is rooted in our business strategy, which focuses on providing a world class range of metallurgy solutions and cutting-edge specialist technologies that enable customers to produce better, stronger and more sustainable components. Its execution will be enabled by our new corporate values, which directly align to, and support, our sustainability goals. They guide the behaviours essential for our success: Safety First, Performance, Customer Experience, and Sustainability, motivating the global Bodycote team to drive our performance and growth goals in the right way.

Our sustainability strategy has been tailored to advance customer priorities (service, quality, expertise and sustainability), and business priorities (leadership, technology, culture and responsibility). It is structured around these two key areas, which together cover sustainability (what we do) and responsibility (how we do it). Through our materiality assessments, we have identified four main drivers in each area that will maximise the value creation potential of our sustainability agenda.

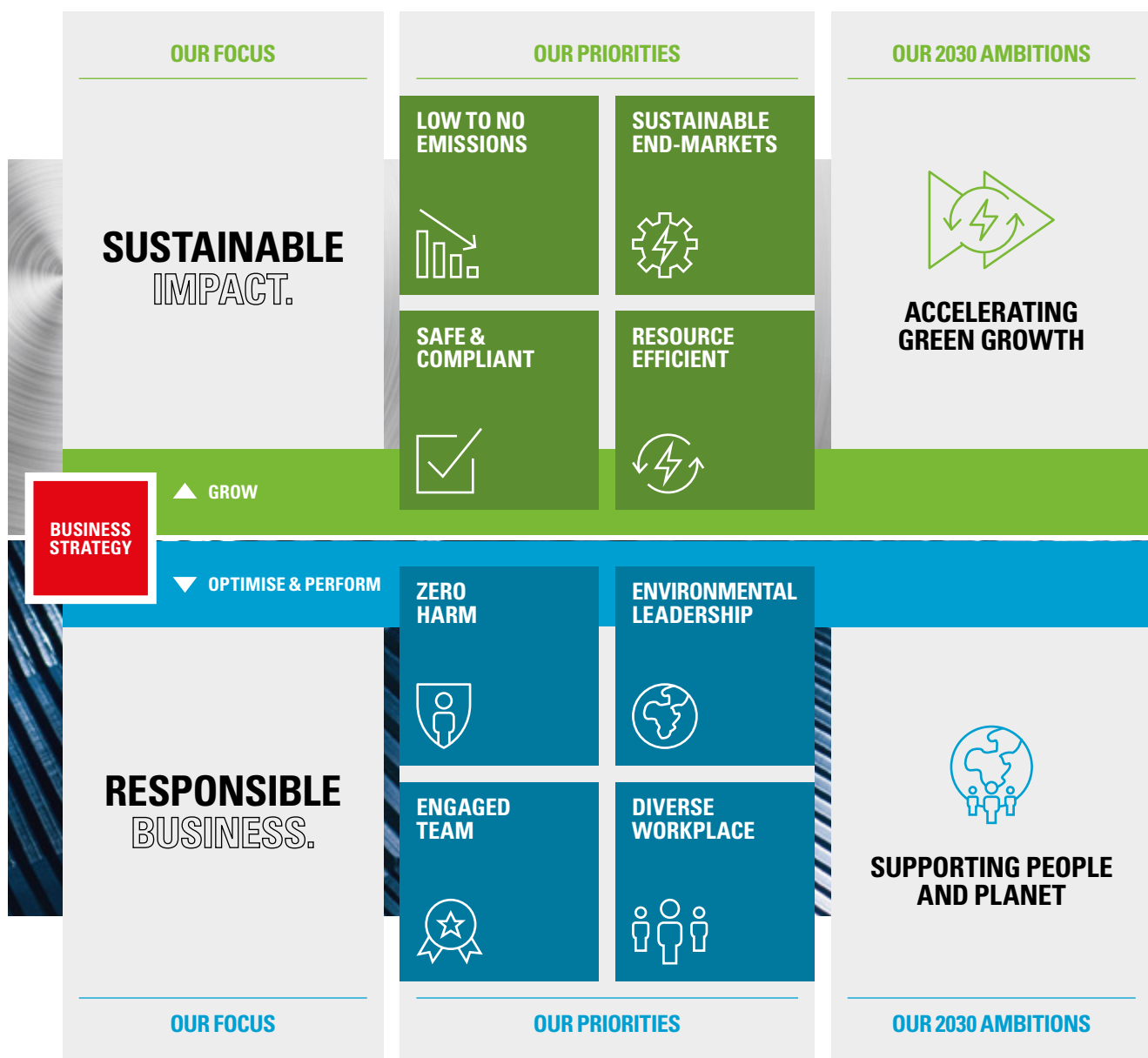
Our **'Sustainable Impact'** pillar addresses the following key customer priorities:

- Low-carbon processes
- Solutions for improved product safety
- Greater resource efficiency
- Support for sustainable industries

Our **'Responsible Business'** pillar underpins our delivery of sustainable impact externally, by focusing on four key business priorities internally:

- Zero harm culture
- Environmental leadership
- Maximising employee engagement
- A diverse and dynamic workplace

The adjacent diagram depicts how these areas come together to form our new, integrated sustainability strategy.



Sustainability report

Our approach continued

We launched our new sustainability strategy in December 2024 and announced three new environmental targets as part of its initial roll out:

- By 2030, to reduce absolute Scope 1 and Scope 2 greenhouse gas emissions by 46% versus 2019 levels. This is an increase from our initial SBTi approved target, which we have met six years early.
- Enabling our customers of atmospheric processing services to avoid 125,000 tonnes of CO₂e cumulatively by 2030. Our avoided emissions quantification and target setting methodologies have been validated as being aligned to external best practice guidelines. See page 44 for details.
- An increase in the proportion of our revenue which supports sustainable end-use markets and applications to at least 20% by 2035 (from a current level of approximately 7%).

In addition we have set two new, voluntary Scope 3 emissions reduction goals under our 'Environmental Leadership' focus area. These are as follows:

- To reduce absolute Scope 3 GHG emissions from fuel and energy-related activities by at least 45% by 2030 from a 2019 base year.
- For 30% of suppliers of purchased goods and services (by emissions) to have science-based or other carbon reduction targets by 2030.

The design of our new strategy was informed by customer interviews, investor and employee engagement, and a materiality assessment, ensuring it is aligned to our key risks and opportunities and provides clear strategic direction.

Further details on these targets and our plans to achieve them are set out in the Sustainable Impact and Environmental Leadership sections on pages 44 and 59 respectively. We will continue to develop our capability to measure progress and introduce additional KPIs and targets in future iterations of the framework.

Transparent communications

Bodycote is on a journey towards world class for sustainability. Transparent disclosure forms a key part of our strategy. We are committed to transparent communication of our sustainability policies, actions and performance.

We have continued to augment our disclosures this year to support stakeholders in their assessment of our performance, referencing standards such as the Global Reporting Initiative (GRI) Index, the SASB standards, ESG ratings' assessment frameworks, and the European Sustainability Reporting Standards (ESRS) for the development of our disclosures.

Following the recent release of the European Commission's Omnibus Simplification Package proposals, we continue to keep abreast of developments and will evolve our future disclosures roadmap as necessary, while ensuring that our disclosures continue to add value and maximise the benefits to our stakeholders.

Determining materiality

In 2024, we completed a 'double materiality' assessment. Insights obtained through the assessment informed our new sustainability strategy and helped us understand areas of potential expansion in our data and disclosures.

Our materiality assessment involved undertaking a deep analysis of the impacts Bodycote has, or could have, on people and the environment (impact materiality), as well as risks and opportunities related to sustainability drivers (financial materiality). It was conducted in accordance with reporting standard ESRS 1, which provides guidance for materiality assessment. This framework supported our evaluation of key sustainability impacts, risks and opportunities to inform our strategy, business model and response to sustainability-related challenges. We engaged an expert third-party to support our work and ensure objectivity.



Ambitious new targets

46%

reduction in absolute
Scope 1 and Scope 2
greenhouse gas emissions
by 2030

125,000

tonnes of CO₂e of atmospheric
processing avoided by 2030

Sustainability report

Our approach continued

Our materiality assessment process involved undertaking an extensive review of public reports and internal documentation, and engaging with internal and external stakeholders, including customers, shareholders, employees, and suppliers. We also incorporated proxy data to represent the environment as a 'silent stakeholder'.

The assessment was overseen by a governance committee comprising the Group's Chief Executive, Chief Financial Officer, Chief Sustainability Officer and Company Secretary, and undertaken by a working group representative from key corporate and operational functions.

Our materiality assessment comprised the following steps:

1. Value chain mapping

- Mapping the Group's business model and value chain across its global operations to identify i) all sources of potential and actual impacts on people and/or environment; and, ii) where Bodycote relies on natural, human and social resources that could be subject to changes.
- Employing the value chain map to identify key stakeholder groups - those whose interests are, or could be, affected either positively or negatively by Bodycote, as well as users of sustainability statements.

2. Sustainability impact, risk and opportunity definition

- Establishing a long-list of sustainability impacts, risks and opportunities as informed by the value chain mapping exercise, Bodycote's policies and other internal documents, a media scan, peer review, ESG reporting and ratings frameworks, and the ESRS standards.

3. Stakeholder engagement

- Conducting interviews with key stakeholder groups to qualify value chain information and ensure all relevant impacts, risks and opportunities were captured and appropriately framed in our long-list.

4. Scoring potential and actual impacts, risks and opportunities

- Developing an impact, risk and opportunity scoring framework, aligned to Bodycote's Enterprise Risk Management processes as well as ESRS definitions and guidance on time horizons (short-, medium-, and long-term) when assessing the significance and impact of sustainability topics.

- Scoring each impact, risk and opportunity through a four-stage process comprising: i) scoring by one of our subject matter experts; ii) review by a second subject matter expert; iii) calibration of scores by the Group Sustainability team; and, iv) review and challenge by our independent external sustainability consultants.
- Establishing and validating a materiality threshold above which sustainability topics are deemed to be material for Bodycote, with Executive Committee approval of the threshold and topics subsequently deemed as material.

Priority issues identified through the assessment have been integrated into our new sustainability strategy and associated short- and medium-term targets. We expect our suite of KPIs and targets to develop as we continue to mature our strategic approach, and will continue to augment our disclosures in line with leading sustainability reporting frameworks and standards as part of our commitment to continuous improvement, and to ensure alignment to evolving sustainability-related regulations.

Delivering our agenda

The Group has established a clear governance structure to deliver its sustainability agenda. The Group CEO is ultimately responsible for the execution of the Group's sustainability strategy. The Chief Sustainability Officer, a member of the Group Executive Committee, leads the definition, implementation and communication of the Group's sustainability agenda. The CEO, and the Chief Sustainability Officer, provide regular updates to the Board, including through deep dive sessions at least twice a year. The Risk and Sustainability Committee supports the Executive team in implementing sustainability actions. It usually meets three times a year.

Sustainability incentives

Bodycote recognises the benefit of incorporating ESG measures in executive compensation. Non-financial KPIs, such as those relating to carbon reduction, have been incorporated in Executive Directors' remuneration plans for several years.

In 2024, the annual bonus scheme for Executive Directors, Senior Executives and the wider leadership population included an ESG metric, with colleagues incentivised to achieve an absolute reduction in energy consumption. This focus on energy efficiency drove a reduction of 8.4% year-on-year in energy consumption, delivering both environmental and financial benefits.

The suitability of incentives is reviewed annually, taking into account shareholder feedback and changes to the Group's strategy, to ensure continued alignment. In 2025, to align with our long-term sustainability targets and ambition to be known as a sustainability leader, the Group's long-term incentive plan has been amended to incorporate a metric with a greater weighting (20%) aligned to the achievement of the Group's new carbon emissions reduction target (46% reduction in CO₂e by 2030 vs 2019). See the Remuneration Report on page 95 for information.

Measuring our progress

Bodycote engages with external agencies to measure progress and identify areas for improvement. We proactively engaged with ESG ratings agencies in 2024 to improve their understanding of our performance. Our rankings improved as a result.

Bodycote is rated 'A-' by CDP, up from 'D' two years' prior. We achieved a score of 60/100 in our latest EcoVadis assessment, up from 42/100 the prior year, placing the Group in the 71st percentile of all companies rated by EcoVadis globally. The Group's ISS ESG score increased by 9 points, resulting in a 'C' rating, up from 'C-'. Sustainalytics' classification of Bodycote improved to 'medium risk' (previously 'high risk'). Bloomberg's ESG scores for Bodycote also improved, resulting in a sector 'Leading' score in 2024.

Sustainability report

Sustainable impact



LOW TO NO EMISSIONS

OUR COMMITMENT

Our low-carbon processes help customers accelerate the achievement of their environmental ambitions faster and more effectively.

OUR 2030 GOAL

We will help our batch atmospheric processing customers reduce their greenhouse gas emissions by at least 125,000 tonnes of CO₂e by 2030.

OUR PRIORITIES

- Lower carbon processing
- Customer saved emissions (Scope 1 and Scope 2)
- Avoided emissions (Scope 4)
- Carbon calculation

In delivering a suite of energy efficient and sustainable thermal processing services, Bodycote helps customers reduce emissions and environmental impacts across the entire manufacturing process.

The increasing pressure to decarbonise industrial value chains provides a growing opportunity for Bodycote to support customers in achieving their environmental sustainability goals. Outsourcing is already recognised by customers as one of their key levers for achieving their carbon reduction targets, and by partnering with Bodycote, customers can be assured that their outsourced emissions will also decrease in line with a 1.5 degree trajectory.

Bodycote is focused on developing and executing its strategy to capture and create sustainability-related growth opportunities. As part of this, we have developed a suite of carbon calculation tools to provide the necessary proof points to customers. They enable us to illustrate the energy, carbon emissions, material use, and waste management benefits that can be unlocked by switching heat treatment and surface technology processes to Bodycote. We now have best-practice calculator tools in place for thermal processes representing 70% of sales.

Avoided emissions calculator

Our proprietary 'avoided emissions' tool compares a customer's thermal processing emissions to Bodycote's, illustrating the emissions reduction customers can achieve by outsourcing processing to Bodycote. The tool uses a range of input data – such as the type of furnace, number of parts processed per cycle, processing time, and type of processing gas used – compared with 'real world' data inputs from Bodycote's own operations where the customer's parts would be processed. Outputs run for specific customer scenarios have shown the potential to reduce emissions by up to 60% for a comparable treatment approach.

Product carbon footprint calculators

Our evolving suite of carbon calculator tools now also includes product carbon footprint calculators for Bodycote's most popular processes. They have been developed to align with the ISO 14064-3:2019 standard and enable us to offer customers product carbon footprint data for batch atmospheric processing, low pressure carburizing (LPC), vacuum heat treatment, Hot Isostatic Pressing (HIP) and gas nitriding services.

Importantly, our product carbon footprint calculators enable us to compare the relative impacts of different thermal processes. The case study on page 23 provides an example illustrating how Bodycote's expert team used product carbon footprint insights to switch a key customer from a batch atmospheric process to low pressure carburising – resulting in a 93% reduction in emissions per part, as well as a better quality product for the customer.

We plan to develop calculators for four additional processes during 2025, to support our strategic drive to increase outsourcing by customers and create opportunities to switch them to lower carbon, higher margin thermal processing.

New customer avoided emissions target

Bodycote announced its first avoided emissions target in December 2024, underpinning our commitment to providing solutions that lower our customers' carbon emissions. Our target is to enable our batch atmospheric processing customers to avoid 125,000 tonnes of CO₂ by 2030 on a cumulative basis¹. Heat treatment is typically an energy intensive step in component manufacturing, and our investment in efficiency and innovation enables customers to tackle this crucial element of their product lifecycle. We intend to expand our focus over time to include additional processes – to augment our understanding, guide our customers towards carbon reduction, and amplify our impact.

Our avoided emissions calculation methodology, and our avoided emissions baseline and target, have been externally validated as being aligned to the World Business Council for Sustainable Development's guidelines for avoided emissions accounting and target setting.

¹ Bodycote's atmospheric processing service lowers emissions intensity per batch vs. customers' comparative in-house treatment due to our operational efficiency and decarbonisation measures. This, our first avoided emissions target covers a single, widely used thermal processing technology. We intend to expand the scope to include other processes in future.

Sustainability report

Sustainable impact continued



SUSTAINABLE END-MARKETS

OUR COMMITMENT

Our technologies support emerging low-carbon industries such as clean tech, EV manufacturing and renewable energy generation sectors.

OUR 2035 GOAL

We will increase the proportion of revenue supporting sustainable end-use markets and applications to at least 20% by 2035.

OUR PRIORITIES

- Supporting low-carbon industries
- Enabling the development of wind, solar, wave and fuel cell technologies
- Accelerating the implementation of low-carbon solutions

Bodycote recognises its opportunities to support growth in new sustainable products and sectors that will enable the global transition to net zero.

In 2024, Bodycote developed a 'Green Revenue' framework to measure the proportion of our revenue that supports sustainable end-use applications and markets to help advance our strategic response to green growth opportunities.

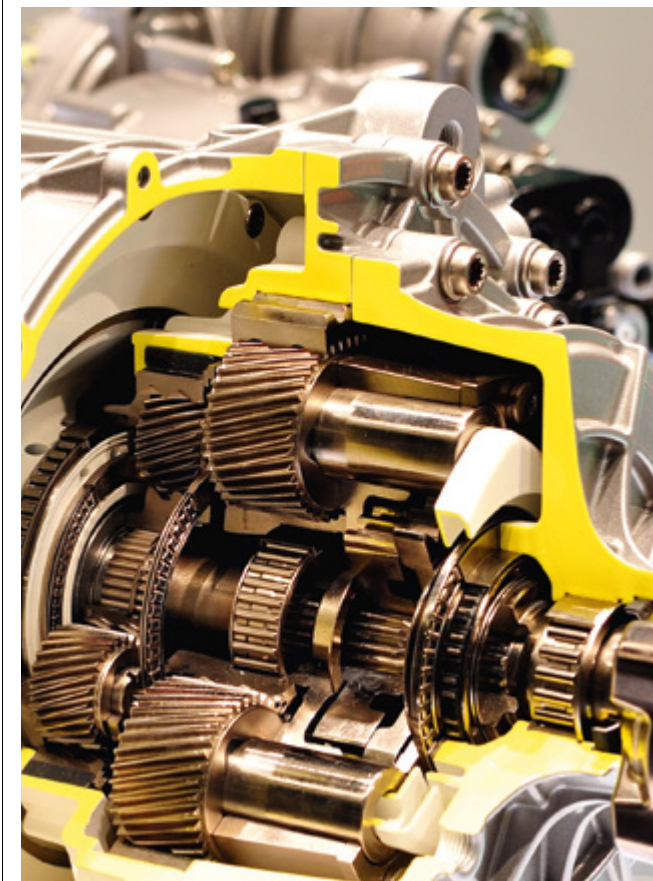
The purpose of our Green Revenue framework is to understand our exposure to markets that enhance sustainability and drive action towards our goal of growing the role we play in these sectors. Over 7% of Bodycote's revenue is currently supporting end-use markets and applications that align to our Green Revenue framework, based on an initial, conservative assessment, and excluding short-term transitional technologies. We have set a target to increase the share of green revenues to at least 20% by 2035 – nearly three times today's level.

Our internal framework is guided by leading taxonomies such as the FTSE Russell Green Revenues Classification System and EU Taxonomy. It identifies markets and end-use applications of the components we treat that facilitate positive environmental impact. We do not include our own processes or any enhancements to the sustainability attributes of products within this particular framework.

Our sustainable end-use application and market revenue can be split into the following categories:

1. End-use markets and applications that manufacture zero or low-carbon vehicles
2. End-use markets and applications that develop renewable and low-carbon energy solutions
3. End-use markets and applications that enable resource and energy efficiency

We have mapped our revenues to end-markets, taking care to apply conservative assumptions where our visibility of the end-use of products is unclear. This is our first year in applying our framework, providing an initial indication of Bodycote's revenue exposure to markets and applications that enhance environmental impact. We will work to improve our analysis over time, aligning to any updates in global green taxonomies, and leverage the framework to identify where there may be increased demand for services as part of the net zero transition to inform our customer relationships and business planning processes.



Sustainability report

Sustainable impact continued



SAFE & COMPLIANT

OUR COMMITMENT

Our solutions improve product safety and assist with adherence to important compliance requirements.

OUR 2030 GOAL

We will work as the industry standard-setter for material science that prioritises safety, health, and the preservation of the planet.

OUR PRIORITIES

- Certified solutions (eg. REACH compliant)
- Improving sustainability performance (eg. via surface technology)
- Safer coatings (eg. HVOF coating)

Innovative coatings for improved safety

Bodycote's Surface Technology business provides High-Velocity Oxygen Fuel (HVOF) coatings for materials such as metals, alloys, ceramics, plastics, and composites. HVOF is an advanced thermal spray coating technique that uses a high-speed stream of oxygen and fuel gas to propel molten particles onto a substrate surface to create a dense, tightly bonded coating with excellent adhesion and high-quality mechanical properties.

HVOF coatings offer exceptional hardness, wear resistance, and corrosion protection, making them suitable for demanding applications. Importantly, Bodycote has proven that HVOF coatings provide a viable substitute for processes that have traditionally used hexavalent chrome, without compromising the performance and functionality of the coated parts or components.

Also known as chromium (VI), hexavalent chrome has been widely used in industry to secure corrosion resistance and durability of components. However, its toxicity presents significant risks to human health and the environment, and as a result, it is subject to strict restrictions under the EU's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulation.

HVOF coating technology offers a REACH-compliant solution that surpasses customers' specified performance requirements, while minimising environmental impacts across a wide range of applications in critical sectors, including aerospace, automotive, and other manufacturing industries.

Bodycote has worked with OEMs and their tier 1 suppliers in the aerospace industry on new generation components that use HVOF to replace hexavalent chrome solutions. We have successfully transitioned customers to HVOF coatings for landing gears, engines and fuel pumps. These customer collaborations to drive uptake of HVOF coatings have delivered improvements to workplace safety, reduced environmental contamination risks, extended components' lifespans and demonstrated an overall pathway to a more sustainable future.



PRIORITISING ENVIRONMENTAL PRESERVATION

Our focus on driving more sustainable solutions through our engineering expertise extends to our own operations and ways of working. We have an ongoing programme to minimise waste and enhance wastewater treatment processes in our Katrineholm, Sweden plant.

We have concentrated on reducing the amount of wastewater produced by our processes and improving the efficiency of our on-site wastewater treatment plant. By optimising the replacement rate for degreasing cleaning cycles, we have reduced the volume of degreasing solution used in our cleaning processes by over 75% in the past three years. This has resulted in savings on disposal costs and a reduction in vehicle movements by waste contractors.

Focusing on improving our on-site wastewater treatment plant, including changing the coagulants used to clean the wastewater, has helped reduce our chemical coagulant consumption by over 70% in the past three years. This has also led to a 65% decrease in the waste metal hydroxide slurry we dispose of.

Our continued focus on operational efficiency and environmental impact reduction will be further enabled by our new Groupwide chemical management system. See page 58 for details.

Sustainability report

Sustainable impact continued



RESOURCE EFFICIENT

OUR COMMITMENT

Our treatments enable customers to achieve more with less by increasing durability, resilience, and sustainability performance.

OUR 2030 GOAL

We will provide specialist technologies and support research and development that enables customers to realise their growth and sustainability ambitions.

OUR PRIORITIES

- Specialist technologies that support customer sustainability
- Solutions that enable materials, energy, waste and water savings for customers (eg. powder metallurgy, additive manufacturing)
- Involvement in customer R&D into more sustainable solutions

Bodycote's Specialist Technologies are also enabling positive environmental impact for customers.

Our leading treatments enable lighter, thinner components to be adopted that require fewer replacement parts, less machining, less energy, and lower water use. We offer a range of solutions that help customers reduce emissions at each stage of the manufacturing process (Scopes 1–3) to enable positive environmental impact for customers and help them meet their goals.

Bodycote's Powdermet® (powder metallurgy) Hot Isostatic Pressing technology (PM-HIP) offers freedom of design and superior material properties, replacing forged shapes with sleeker, lighter designs with homogenous material properties and leaner manufacturing processes. This enables customers to produce improved products while reducing costs and lead times, and delivering better sustainability outcomes.

During the year, we studied the energy use of near-net-shape PM-HIP compared with hot forging for industrial metallic components. Our study focused on the energy use in the manufacturing stages of each process, a crucial topic as industries aim for sustainable production without compromising quality or timelines. This is particularly relevant to new power and energy facility construction, where the energy efficiency and carbon intensity of the components used in the initial construction are critical factors in evaluating the net benefits of clean energy supply and reducing carbon related costs, but it is essential that these factors can be delivered in a cost-effective manner without extending project timeframes, or reducing quality. Our analysis established that PM-HIP is significantly more energy-efficient, whilst also supporting cost, quality, and lead-time drivers. Results showed hot forging used 15.1 MWh, while PM-HIP used just 5.3 MWh, a 65% reduction; enough to power an average home for a year. Key factors included a 60% weight reduction in the optimised PM-HIP design, consolidated post-process heat treatment, reduced machining, and no overlay welding, which also reduces risk and lead time. A combination of Powdermet® and HIP enables a transformational approach to

manufacturing that vastly improves resource efficiency, significantly reducing both the amount of material and energy inputs needed for product manufacture.

Sustainably manufactured components offer industries significant environmental benefits by minimising the raw materials used, lower energy and associated carbon emissions from manufacturing, and a reduction in the waste produced. These more efficient manufacturing processes deliver industries a pathway to meet their own sustainability goals, enabling a reduction in the overall environmental footprint of their products, and aligning with global efforts to tackle climate change and minimise resource depletion.

Bodycote is aiming to increase the addressable market for Powdermet® as a key element of our growth strategy, supporting customers to achieve superior, more sustainable components. See page 20 for our Specialist Technologies business review.

NEXT STEPS

- Grow our partnerships with customers to capture and create new business opportunities through delivering their carbon reduction and environmental goals.
- Augment our suite of product carbon footprint calculators to include additional thermal processing services and obtain external verification of our methodologies.
- Expand the range of technologies covered by our avoided emissions target, to increase understanding of our impact and guide customers towards solutions that support their carbon reduction goals.

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Bodycote continued aligning with the TCFD recommendations, ensuring climate-related impacts are understood and incorporated into our business strategy.

This year, we refreshed our qualitative and quantitative scenario analysis and conducted an assessment of the potential financial impacts of climate-related risks and opportunities under different scenarios, to guide the continued development of our climate strategy.

This was supported by a wider double materiality assessment through which we conducted an in-depth evaluation of environmental (as well as social and ethical) impacts, risks and opportunities. See pages 42 to 43 for details.

TCFD statement of compliance

This report sets out Bodycote's climate-related financial disclosures, consistent with the recommended disclosures of the TCFD framework, and in compliance with Listing Rule 14.3.24R(1). The main disclosures are set out in this section. There are additional disclosures on pages 44 to 47 and 59 to 62. Bodycote has reported in full against each of the 11 specific TCFD disclosure recommendations.

Governance

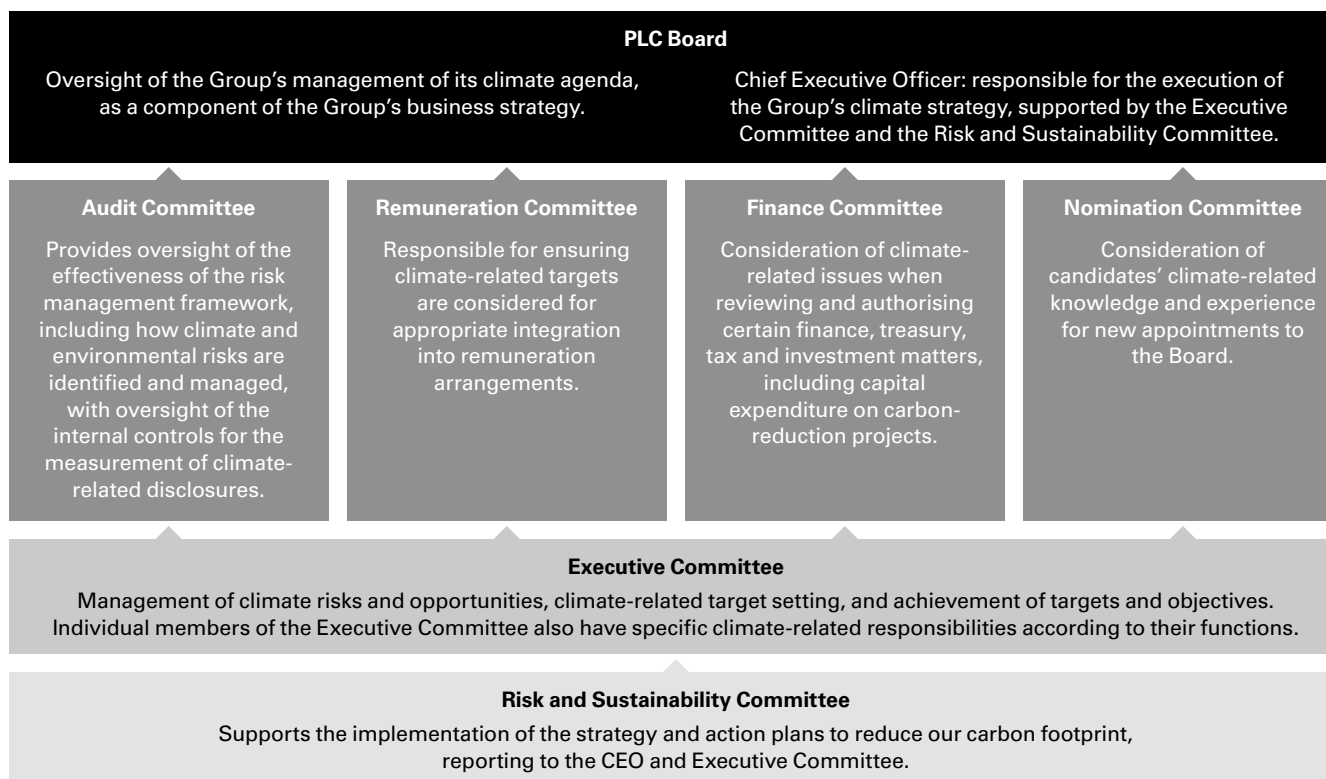
Climate-related responsibilities of the Board

Climate-related matters are integral to Bodycote's business model and strategy. The Board oversees the management of climate-related issues as part of its role in supporting corporate strategy development. The Chief Executive Officer updates the Board on the Group's climate strategy at least quarterly. In 2024, the Board agenda included reviews of the sustainability strategy, progress towards the SBTi target, and plans to pursue climate-related commercial opportunities. Discussions were held to review the Group's emissions trajectory to 2030 and potential for setting Scope 3 goals. This led to the decision to update the SBTi target, as announced in December 2024.

The Board monitors the Group's performance against four financial and two non-financial key performance indicators. Non-financial indicators include the Group's absolute Scope 1 and Scope 2 GHG emissions (see page 59). The Board and its Committees also consider climate-related issues when reviewing annual budgets and as part of other decision-making, such as capital expenditure authorisation for carbon-reducing projects.

The Audit Committee supports the Board in overseeing the Group's risk management procedures, including how climate and environmental risks and opportunities are identified, measured, and managed. It also oversees the Group's compliance with climate-related reporting requirements and internal controls for carbon emissions measurement and climate disclosures.

Governance framework for climate and sustainability topics



Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Board members' sustainability experience

Board members have diverse experience in climate-related issues. Examples include:

- The Chief Executive Officer has practical experience in the development and implementation of energy and carbon reduction projects. He was involved in developing electrical grid integrity and supporting the installation and maintenance of renewable energy systems in his previous role at Megger.
- Non-Executive Chair, Daniel Dayan, has substantial climate and sustainability experience from his leadership of major plastics processing and recycling businesses.
- Non-Executive Director, Beatriz García-Cos Muntañola has gained climate-related experience in renewable energy and mining industries and through her current role as Chief Financial Officer of Ferroglobe plc.
- Non-Executive Director Cynthia Gordon oversees the integration of climate-related metrics in the Group's incentive schemes, and has experience in overseeing sustainability and climate-related reporting, including under new regulations.

Climate-related responsibilities of management

The Chief Executive Officer has overall responsibility for the Group's climate strategy. The Chief Sustainability Officer, a member of the Executive Committee, supports the definition and execution of the strategy. Other Executive Committee members are responsible for implementing the strategy within their functions.

Climate-related topics are a standing agenda item at Executive Committee meetings. Examples of topics discussed in 2024 include:

- Progress in reducing emissions and opportunities to accelerate.
- Proposals to upgrade the Group's SBTi target ambition level to a 1.5°C trajectory.
- Setting of additional climate-related targets: a customer avoided emissions and a sustainable revenues target.

- Assurance of the Group's processes for calculating GHG emissions.
- Evaluation of climate-related impacts, risks and opportunities under a double materiality assessment process.
- Continued development of customer carbon tools and communication materials.

Processes for oversight of climate-related issues

The Executive Committee oversees processes for climate risk and opportunity management. Climate-related issues are considered as part of strategy, business planning, risk management and budgeting processes. Examples include:

- **Group strategy** – climate-related opportunities influence the development of the Group's service offerings and the formulation of solutions that drive demonstrable emissions reductions for Bodycote's current and future customers.
- **Capital investment** – all capital investment decisions include sustainability reviews to ensure alignment with the achievement of the Group's SBTi commitment.
- **Major plans of action** – environmental impacts and opportunities are considered as part of decision-making related to our asset and property portfolio.
- **Risk management** – climate risk assessment is integrated into our formal risk management processes (see pages 55).
- **Annual budgets, scenario planning, impairment testing and going concern assessments** – the ability to seize opportunities and mitigate potential climate-related risks is considered as part of the annual budget process and longer-term financial modelling.

The Risk and Sustainability Committee supports the Executive Committee in implementing climate-related initiatives, risk management and reporting.

Responsibilities of individuals and teams

- **Chief Executive Officer:** overall responsibility for the Group's climate-related strategy.
- **Chief Financial Officer and the Group Finance team:** supporting the assessment of financial impacts of climate-related risks, opportunities and investments, and scenario modelling.
- **Chief Sustainability Officer and the Sustainability team:** developing the Group's climate strategy, targets, and tools, and monitoring and communicating progress.
- **Divisional Presidents:** managing climate-related topics in the operations, including in relation to employees, assets and property, implementing carbon reduction projects, and creating and capturing climate-related business opportunities.
- **Group Internal Audit and Risk:** through the Group's risk process, capturing climate-related risks and, where appropriate based on risk, providing internal audit assurance.
- **Technical Services Operation (TSO):** supporting facilities in implementing carbon reduction projects and new, energy-efficient, low-carbon technologies.
- **Sales and customer key account teams:** engaging with customers to understand their sustainability goals, and facilitating efforts to reduce their emissions.
- **General managers of sites:** day-to-day management of facilities, furnaces and other equipment to optimise efficiency and energy consumption.

Climate-related incentives

Bodycote recognises the importance of incentivising progress towards ESG targets. For 2024, an ESG metric was included in the annual bonus scheme for Executives and senior leaders, accounting for 5% of the award. Following a comprehensive review of the Group's incentive schemes, in 2025, the long-term incentive plan has been amended to incorporate a metric aligned to the Group's new carbon emissions reduction target. See the Remuneration Report on page 95 for details.

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Strategy

Climate change is one of Bodycote's top strategic priorities (see page 07 for the Group's strategy and objectives). Climate change-related initiatives form a core element of our operational strategy, under our 'Optimise' and 'Perform' pillars, as well as our commercial growth strategy, under our 'Grow' pillar. We take a proactive approach to sustainability and energy efficiency throughout our operations, recognising the commercial imperative in optimising the use of energy, industrial gases and other materials across our cutting-edge material science solutions.

Growing awareness of climate change and sustainability continues to be a catalyst for business growth as we provide services and solutions that reduce our customers' energy use, carbon emissions, and total value chain impacts. With our proven efficiency and public commitment to ambitious carbon reduction targets, we offer industrial customers a route to meet their own carbon goals by transitioning their in-house heat treatment to an outsourced partner, delivering efficiency today and a pathway to even lower emissions in the future. We can achieve this for our customers through our ability to reduce carbon emissions when comparing like-for-like technology, and additionally our capability to transition customers onto lower carbon technologies for their processing needs, such as low pressure carburising (LPC), which delivers an even larger reduction in energy consumption and carbon emissions.

Climate scenario analysis

Bodycote regularly re-assesses climate-related risks and opportunities to inform strategy, financial planning, and investments. Senior professionals across the business support the assessment through dedicated workshops, with input from internal and external experts. Outputs from these assessments allow the Group to adapt, refine, and update risks, opportunities, and related mitigation or realisation measures. In 2024, this was supplemented by a broader assessment of environmental and social risks and opportunities through the completion of a double materiality assessment process (see page 42).

Bodycote applies the same time horizons as those used for its Principal Risks: short-term (0–2 years), medium-term (2–5 years), and long-term (over 5 years). While climate risks typically emerge over a longer timeframe, the Group uses these timeframes to integrate climate risk assessment into our overall strategy and



risk evaluation. Climate-related impacts are assessed using a range of scenarios, including a 2°C or lower scenario as required under TCFD. These scenarios are modelled based on the latest IPCC assessment, as detailed on page 51.

The Group has conducted an annual review of its qualitative assessment of all identified climate-related risks and opportunities under each scenario. The potential impacts of several risks have also been recalculated for 2024, quantifying impacts where suitable models and data are available, to estimate their potential impact on the Group's capital outlay, operating expenditure, and annual revenue in at-risk locations. Risks and opportunities are then prioritised based on their potential impact. They are considered material when they could significantly affect our strategy, either positively or negatively.

Physical risks, such as heatwaves and flooding, have been assessed using external data sources. These risks were selected as the most relevant to the Group's locations. Heatwave risk was assessed using data from the IPCC's Sixth Assessment Report, available through the World Bank Climate Knowledge Portal (<https://climateknowledgeportal.worldbank.org/>). Flooding risk (coastal and riverine) was assessed using the same IPCC data, along with data from the WRI Aqueduct Water Risk Atlas 4.0. Wildfire risk was assessed using a combination of IPCC data and NASA's MODIS data. Other indicators were also extracted from the IPCC's Sixth Assessment Report. The results of our assessment completed at December 2024 (see pages 51 to 54), indicate that the majority of climate-related risks and opportunities remain broadly unchanged from the 2023 and 2022 assessments.

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

S1

Scenario 1 (<1.5°C)¹

Net zero emissions reached by 2050 globally

Global temperatures are limited to a 1.5°C increase by 2050 compared to pre-industrial levels.

Physical risks are limited, and there has been a substantial shift in behaviour and public policy (eg. higher carbon taxes).

S2

Scenario 2 (<2°C)²

Emissions peak and start falling around 2050

Policy action is late and disruptive and while some steps have been taken, it is largely business-as-usual.

There are limited public policies before 2025, temperatures continue to rise, and physical impacts intensify.

S3

Scenario 3 (<3°C)³

Emissions keep rising (doubling by 2100)

Limited global action results in accelerated global warming and significant physical risks.

Governments fail to introduce further policies to address climate change.

1 RCP1.9/SSP1-1.9, PRI IPR: 1.5°C Required Policy Scenario.

2 RCP3.4/SSP2-4.5, PRI IPR: Forecast Policy Scenario.

3 RCP6.0/SSP3-7.0.

Climate risk and opportunity assessment

Type of risk	Potential impact and mitigation measures	Time frame
Physical risks		
Extreme weather events Risk Driver: Acute physical – Wildfires – Flooding	Description Risk of disruption to the Group's operations and value chain as a result of wildfires and coastal and riverine flooding, with impacts on the Group's employees, property and equipment and surrounding public infrastructure.	S1
	Impact assessment Fewer than 10% of sites are currently assessed as being at high risk of wildfires and flooding under all three scenarios. The potential impact of operational disruption and cost of relocation if necessary has been assessed as negligible (see the table on page 54).	S2
	Mitigation measures – Implementation of additional mitigation measures in higher risk sites (eg. safety, maintenance, business continuity and shift planning, landscaping etc.) – Automation and remote technologies for continuous operations during disruption. – Regular assessment of climate science and scenarios to monitor risk exposure.	S3
Extreme temperatures Risk Driver: Chronic physical – Heatwaves and heat stress – Cold wave/frost	Description Risk of increased frequency and intensity of heatwaves, impacting employees, facilities and equipment, affecting costs (for example, equipment maintenance) and productivity.	S1
	Impact assessment Higher risk sites have been identified, with a maximum of 20% of sites being high risk under Scenario 3. The potential financial impact of disruption to operations and potential investments in cooling measures has been assessed as low. See page 54. The risk of cold wave/frost has been evaluated as not being relevant currently.	S2
	Mitigation measures – Investment in additional insulation and cooling measures for temperature control in at-risk sites. – Investment in increased automation in our operations.	S3

Short-term (0–2 years)

Medium-term (2–5 years)

Long-term (5+ years)

Not applicable

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Type of risk	Potential impact and mitigation measures	Time frame	Type of risk	Potential impact and mitigation measures	Time frame
Transition risks			Transition risks		
Impacts to electricity supply Risk Driver: Market – Uncertainty in market signals Technology – Transitioning to low-emission technology	Description Increased demand for electricity globally could result in an increased likelihood and occurrence of power outages, potentially resulting in unplanned downtime. In Scenario 2, high demand for electricity could impact energy security; in Scenario 3 there could also be an increase in electricity demand and cost due to additional cooling requirements.	S1	Reputational risk Risk Driver: Reputation – Stigmatisation of sector – Increased stakeholder concern	Description Ability to attract customers, employees and investors who want to work with and for companies that are taking action on climate issues and minimising their exposure to risk. This could impact talent attraction, new business development, investor sentiment and access to or cost of debt.	S1
	Impact assessment The potential financial impact of this risk has not yet been assessed. The Group demonstrated in recent years, the ability to recover energy cost inflation through its energy surcharge policy.	S2		Impact assessment The Group's carbon reduction strategy positively impacts customer, employee and investor advocacy. The Group is the only major heat treatment company globally with an SBTi target, offering a competitive edge for securing new business and talent where climate action plays a role.	S2
	Mitigation measures – Reduction in energy consumption through energy saving and energy efficiency measures. – Operation during off peak hours at times of lower energy prices. – Implementation of measures to reduce reliance on grid electricity (eg. solar panels).	S3		Mitigation measures – Ongoing tracking of stakeholders' expectations through direct engagement, best practice benchmarks and research. – Regular customer engagement on Bodycote's climate roadmap, alignment to international standards and its commercial offerings for carbon reduction.	S3
Increased pricing of carbon emissions Risk Driver: Emerging regulation – Carbon pricing mechanisms Technology – Transitioning to low emission technology	Description A failure to reduce energy usage and new carbon taxes could increase operating costs. New regulation or pressure to reduce carbon emissions could accelerate the need to retrofit or replace technology, requiring additional capital investment.	S1	Increased regulation of GHG emissions Risk Driver: Emerging regulation – Mandates on, and regulation of, existing services	Description Increased regulation of GHG emissions could be disruptive for the Group and its customers, leading to business disruption, increased costs or taxes, and penalties or litigation in the event of non-compliance. It could also accelerate the requirement to invest in lower GHG emissions technologies.	S1
	Impact assessment The potential financial impact of this risk has been assessed using the estimated cost of carbon in 2030; see the table on page 54.	S2		Impact assessment The Group has evaluated the potential financial impact of increasing deployment of low emissions technologies and has determined this as being 'low'. See page 54.	S2
	Mitigation measures – Reduction in energy consumption and continued progress towards our enhanced 1.5°C aligned SBTi target. – Further development of a decarbonisation roadmap and investment in lower carbon technology and energy. – The Group demonstrated in recent years the ability to recover energy cost inflation through its energy surcharge policy.	S3		Mitigation measures – Continued deployment of lower emissions processes (eg. vacuum, LPC). – Energy reduction and decarbonisation measures. – Monitoring of regulatory landscape to ensure timely action and compliance.	S3

 Short-term (0–2 years)

 Medium-term (2–5 years)

 Long-term (5+ years)

 Not applicable

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Type of risk	Potential impact and mitigation measures	Time frame	Type of risk	Potential impact and mitigation measures	Time frame
Opportunities			Opportunities		
Increased outsourcing by customers to reach GHG targets Opportunity Driver: Resource efficiency – Use of more efficient production processes	Description Increased revenues resulting from increased outsourcing by customers to Bodycote to i) reduce their own Scope 1 and 2 emissions and decrease exposure to carbon taxes, etc.; and ii) enable emissions avoidance (Scope 4) – as emissions per part processed by Bodycote can be up to 60% lower through efficiency, furnace utilisation and investment in energy efficiency (see page 54).	S1	New volumes for Bodycote related to low-carbon transition Opportunity Driver: Products and services – Ability to diversify business activities Markets – Access to new markets	Description Revenue uplift related to increased business from heat treatment services from sectors that support the transition to a lower carbon world (eg. internal combustion engine to EVs). These sectors become a more significant revenue stream for Bodycote as a result of higher and new demand for services.	S1
	Impact assessment The Group has opportunities to support customers in achieving their emissions targets across all its sectors and markets, leading to increased revenues. Cost reductions may also be achieved within the Group's operations as a result of higher efficiencies and furnace fill rates/utilisation.	S2		Impact assessment Bodycote is able to realise this opportunity via current facilities and technologies. The Group's global heat treatment capacity allows us to quickly adapt to customers' requirements with low capital investment.	S2
	Realisation measures – Current operations are already geared towards the realisation of this opportunity and support GHG emissions reduction and avoidance.	S3		Realisation measures – No significant effort or investment is expected to be required to diversify our customer base due to Bodycote having flexibility to serve both existing and new industries.	S3
Low-carbon technologies offering for customers Opportunity Driver: Services – Development and/or expansion of low emission services	Description Offering processing services that have a lower carbon footprint for competitive advantage: allowing the Group to meet new requirements from customers and regulations and positioning Bodycote's services as higher value (with a premium).	S1	Government and other incentives Opportunity Driver: Resource efficiency – Use of more efficient production processes Services – Development of low-carbon service offering	Description Positive impact of Government and other incentives, including revenue uplift as a result of increased customer demand for services that benefit from energy tax exemptions due to emissions avoidance, incentives for the faster adoption of lower carbon technologies, and incentives and revenue uplift from the adoption of low emissions thermal processing services.	S1
	Impact assessment The Group's low-carbon processing services present opportunities for higher revenues, increased margins, and open up new markets for the Group's metallurgy solutions.	S2		Impact assessment The impact of this opportunity has not yet been assessed. The Group will continue monitoring the opportunity and evaluate quantifying it as information becomes available that allows a reasonable approach.	S2
	Realisation measures – Monitoring customers' climate plans and their expectations of suppliers. – Increased revenues would offset capital investment for additional capacity.	S3		Realisation measures – Continued installation of low-carbon technologies across the Group.	S3

 Short-term (0–2 years)

 Medium-term (2–5 years)

 Long-term (5+ years)

 Not applicable

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Climate risks quantitative impact assessment

Risk	Value drivers assessed	Potential annual impact before mitigation ¹	Time horizon	Mitigation measures
Chronic physical risk: Heatwaves	Potential cost of mitigation of extreme heat in sites at risk of frequent and severe heat waves (installation and operation of cooling systems) and probability of potential production losses ² .	S1 	Long-term	- Investment in additional insulation and cooling measures for temperature control in at-risk sites - Investment in increased automation in our operations
		S2 	Long-term	
		S3 	Medium-term	
Acute physical risk: Flooding, wildfire	Potential cost of mitigating flooding and wildfire risk through relocation, and potential disruption to production in at-risk sites ³ .	S1 	Medium-term	- Implementation of additional measures in at-risk sites (eg. safety, business continuity, landscaping) - Investment in increased automation in our operations - Monitoring risk using climate science and models
		S2 	Medium-term	
		S3 	Medium-term	
Transition risk: Increased pricing of carbon emissions	Future costs of carbon applied to Groupwide Scope 1 and Scope 2 emissions using IPCC estimates for prices per tonne of carbon under different scenarios. (Tonnes CO ₂ e x projected cost per tonne) ⁴ .	S1 	Long-term	- Carbon cost inflation recovery through pricing - Alignment to SBTi emission reduction pathways - Continuous reduction in absolute energy consumption, decreasing carbon emissions - Investment in increased automation in our operations
		S2 	Long-term	
		S3 –	Not applicable	
Transition risk: Increased regulation of GHG emissions	Accelerated decarbonisation of operational processes through investment in LPC furnaces (electrically-powered, low consumption) and retrofitting gas heated furnaces to be powered by electricity. Assumed transition time: 25 years to 2050.	S1 	Long-term	- Continued deployment of lower emissions Specialist Technologies and low-carbon heat treatment services - Energy reduction and decarbonisation measures - Monitoring of regulatory landscape to ensure timely action and compliance
		S2 –	Not applicable	
		S3 –	Not applicable	

 Negligible (<£1m)

 Low (£1m–£5m)

 Moderate (£5m–£10m)

 Significant (£10m–£20m)

 Severe (>£20m)

Organisational resilience to climate change

Bodycote's climate scenario analysis process explores the Group's resilience to climate-related issues and identifies suitable mitigation plans. As detailed in the risk and opportunities table, measures have been identified for each key risk and opportunity. The Group's global presence and diversity of applications for its services also provide resilience to risks, and opportunities for growth in new areas.

All of the risks and opportunities detailed in the tables across pages 51 to 53 are integrated into our commercial and operational planning. Commercial opportunities are incorporated in the 'Grow' lever of our business strategy, while operational risks and opportunities are integrated into the 'Optimise' and 'Perform' levers. For details on how we are executing our strategy in each of these areas, see page 17.

The Group has determined that scenarios where global warming is limited to 1.5°C or less than 2°C would be most beneficial, helping the business thrive even with the potential impact of higher carbon costs. This is due to the climate-related opportunities presented in these scenarios – both commercial and operational – and the likely lower disruption to operations from physical climate impacts.

An increased cost of carbon would be recovered through pricing; at the same time, the Group's initiatives to reduce operational energy consumption would reduce its risk exposure in the event of an increased cost of carbon. Low-carbon processing technology also provides resilience in reducing energy consumption, as well as supporting the Group's growth objectives. Examples of ways in which the Group supports customers' environmental sustainability goals are provided on pages 21 to 23.

¹ Costs before current and planned mitigation measures.

² Site risk assessed using CMIP6 data from the World Bank Climate Knowledge Portal.

³ Probability of risk estimated using WRI Aqueduct, UNEP and NASA data.

⁴ Cost of carbon based on Intergovernmental Panel on Climate Change (IPCC) projections for 2030 – £100 per tonne of CO₂e in Scenario 1; £25 per tonne of CO₂e in Scenario 2.

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Risk management

Climate risk and opportunity identification and assessment

Climate change is one of the Group's principal risks. Potential impacts include physical risks to operations and supply chains from global warming, as well as transition risks and opportunities related to regulatory and market developments from the shift to a low-carbon economy. Risk appetite is determined annually by the Board.

Climate-related risks and opportunities most relevant for the Group are identified through processes including benchmarking, research, consultation with key colleagues, and customer engagement. Regulatory changes are also considered in identifying and assessing risks and opportunities. External climate data supports this assessment. As described on page 48, the Group refreshed its climate scenario analysis in 2024 to re-evaluate risks and opportunities. Insights from this work are incorporated into the Group's Principal Risks register.

The process for determining the potential impact of climate risks and opportunities, and their relative importance, includes both qualitative and quantitative evaluation by the Group's Sustainability and Finance functions. Members of the Risk and Sustainability Committee also contribute to assessments and corroborate outcomes.

Climate risk management

Climate risk and opportunity management is led by the Group Chief Executive, with support from the Chief Sustainability Officer to ensure alignment with key risks and opportunities. This includes maintaining the Group's climate risk register and advising on controls to mitigate risks from current and emerging regulation, technology, legal, market, reputational, and physical climate developments.

Climate risks and opportunities are prioritised based on their potential strategic and financial impact, likelihood, and magnitude. The Executive Committee oversees operational activity to manage priority climate risks and opportunities. Additional human and financial resources are deployed when needed to support risk mitigation or opportunity realisation plans.

The Group's climate risk and opportunity management plans are updated at least annually. Insights from our climate scenario analysis inform the Group's climate transition planning and efforts to further integrate climate-related opportunities into commercial offerings and operations. Mitigation and realisation strategies for key climate risks and opportunities are described on pages 51 to 53.

Integration of climate risk into overall risk management

Climate risk is assessed alongside other business risks using the Group's overall risk management framework. Executive Directors and Senior Executives are assigned ownership of risk management as appropriate, with climate risk assigned to the Chief Sustainability Officer. The Executive Committee evaluates all Principal Risks and their mitigations twice a year. This ensures that climate-related risks and opportunities are incorporated into the Group's strategic and financial planning appropriately.

An aggregated Principal Risks register, including climate risk, is maintained by the Head of Internal Audit and Risk at the Group level. Operational risk management is facilitated through Group policies, procedures, training, internal controls, reporting reviews, and approval processes, and overseen by Group Internal Audit and Risk, and the Audit Committee.

Climate risks are monitored throughout the year to identify changes in the risk profile. The Risk and Sustainability Committee supports the identification, assessment, and management of climate-related risks. Risk descriptions, scores, and mitigating actions are assessed at least twice a year by the Executive Committee and reviewed annually by the Audit Committee and the Board.

Metrics and targets

Climate-related metrics

The Group monitors various metrics to assess climate-related risks and opportunities and track performance against targets. The following metrics are currently tracked:

- Scope 1 and Scope 2 emissions (CO₂e)
- CO₂e emissions intensity (CO₂e/£m revenue)
- Energy consumption (MWh)
- Energy intensity (MWh/£m revenue)
- % renewable energy use

These metrics are monitored by the Executive Committee. The Board also receives reports on energy usage and emissions. ESG metrics are included in executive compensation schemes.

Climate-related metrics are tracked using an EHS management platform which is deployed Groupwide to capture environmental and health and safety data and provide a single, comprehensive source of data for insight and management.

Other climate-related metrics

Given the nature of our business, energy consumption is the Group's most material environmental topic. Our processes are not water-intensive by design, and the Group does not produce products requiring added water. However, water is used for some operational processes, so water consumption is also monitored. Wastewater arises in processes like degreasing. We regularly monitor water use, waste generation, and wastewater treatment chemicals consumption. The case study on page 46 featuring our Katrineholm, Sweden plant illustrates steps we are taking to manage these impacts and reduce our costs.

Water use data is reported on page 62. Bodycote continues to augment its use of climate-related metrics to track performance and control exposure to risk. In 2024 we began collating waste production data at a Group level. See page 62 for our 2024 performance. We are also working to improve data and insights at an asset level to enable benchmarking across facilities, support greater operational efficiency, and inform net zero roadmap planning.

Sustainability report

Task Force on Climate-related Financial Disclosures (TCFD) report continued

Climate-related opportunity metrics

The Group's climate strategy presents both commercial and operational opportunities:

Commercial opportunities

Bodycote has a significant opportunity to support customers in reducing emissions and energy consumption. We have begun tracking customers' sustainability requirements and new business opportunities, particularly relating to carbon reduction goals and their requirements of suppliers, and are proactively engaging with customers to demonstrate how we can help them achieve their goals.

Operational opportunities

The benefit of the Group's efforts to reduce carbon emissions is passed directly to customers, lowering their Scope 3 emissions from the services we provide. At the same time, the Group benefits from reduced energy consumption, lower operating costs, and less exposure to financial risks. See page 59 for details of the Group's projects to reduce operational carbon emissions.

The Group's Scope 1 and Scope 2 emissions decreased by 8.6% in 2024. CO₂e per £m revenue reduced by 6.8% compared with 2023. The table above shows location-based emissions. Scope 1 and Scope 2 emissions for the last five years are set out in the 'Environmental Leadership' section. Bodycote also reports emissions data using the market-based methodology (see page 59). Emissions and energy consumption for the Group's UK operations are provided on page 62.

The majority of the Group's energy use relates to the consumption of electricity and gas. A breakdown of consumption data is provided on page 59. Emissions reductions were primarily achieved through reduced electricity and gas consumption and energy efficiency measures.

Bodycote uses an operational control approach for reported emissions. The Group's 2024 Scope 1 and 2 emissions and energy consumption data has been independently assured. Assurance of 2024 Scope 3 data is well underway. Assurance is conducted in accordance with the ISO 14064-3:2019 standard. See www.bodycote.com for the assurance statements.

GHG emissions and related risks

GHG emissions	Associated risks	2024 ktCO ₂ e
Scope 1	– Price volatility of fossil fuels – Future carbon taxes	118.0
Scope 2	– Fluctuation in electricity costs (including impacts of fossil-fuel sourced generation and future carbon taxes)	125.3
Total Scope 1 + 2	– Customer appetite for lower emission solutions – Faster than expected growth resulting in an increase in emissions beyond planned mitigation	243.3
Scope 3	– Price fluctuation in energy intensive supplies such as industrial gases	169.2

Scope 3 emissions

Although the Group's Scope 3 footprint has remained below SBTi's 40% materiality threshold (of total Scope 1, 2, and 3 emissions), we are including our full Scope 3 emissions footprint in our disclosures from 2024 (see page 60). We have also set goals to reduce Scope 3 emissions, aligned to the best practice SBTi methodology for target setting. Our targets cover almost 70% of our Scope 3 footprint, and comprise the following:

- To reduce absolute Scope 3 GHG emissions from fuel and energy-related activities by at least 45% by 2030 from a 2019 base year.
- For 30% of suppliers (by emissions) of purchased goods and services to have science-based or other carbon reduction targets by 2030.

In the year ahead, we will develop our supplier engagement strategy and embed metrics associated with the largest elements of Scope 3 emissions (specifically energy-related, industrial gases and HIP-PF metal powders) into our internal management reporting.

Climate-related targets

Bodycote previously set a science-based emissions reduction target validated by SBTi. The Group committed to reducing absolute Scope 1 and Scope 2 GHG emissions by 28% by 2030 from a 2019 base year. In 2024, the Group's emissions were 28.7% below the base year, meaning this target was achieved six years early.

In late 2024, the Group submitted a revised, more ambitious short-term target to SBTi, aligning with a more stringent 1.5°C trajectory. The new target sets a 46% reduction in absolute Scope 1 and 2 market-based emissions by 2030 (compared to 2019 levels).

The Group is working towards an annual goal of at least a 4% emissions reduction, in line with the new, more ambitious 1.5°C aligned emissions reduction target. Our top priority remains energy reduction: improving efficiency and lowering energy consumption. We have established a core programme of eight key emission reduction initiatives, which are being implemented across our global facilities (see page 59).

The Group's energy efficiency initiatives also support decarbonisation more widely. By optimising thermal processing for manufacturers, Bodycote can prevent emissions that would otherwise be released into the atmosphere. As a result, Bodycote plays a major role in avoiding emissions and reducing industry's impact on the climate overall.

The Group has developed a number of software tools to enable carbon and environmental impact calculation for the majority of its core heat and surface treatments. The tools support current and prospective customers in their understanding of the environmental impacts of services provided, as well as the potential avoided emissions if they outsource their in-house processes to Bodycote. See page 44 for details.

Our position on carbon offsets

In line with the science-based approach to decarbonisation, Bodycote focuses on absolute emissions reduction. The Group may use carbon removal or offsets only as part of a residual emissions strategy if required in the future or as an additional initiative to compensate for emissions or support nature restoration.

Sustainability report

Responsible business



ZERO HARM

OUR COMMITMENT

We promote a safety-first culture to ensure that all our people return home from work safely and securely.

OUR GOAL

We will embed our zero harm culture Groupwide and drive continuous improvement in our performance.

OUR PRIORITIES

- Creating a zero-harm culture
- World-class EHS management system
- Governance, training, and accountability
- Near miss reporting for continuous improvement

In 2024, we transformed our health and safety strategy with the introduction of a new management framework, our 'House of Safety'. At its core, the framework builds on our commitment to 'Safety First' as a core organisational value.

Our new strategy takes a comprehensive approach to health and safety, addressing risk awareness and the cultural and systemic factors that underpin workplace safety. It has three strategic focus areas: 'Leadership', 'Risk Awareness and Assessment', and 'Standardised Approach'. Together these provide a cohesive, proactive framework for embedding a world-class safety approach at all levels of our operations.

Strategic Area 1: Leadership

We believe that an organisation's safety culture starts at the top and must cascade through every layer of management. To that end, we have implemented two key initiatives under this area:

- **Daily Management:** Our managers are now directly involved in the daily oversight of health and safety practices within their teams, integrating safety in day-to-day decision-making and embedding accountability at every level.
- **Executive Safety Walks:** By visiting sites, engaging with employees, and observing safety practices, senior executives show their commitment to health and safety, provide real-time feedback, and take action where further support or improvement is needed.

Through these initiatives, we are creating a culture of visible, hands-on leadership where safety is a shared value across all teams.

Strategic Area 2: Risk Awareness and Assessment

The second area of our strategy focuses on equipping our workforce with the tools and knowledge to identify and manage risks effectively. Under this area, we have introduced two essential practices:

- **Job Safety Analysis (JSA):** These analyses help employees identify potential hazards and take precautions to mitigate them. JSA promotes critical thinking and a culture embedding safety in operational planning.
- **Gemba Walks:** These walks involve managers and supervisors visiting work areas to observe processes, engage with employees, and identify safety risks, to enhance risk awareness and strengthen workplace relationships.

Together, these practices empower our workforce to be vigilant, informed, and proactive in managing workplace risks.

Strategic Area 3: Standardised Approach

This area emphasises the creation of uniform systems and processes that address our most critical safety challenges. Key initiatives include:

- **Bodycote's Safety Critical Rules:** Our Safety Critical Rules to address the 12 primary safety risks across our operations. They provide clear, actionable guidance to ensure that everyone, regardless of location or role, follows the same high standards (see page 58).
- **Group Management System Relaunch:** Our Group Environmental, Health, and Safety (EHS) Management System has been streamlined to harmonise regional and local EHS systems and enable more effective implementation and compliance across the organisation.

We are also placing strong emphasis on knowledge sharing as a means of driving continuous improvement. EHS incidents and best practices are shared across the organisation to enable employees to learn from one another and replicate successful strategies in their own areas of operation.

Sustainability report

Responsible business continued

Bodycote's Safety Critical Rules

	Personal protective equipment		Manual handling
	Confined spaces		Hot work
	Machine guarding		Forklifts and mobile equipment
	Line of fire		Working at height
	Isolation and zero energy		Chemicals and hazardous substances
	Lifting operations		Surroundings

Health and safety management

Bodycote's EHS management system is aligned with the ISO 45001 standard for occupational health and safety. We hold ISO 45001 certification in 23% of our facilities globally. Each site has a dedicated internal EHS audit at least once every 3 years.

In 2024, Bodycote introduced new software to enhance chemical management practices in our facilities. The system supports best practices in:

- **Chemical compliance and risk mitigation**, providing up-to-date information on hazardous materials, classifications, and storage requirements in line with local and international regulations.

- **Safety and efficiency**, providing instant access to chemical safety data to reduce errors in handling hazardous substances.

- **Data analytics**, to help track chemical usage and optimise purchasing, reducing costs and environmental impacts.

Embedding industry-leading chemical management practices is a key workstream in our journey to become a world-class health and safety company. We will begin reporting on chemical management actions in 2026 following the full rollout of the system.

Measuring performance

The Group's health and safety performance is monitored at all levels, with monthly reviews by the Board and Executive Committee. Both leading and lagging metrics are tracked. We expect a culture of transparency among employees, contractors, and visitors, encouraging all incidents to be reported.

Lagging indicators

Our lagging indicators provide insight into past performance, helping to assess the effectiveness of our health and safety initiatives.

We use total recordable incident rate (TRIR) and lost time injury rate (LTIR) as our two key lagging indicators. We achieved a significant improvement in both KPIs in 2024:

- The TRIR was 1.8, reduced from 2.8 in 2023¹
- The LTIR was 1.1, reduced from 1.5 in 2023²

There were no work-related fatalities among Bodycote employees or contractors (nor in any of the last five years).

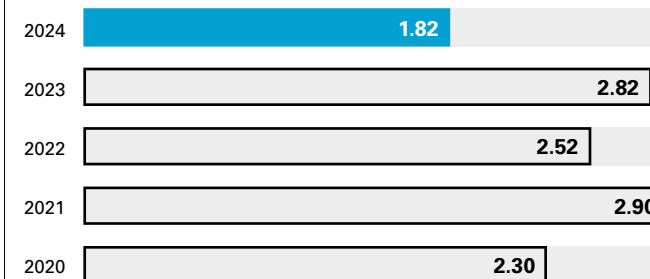
We applied additional focus to accidents arising from manual handling of parts, slips, trips, and falls, and lifting operations, due to an increase in these incidents in 2023. As a result, manual handling incidents decreased by 24%, slips, trips, and falls by 47%, and lifting operations by 29%.

Leading indicators

Our leading indicators measure employee engagement, identify improvement opportunities, and proactively address potential risks before accidents occur. We track two key indicators:

- **Near misses**: there were 274 near misses reported in 2024 (2023: 356).

Total Recordable Incident Rate (TRIR)



- **Opportunities for improvement**: 4,203 opportunities for improvement were identified (2023: 2,454), showing a positive trend of engagement in safety awareness and reporting.

Supporting employee health

Bodycote is committed to promoting occupational health across all its sites by prioritising employee health and implementing comprehensive health management standards.

The Group has a range of initiatives in place to support employees' wellbeing. We monitor workplace conditions such as noise, dust levels, temperature, and ergonomics. We ensure that our Risk Assessments support the identification of potential health impacts and reduce risk exposure.

NEXT STEPS

- Implement safety daily management at all sites in 2025 to ensure that safety policies, procedures, and protocols are implemented correctly every day.
- Complete the rollout of our new chemical management system to improve insights and transparency, and support safety and operational efficiency.

¹ TRIR represents the number of recordable cases per 200,000 hours worked. All workers are included in reporting – employees and contractors.

² LTIR represents the number of lost time incidents per 200,000 hours worked.

Sustainability report

Responsible business continued



ENVIRONMENTAL LEADERSHIP

OUR COMMITMENT

We are taking direct action to manage our use of natural resources and to improve the energy efficiency of our processes.

OUR 2030 GOAL

We will reduce our Scope 1 and Scope 2 emissions by 46%.

OUR PRIORITIES

- Scope 1 and 2 emissions reduction
- Energy use and decarbonisation initiatives (including renewables)
- Supply chain emissions reduction
- Net zero roadmap development

A leadership position on climate and environment-related issues is integral to the Group's value proposition and key to our operational performance.

Climate leadership enables us to provide a low-carbon service offering for customers, while managing our costs and exposure to risks. Commercial and operational climate-related KPIs are included in our 'HEAT' transformation programme.

Energy and GHG emissions performance

Bodycote set a target in 2022 to reduce Scope 1 and 2 GHG emissions by 28% by 2030, compared with 2019 (market-based). This target was validated by the Science Based Targets initiative (SBTi). At the end of 2024, the Group's emissions were 28.7% below 2019 levels, meeting the target six years early.

Bodycote has upgraded its ambition level and submitted a new target to SBTi for validation, aiming for a 46% reduction by 2030, in line with a 1.5°C trajectory.

The Group's absolute Scope 1 and 2 emissions reduced by 8.3% year-on-year (location-based). This was mainly driven by lower gas consumption compared with the prior year (12.3% lower). Bodycote emitted 343 tonnes CO₂e per £m revenue, compared with 377 tonnes in 2023, a reduction of 9.2%. Energy consumption (kWh) reduced by 8.4% in 2024, with energy intensity (kWh/£m revenue) reducing by 9.3% year-on-year.

1 Statutory carbon reporting disclosures required by the Companies Act 2006. The boundary for reported data has changed materially once in the last five years, following the Group's acquisition of Ellison Surface Technologies in 2020.

2 The Group's emissions calculation methodology is provided in the document published on our website at the following address: www.bodycote.com.

Total CO₂ emissions (ktCO₂e)^{1,2}

	2024	2023	% change in 2024	2019
Scope 1 CO ₂ e emissions	118.0	134.3	-12.2%	170.2
Scope 2 CO ₂ e emissions (location-based)	125.3	131.0	-4.3%	186.4
Scope 2 CO ₂ e emissions (market-based)	145.1	145.5	-0.3%	198.7
Total Scope 1 + Scope 2 (location-based)	243.3	265.3	-8.3%	356.6
Total Scope 1 + Scope 2 (market-based)	263.1	279.8	-6.0%	368.9

Emissions reduction programme

Energy efficiency is Bodycote's top environmental priority. Efficient use of energy drives down costs and our impact on the climate, while also supporting a competitive advantage.

We are delivering a multi-year programme of energy efficiency measures and climate-related investments, including:

- Increasing furnace capacity by up to 50% using proprietary equipment (without increasing energy consumption)
- Optimising heat treatment cycles to extract the most value from energy and process gas use
- Improving furnace insulation to reduce heat loss and waste
- Identifying and fixing air and process gas leaks to minimise energy waste
- Deploying low-energy LED lighting in facilities
- Upgrading or substituting process gas generators to increase efficiency and limit waste
- Upgrading or substituting vacuum furnace pumps with newer, more efficient models
- Investing in buildings' heating and cooling systems to reduce energy consumption

Sustainability report

Responsible business continued

The Group also embeds climate-related considerations within relevant business processes. For example, capital investment decisions include sustainability reviews to ensure alignment with our SBTi commitment.

In 2024, Bodycote introduced a new KPI to track the proportion of renewable energy used across the Group. In 2024, approximately 27% of electricity came from renewable sources. In 2025, we plan to develop a Groupwide renewable energy strategy to support furnace electrification and contribute to our decarbonisation targets. This will include a mix of solutions such as green electricity tariffs, renewable power purchase agreements and on-site renewable energy installations, aligned to our evolving energy needs and a range of regional energy markets.

We are making progress on developing our own energy generation assets. We have recently installed 0.9MWe of solar panels at our Wuxi, China site. See the adjacent case study.

Emissions intensity (tCO₂e/£m)

	2024		2023	
	£m sales at actual exchange rate	normalised to constant currency rate	£m sales at actual exchange rate	normalised to constant currency rate
Scope 1	163.5	166.1	182.6	190.9
Scope 2 (location-based)	173.7	176.4	178.1	186.2
Scope 1 + 2 total	337.2	342.5	360.7	377.1

Energy consumption (kWh)¹

		2024	2023	% change in 2024
Scope 1	Natural gas	530,492,950	604,863,999	-12.3%
	Other (LPG, fuel oils, diesel, petrol)	28,109,945	31,423,405	-10.5%
Scope 2	Electricity	465,139,675	481,538,420	-3.4%
Total energy consumption (kWh)		1,023,742,570	1,117,825,824	-8.4%

¹ Energy consumption data for prior years has been restated to reflect consumption as actual data has become available.

SOLAR ENERGY, WUXI, CHINA

At our heat treatment site in Wuxi, China, we are utilising our plant roof and surrounding car park to maximise our installation of on-site solar panels. Working with a local solar manufacturer, we are installing a large 900kWp solar system providing our 24/7 operations with 0.94GWh of renewable electricity in its first year, avoiding 556 tonnes CO₂e/year. In addition to powering our plant, we have added a 60kW rapid charger to support our customers' electric vehicles when they visit our site. Charging will also be available for staff, to support their transition to lower impact personal transport.

On-site renewables are a key element in Bodycote's clean energy sourcing, as set out in our recently announced HEAT operational performance framework.

ADIABATIC COOLING IN DERBY, UK

At our site in Derby, UK, we replaced the existing evaporative cooling towers with a new closed circuit adiabatic cooling system. This upgrade provides energy and maintenance savings, and a dramatic reduction in water use. As a closed system, it also prevents contamination of the cooling system with outside debris and therefore avoids the need for ongoing chemical dosing and cleaning, as well as preventing fouling of the furnaces' cooling jackets. This upgraded cooling installation will deliver electricity consumption savings (as well as peak electrical load and associated carbon emissions) of 73% as well as a reduction in water use of over 85%. Total system electrical load is also reduced by over 140kW, supporting the local electricity network's peak loads. We continue to roll these cooling system upgrades out in all suitable Bodycote locations.

Scope 3 emissions

Although the Group's Scope 3 emissions remain below SBTi's 'materiality threshold' of 40% of total emissions, Bodycote has introduced full Scope 3 reporting and emissions reduction goals aligned to the SBTi methodology. All relevant Scope 3 categories for Bodycote are disclosed in the table below. 2023 emissions have been externally assured, with assurance of 2024 emissions well underway (see www.bodycote.com). We consider Scope 3 an important area of focus in accelerating the decarbonisation of our full value chain. We have set the following goals:

- To reduce absolute Scope 3 GHG emissions from fuel and energy-related activities by at least 45% by 2030 vs 2019.
- For 30% of suppliers (by emissions) of purchased goods and services to have science-based or other carbon reduction targets by 2030.

We will begin reporting against these goals in next year's report.

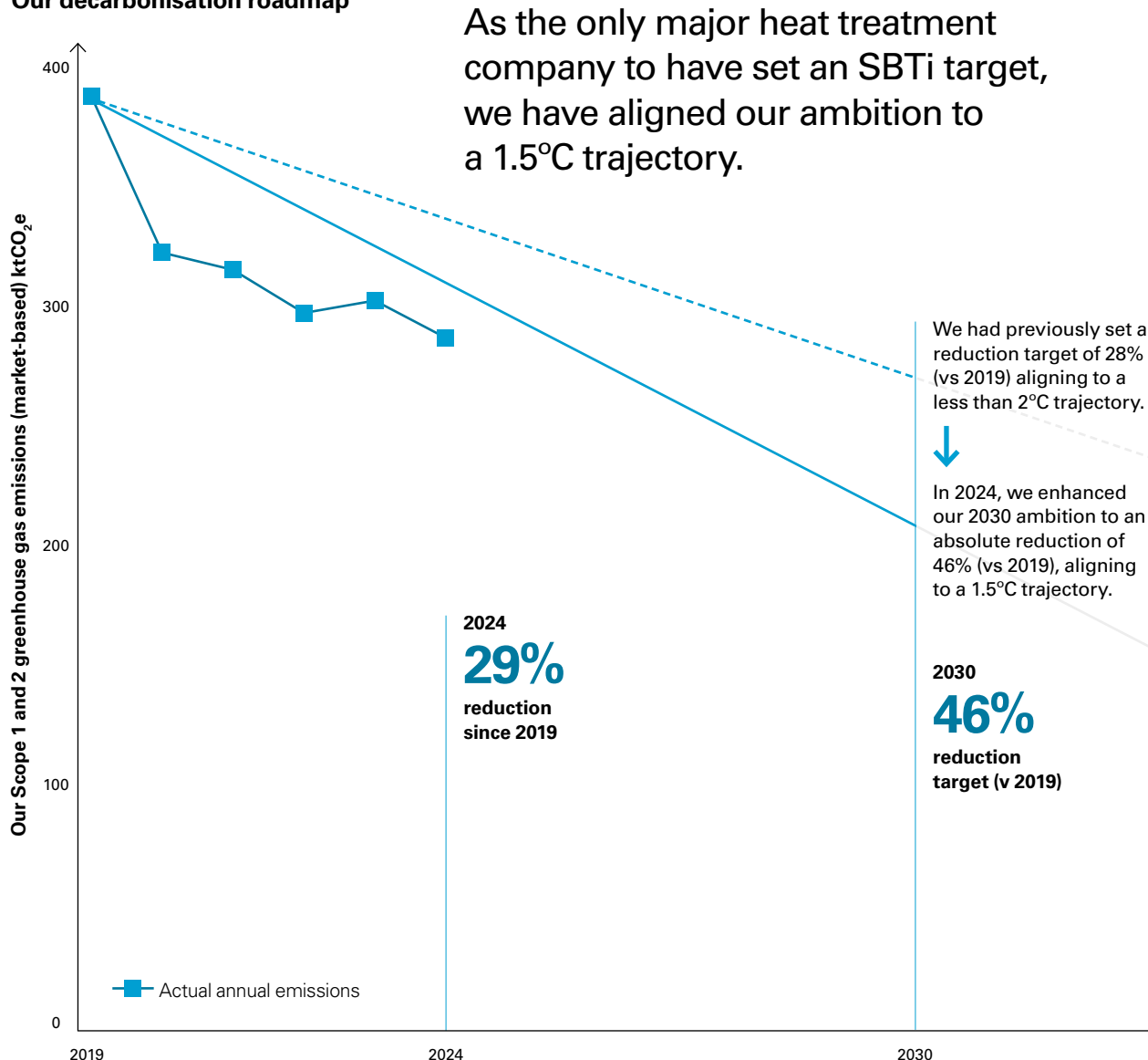
Scope 3 categories

	2024 tCO ₂ e	2023 tCO ₂ e
Category 1: Purchased goods and services	73,760	79,588
Category 2: Capital goods	14,690	12,701
Category 3: Fuel and energy related activities	56,800	61,436
Category 4: Upstream transport and distribution	2,261	2,161
Category 5: Waste generated in operations	1,512	1,666
Category 6: Business travel	5,205	5,140
Category 7: Employee commuting	8,808	9,720
Category 8: Leased assets	2,520	2,386
Category 9: Downstream transport and distribution	2,261	2,161
Category 10: Processing of sold products	988	513
Category 12: End of life treatment of sold products	369	508
Total	169,174	177,980

Sustainability report

Responsible business continued

Our decarbonisation roadmap



EFFICIENCY

Energy intensity
in 2024
(MWh/£m rev.)

27%
lower than 2019



Furnace management
and utilisation



Adiabatic cooling systems



Building energy
management systems

ELECTRIFICATION

Electricity
as proportion
of total energy
in 2024

45%
v 42% in 2019



Electrification of gas furnaces



On site renewable energy
generation



Renewable energy procurement

EVOLUTION

Specialist
Technologies

~30%
of revenue
in 2024
v ~20% in 2019



Transitioning to lower impact
furnace technologies (such as LPC)



Switching to alternative
process gases



Development of
additive manufacturing

Sustainability report

Responsible business continued

Long-term emissions strategy

Bodycote supports the aims of the Paris Agreement and recognises the importance of aligning with global net zero goals. We have initially focused on driving near-term emissions reductions through our SBTi targets, and now also through our Scope 3 goals. In addition, we have committed to evaluating a net zero roadmap for the Group during 2025. See the TCFD report for more information about our climate strategy.

Environmental management

Bodycote's Environmental Policy applies to all sites worldwide and sets the Group's standards for environmental management. In line with our policy, Bodycote commits to comprehensive public disclosure about our performance.

Our environmental management system is aligned to the international ISO 14001 standard. As at the end of 2024, 98% of the Group's operating facilities had achieved or maintained ISO 14001 certification, covering 93% of the Group's employees. The Group complies with legislative requirements and holds all necessary environmental licences and permits in each country of operation.

Bodycote's approach to energy management is aligned to the ISO 50001 Energy Management Systems Standard. We hold ISO 50001 certification in several countries, covering 19% of operating facilities. This enables us to drive a consistent energy management approach and meet the Energy Efficiency Directive 2012/27/E.U. requirements. Our UK operations are compliant with the directive through the Energy Savings Opportunity Scheme.

We added to our suite of environmental policies in 2024 with the introduction of an 'Environmental Re-baseline, Restatement and Reporting Policy'. We are also developing a new Renewable Energy Policy for energy procurement and installation.

Bodycote's UK footprint

In accordance with the Streamlined Energy and Carbon Reporting (SECR) requirements, emissions and energy consumption relating to the Group's UK business operations are disclosed separately in the above table. UK emissions reduced by 8.1% in 2024, while energy consumption reduced by 5.0%.

Bodycote's UK sites (facilities and offices)¹

	2024		2023	
	Emissions (tonnes CO ₂ e)	Energy consumption (kWh)	Emissions (tonnes CO ₂ e)	Energy consumption (kWh)
Scope 1	4,211.7	20,021,309	4,250.0	19,988,786
Scope 2	6,835.9	34,741,963	7,768.0	37,651,991
Scope 3	9.0	37,462	13.2	54,627
Total	11,056.6	54,800,734	12,031.2	57,695,404

1 Electricity and fuel consumption information is collected from each facility on a monthly basis. Scope 3 includes business road travel in vehicles not owned by the Company. Scope 3 is calculated from mileage and vehicle type. The DEFRA conversion factors are then applied to calculate the total tonnage of CO₂e produced.

Water use

Although the Group's processes are not water-intensive, we recognise that water is a scarce resource and work to safeguard it where possible, re-using and recycling water extensively within our operations. Unfortunately, water use was impacted by significant water leaks at our plants in Wuxi, China and Morristown, USA, resulting in around 34,000m³ of water losses in 2024. The Group withdrew around 842,516m³ of water, 3.0% more than in 2023. Water intensity (water withdrawal m³/£m sales) increased by 1.9% compared with 2023. Excluding these exceptional events, the Group's water consumption in 2024 was 808,001m³, a reduction of 1.3% compared to 2023.

While most of the water withdrawn is subsequently discharged, some is lost through evaporation. We are tackling this through the rollout of closed-loop adiabatic cooling systems for furnaces to replace water supply from cooling towers, where water is lost through evaporation. We have now installed eight adiabatic systems in the past two years. See one example on page 60.

All water is supplied by municipal suppliers. When water is discharged by the Group, it is controlled using interception tanks. These check water for contaminants and ensure it is acceptable for discharge. Audits confirm that the Group's control methods are in line with ISO 14001:2015 and comply with legal obligations.

Water use

	2024	2023	% change in 2024
Total water withdrawn (m ³)	842,516	818,367	3.0%
Intensity (thousand m ³ /£m)	1.19	1.16	1.9%

Waste management

Bodycote seeks to minimise waste. The Group typically re-uses packaging or containers that customer parts arrive in when returning them. This avoids unnecessary waste and provides efficiency for customers. Any waste that is produced is segregated into appropriate streams and disposed of according to local legislation. Chemicals and hazardous waste are stored separately and handled as required. All hazardous waste is disposed of with care by licenced contractors in accordance with environmental legislation.

This year, Bodycote has introduced waste reporting. 11,626 tonnes of waste was generated in 2024, of which 3,677 tonnes were classified as hazardous waste. Consolidation of this data represents an important step in monitoring and managing our wider environmental impact, and identify opportunities for improved resource efficiency.

Waste generation (tonnes)

	2024
Total waste generation	11,626
Of which:	
Hazardous waste	3,677
Non-hazardous waste	7,949

NEXT STEPS

- Accelerate our progress towards meeting our new 1.5 degree aligned 2030 target and continue the development of our longer-term roadmap to net zero for the Group.
- Develop our electrification and renewables strategy to decarbonise our heat treatment processes.
- Augment supplier engagement to support delivery of our new supply chain emissions reduction goals.

Sustainability report

Responsible business continued



ENGAGED TEAM

OUR COMMITMENT

We want to empower our expert team by giving them the tools, rewards, environment and resources they need to succeed.

OUR 2030 GOAL

We want to be recognised as one of the best companies to work for and commit to setting an employee engagement performance target in 2025.

OUR PRIORITIES

- Values, culture, and purpose
- Employee engagement
- Skills and career development
- Talent attraction and retention

At Bodycote, we understand that it is our people that make us a world leader. Our technical expertise and commitment to being a trusted partner to our customers are ingrained in our culture.

To sustain this, we need to attract, develop, and retain the best people, creating a supportive, collaborative environment where difference is valued and celebrated. We aim to be a fair employer, creating opportunities for all colleagues to thrive. We work hard to foster an inclusive, open culture where colleagues can be themselves and their voices are heard.

Driving performance excellence

Bodycote's new Performance Excellence Management Framework, 'HEAT', launched in December 2024, consists of four strategic levers to take the best of Bodycote anywhere, and embed it everywhere. Under 'H' of the framework, we are focused on developing a 'High performance culture', using three levers to create a winning team:

- Right people with the right skills and attitude
- Clear expectations through the organisation
- Breaking down barriers and encouraging collaboration

During 2024, we developed a new set of values that reinforce our ambition to establish a high-performance culture Groupwide. Our new values reflect both expected behaviours and our drive for performance excellence, and will be rolled-out across the organisation in the first half of 2025. As we work to develop programmes to execute our strategy, we are focused on advancing and measuring cultural progress in three key areas: employee engagement, employee retention and talent development. Our new values are detailed on page 06.

Employee engagement

Bodycote follows a formal internal communications programme to keep colleagues informed on important topics. This year, we have expanded the programme to include regular CEO townhalls. We use several channels for communication, such as a bi-monthly newsletter and weekly intranet updates. We also share important updates via email across the Group.

Each year, the Group conducts employee engagement groups, hosted by a Non-Executive Director for workforce engagement. In 2024, two regional forums were held, with around 30 employee representatives. Feedback from these forums was reported to the Board, with Executive Directors assigned responsibility for addressing key issues that arose. See page 38 for further information.

In 2025, we will conduct an all employee engagement survey using an externally benchmarked framework that will enable us to measure ourselves against the highest performing companies in our sector. Our aim is to be recognised as one of the best companies to work for and, based on the baseline survey in 2025, we will set a clear performance target and action plan to 2030.



Sustainability report

Responsible business continued



PRIORITISING FACE-TO-FACE EMPLOYEE ENGAGEMENT

A strong commitment to employee engagement is a hallmark of Bodycote's new leadership. Since joining the business in March 2024, Chief Executive Officer Jim Fairbairn has visited almost 50 facilities around the world, engaging with hundreds of colleagues, enabling open, two-way communication about our business, operations and opportunities for the future.

A new virtual town hall programme has been introduced, where our Chief Executive Officer, management team, and external subject matter experts share information on strategic initiatives, the Group's performance, and key programmes, as well as best practices and case studies for continuous improvement. In 2024, the programme covered topics including safety, operational excellence, our new values and financial results, among others. These sessions ensure colleagues are informed on key developments, enabling them to champion our change agenda, drive higher employee engagement, and support the successful execution of our strategy.

Developing our people

We are committed to providing the skills and training needed for employees to operate safely and effectively. Bodycote invests in training and development at both local and Group levels. Training is delivered through online modules, workshops, and hands-on sessions. The Group also encourages cross-functional and cross-divisional sharing to support peer learning.

Colleagues joining office-based Group functions and plant-based managerial roles typically complete around five hours of induction training, covering core mandatory compliance topics. During the year, other colleagues complete refresher training on mandatory topics such as compliance, security, and cyber-awareness. Training completion rates for in-scope employees are reported to the Executive Committee, with appropriate escalation for any training not completed on time.

In 2024, we began rolling out a global learning management platform to support training and development opportunities for employees. The rollout will be completed in 2025, enabling broader access to skills development in all of Bodycote's global languages.

Bodycote recognises the importance of work-life balance as part of our normal working practices. Our global Remote Working Policy enables eligible office-based employees to work from the office three days a week and from home for the remainder.

Employment practices

Bodycote believes all colleagues should be rewarded fairly for contributing to our success. We review wage levels and employment practices against local standards and conduct a calibrated annual pay review process. We are committed to complying with all applicable local and national minimum wage regulations. The Group's pension arrangements are based on relevant local laws and practices.

The vast majority of our people are employed on permanent or fixed-term contracts. We typically employ temporary workers to supplement our workforce during busy periods, when flexible resources are needed to fill vacancies, or to support special projects. In 2024, 4% of our workforce were part-time employees.

We provide a range of benefits to our employees which meet the minimum required in all territories that we operate in, and in some areas exceed these standards. These include paid holiday and life insurance. We also offer tuition reimbursement schemes for colleagues participating in professional development courses.

Freedom of association

Bodycote upholds employees' freedom of association and recognises their right to collective bargaining. We are committed to open and constructive engagement with our employees and their representatives. Approximately 35% of the Group's employees are represented by unions and works councils. We have collective agreements in place in 11 of the countries in which we operate. They cover topics such as compensation, holiday entitlement, working hours, paid and unpaid absence, grievances, and local workplace changes.

Community engagement

As part of our wider approach to responsible business, Bodycote seeks to play a positive role in the local communities in which it operates. The Group provides high-quality employment and seeks to build goodwill and a reputation as a good neighbour and employer. Our operations are international, but our strength lies in the local nature of our facilities that are close to our customers. Our facilities are relatively small plants that typically employ approximately 30 people. We encourage community involvement activities championed by our plants and their employees locally. Highlights from 2024 include our Czech colleagues raising 9,200 CZK for relief following devastating floods in the region, which was donated to 'People in Need'. Colleagues in many of our US plants supported local causes with food and toy donations, supporting children, schools, and people in need; and our sites in France partnered with disability-inclusive enterprises that support tasks like cleaning, preparation, and packaging of parts. We also sourced office supplies from them to support their work.

NEXT STEPS

- Introduce a Groupwide employee survey to baseline employee engagement and inform next steps in our roadmap towards a high-performance culture.

Sustainability report

Responsible business continued



DIVERSE WORKPLACE

OUR COMMITMENT

We are committed to creating a diverse and dynamic workplace in which everybody can thrive.

OUR 2030 GOAL

We will continue to increase diversity among our Board and senior management teams and work to become a leader in our industry.

OUR PRIORITIES

- Diversity in the workplace
- Gender and ethnicity representation
- Fair global working and recruitment practices

Bodycote recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture.

We understand that not everyone is starting from the same place, has the same challenges, or requires the same level of support, and so our approach is to make sure everyone has the support they need to be successful. This is particularly pronounced as we develop our recruitment and working practices, which are designed to ensure we can continue to attract and retain a diverse workforce.

Our overarching Equality, Diversity and Inclusion Policy, and our recruitment practices, outline our stance on maintaining equal opportunities and giving full, fair, and impartial consideration to all employment applicants. Our employment policies are designed to maintain equal opportunity irrespective of age, race, gender, ethnic origin, nationality, religion, health, disability, marital status, sexual orientation, political or philosophical opinions or trade union membership as well as military and veteran status in North America. We embrace a culture of acceptance and inclusion, accommodating part-time, agile, and flexible working requests where appropriate, and take a zero-tolerance position on harassment of any kind. As part of our commitment to continuous improvement, in 2024 we introduced a new, online anti-sexual harassment training course. To date, this has been issued to UK employees with a PC, 100% of whom have completed it.

We also introduced a Board Diversity & Inclusion Policy in 2024. This sets out the Board's commitment to ensuring its membership reflects the diversity of the business, recognising that a diverse range of views, perspectives and backgrounds will improve its decision-making and ability to drive value for all stakeholders.

It also outlines the Board's commitment to supporting management in its efforts to increase the proportion of senior leadership roles held by women, those from non-white minority ethnic backgrounds, and other under-represented groups, to set the tone from the top.

Gender diversity

At 31 December 2024, female representation on the Board was 37.5%, level with 2023, and 33.3% of the Group's executive management were female. Among the Group's population of senior managers (including Executive Committee), 11.8% are female, and across all employees, the proportion is 21.8%. We have taken steps to re-baseline our data this year to more consistently define the boundary based on seniority of roles. As a result, the proportion of roles held by women has reduced compared with figures previously reported. Our 2024 data provides an accurate baseline against which we will measure our performance and progress in improving gender diversity in our organisation.

The Group's 2023/24 Gender Pay Gap report showed that the UK mean gender pay gap is 6.9% in favour of women, while the median gender pay gap is also in favour of women (6.5%). This compares to a UK national median gender pay gap of 13.1% in favour of men. Our full Gender Pay Gap report is published on our website at www.bodycote.com.

	December 2024	
	Male	Female
Group Board	5 (62.5%)	3 (37.5%)
Executive Committee	8 (66.7%)	4 (33.3%)
Senior managers (including Executive Committee)	67 (88.2%)	9 (11.8%)
All employees	3,426 (78.2%)	953 (21.8%)

Sustainability report

Responsible business continued

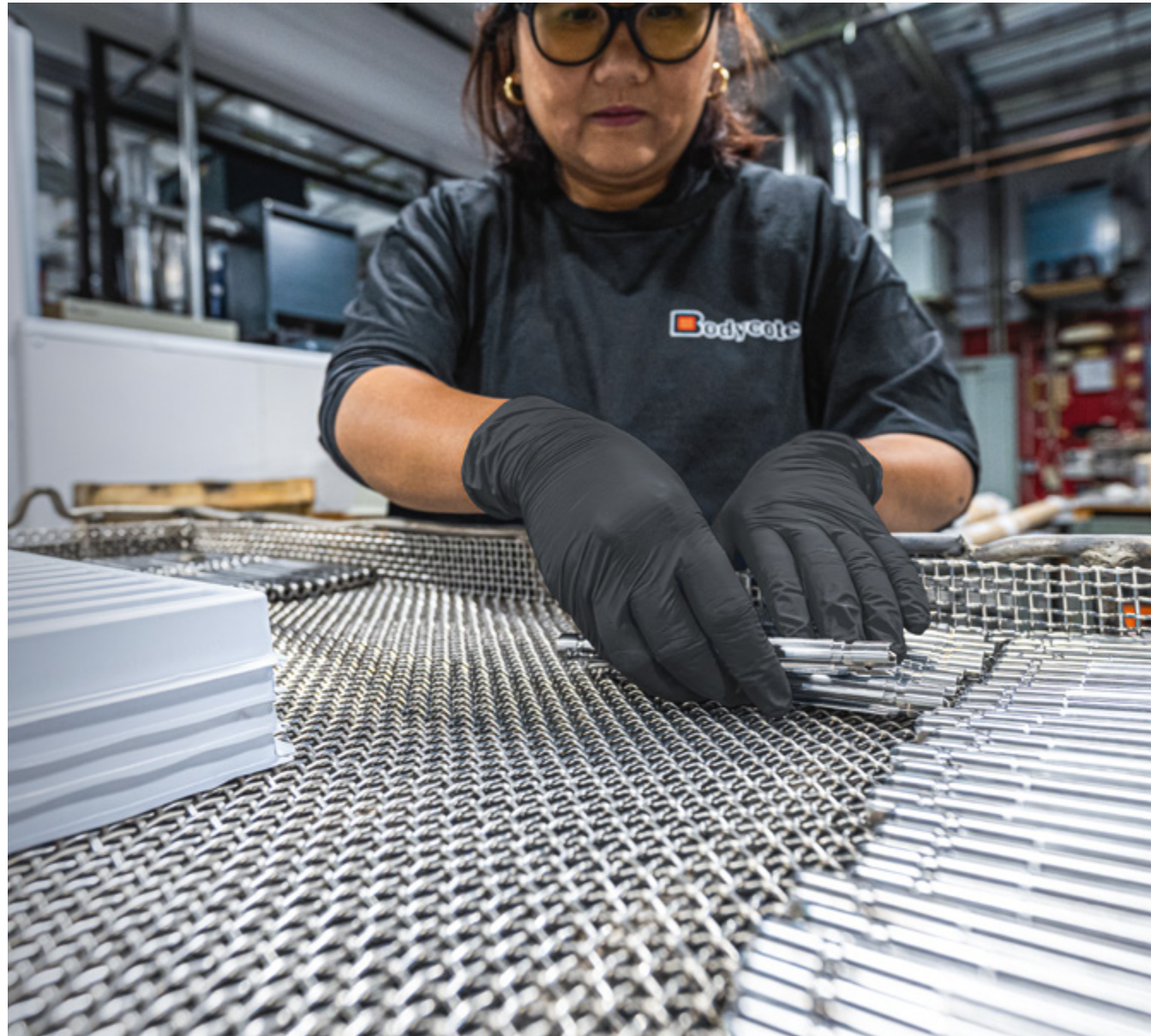
Ethnic diversity

Bodycote meets the Parker Review target for all FTSE 250 boards to have at least one member from an ethnic minority, with two members who meet the ONS classification of Asian/British Asian and mixed/multiple ethnic groups, respectively.

There is broad international representation on the Executive Committee, with five different nationalities represented, as well as one member from an ethnically diverse background. Further information in accordance with LR6.6.6 (9) and (10) is provided on page 86.

NEXT STEPS

- Improve alignment to the FTSE Women Leaders Review recommendations by ensuring one of four key leadership roles (Chair, Senior Independent Director, CEO and Finance Director) is held by a woman.
- Refresh our approach to diversity, equity, and inclusion to strengthen our policies, actions, and targets to encourage and support diversity in the workplace and harness its value creation potential.



Sustainability report

Ethics & governance

We operate with high standards of ethics and compliance and expect our partners to do the same.

The Group strives to meet a high standard of ethical and responsible behaviour in the way we conduct business. We have a robust governance structure to support business ethics, and a comprehensive set of policies that detail our commitments and standards. The Group's Board and Executive Committee review training completion rates and reports to the Open Door Line whistleblowing service (number received, contents of reports) to monitor adherence to our policies.

Our Code of Conduct sets out the Group's policy on compliance with legislation relating to anti-slavery, human trafficking, and child labour; trade sanctions; employment standards; and the promotion of health, safety, and environmental protection. The Code is supported by detailed, subject-specific policies. The Code and relevant policies are published on our website at www.bodycote.com/investors/governance/our-policies/

Bodycote prohibits forced, compulsory and underage labour and any form of discrimination based on age, race, gender, ethnic origin, nationality, religion, health, disability, marital status, sexual orientation, gender reassignment, pregnancy, and maternity or paternity, political or philosophical opinions or trade union membership. Appropriate mechanisms are in place to minimise potential contravention of our policy.

We require employees to undertake training in our key policies to reinforce our expectations and mitigate our exposure to risks. This training is refreshed every three years. In 2024 we reissued our full ethics and compliance training suite to all members of our leadership and management population and other relevant employees based on role, comprising c.1,000 colleagues.

We plan to update our Group policies in 2025 to reflect our new corporate values. The rollout of our new Code will be supported by an internal communications campaign to help familiarise colleagues with our refreshed values and expected behaviours.

Respect for human rights

Bodycote upholds and respects universal human rights. The Group's Human Rights Policy is aligned with the Ten Principles of the UN Global Compact, incorporating the United Nations Universal Declaration of Human Rights and the International Labour Organization Fundamental Conventions. Our policy reaffirms the Group's commitment to freedom of association, the abolition of forced or compulsory labour; the elimination of child labour; the elimination of discrimination; and a safe and healthy working environment. The Group's Anti-Slavery and Human Trafficking Statement is published on our website and reviewed by the Board of Directors annually.

Colleagues working in senior management, human resources and purchasing roles are required to complete dedicated Modern Slavery Act training, and participate in refresher training, at least every three years. Training was re-issued to all relevant colleagues in these functions during 2024, with 99.8% of those required to complete the training having done so.

Anti-bribery and corruption

The Group provides interactive online training courses on Bribery Prevention, Data Protection, Failure to Prevent Tax Evasion, the Group Authority Matrix, and Competition Law. Certain employees, determined by grade or by role, are required to undertake this training. The completion rate for training issued during 2024 was 99% among relevant employees. Our Codes and related training outline acceptable limits for gifts and hospitality and make it clear that employees should never offer, pay, or solicit bribes in any form. Furthermore, the Group has a policy of not making political donations.

Responsible supplier management

As a world-leading provider of heat treatment and thermal processing services, we recognise our responsibility to contribute to improved standards of environmental protection and sustainable business practices throughout our global supply chain.

Our Groupwide Supplier Code of Conduct sets out the minimum sustainability, environmental and social standards the Group expects its suppliers to adhere to, including those relating to the protection and promotion of human rights. We expect suppliers to communicate Bodycote's values and expectations to their employees, as well as their own suppliers. This policy is

supplemented by our Sustainable Procurement Policy, which provides guiding principles on social, ethical, and environmental issues for employees involved in procurement.

Suppliers are screened using Denied Party Screening databases prior to any transaction. This covers global databases for government watch lists, sanctions, and restricted parties. We are committed to supporting global efforts to eliminate the use of conflict minerals and ensuring that our procurement practices do not fuel or exacerbate conflict. In turn, suppliers are managed with respect, honesty and integrity, irrespective of the size of the transaction. We agree fair contracts and aim to pay suppliers promptly in line with agreed terms.

Encouraging colleagues to speak up

The Group's open and transparent culture encourages colleagues to speak up whenever they have a concern, without fear of retaliation. We offer a range of channels for colleagues to report suspected wrongdoing, including an independent, third-party operated whistleblowing helpline and email. Our 'Open Door Line' is open to anyone who wants to report a concern confidentially. We promote the Open Door Line via posters in plants and offices, on our intranet homepage and on the Group's website. The Board and Executive Committee receive reports about any issues raised via the Open Door Line. All reports made in 2024 were investigated and appropriately resolved.

NEXT STEPS

- Refresh the Group's Code of Conduct and other Group policies to reflect our new corporate values and align them with current best practice standards.
- Augment our ethics and conduct training offering on our new Groupwide learning management platform, which is being rolled out during 2025.

Sustainability report

Non-financial and sustainability information statement

In accordance with the Non-Financial Reporting Directive, the table below sets out key policies and standards that govern our approach and due diligence in relation to environmental, employee, social, human rights, anti-corruption and anti-bribery matters, along with references to additional information included elsewhere in this report. Further information to support our disclosure can also be found on the following pages:

→ The required information about the business model can be found on page 18.

→ Information about non-financial Key Performance Indicators that are aligned to our business strategy can be found on page 19.

→ Our climate-related financial disclosures can be found on pages 48 to 56.

→ Our principal risks are summarised on pages 28 to 33.

Our Group policies can be found on our website: www.bodycote.com/investors/governance/our-policies/.

Compliance with our policies is monitored by our Board, Executive Committee, through our Internal Audit function and, locally, by our General Managers.

In line with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, we have disclosed fully against these requirements, which can be found in our TCFD report on pages 48 to 56.

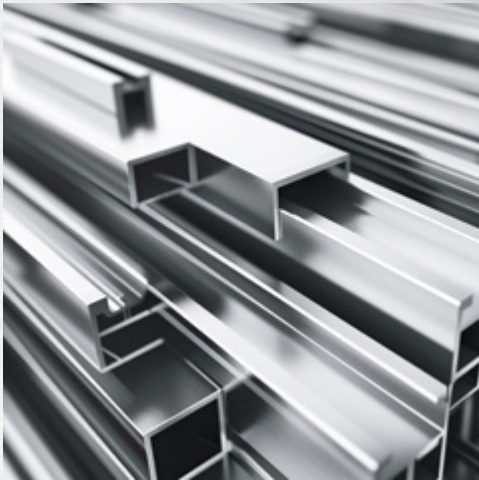
Bodycote recognises the role we can play in advancing the United Nation Sustainable Development Goals (SDGs) by integrating sustainable practices into our operations and influencing positive change in society.

In line with our strategy, we have identified five key SDGs where we contribute to these crucial global goals:



Reporting requirement	Group policies that guide our approach	Information about actions, metrics and targets and risk management with page references
Environmental matters	– Environmental Policy – Environmental Re-baseline, Restatement and Reporting Policy – Supplier Code of Conduct – Sustainable Procurement Policy	→ Company purpose and values, page 06 → Sustainability report, pages 40 to 67 → Principal risks and uncertainties, pages 28 to 33 → TCFD disclosures, pages 48 to 56 → Our business model, page 18 → Section 172 statement, pages 35 to 36
Employees	– Occupational Health & Safety Policy – Equality, Diversity and Inclusion Policy – Corporate values – Code of Conduct – Human Rights Policy – Open Door Policy – Sexual Harassment Policy	→ Company purpose and values, page 06 → Sustainability report, pages 40 to 67 → Employee engagement, page 78 → Principal risks and uncertainties, pages 28 to 33 → Our business model, page 18 → Section 172 statement, pages 35 to 36
Social matters	– Code of Conduct – Human Rights Policy – Supplier Code of Conduct – Board Diversity and Inclusion Policy – Data Protection Policy	→ Company purpose and values, page 06 → Sustainability report, pages 40 to 67 → Our business model, page 18 → Section 172 statement, pages 35 to 36
Respect for human rights	– Human Rights Policy – Anti-Slavery and Human Trafficking Policy – Supplier Code of Conduct – Sustainable Procurement Policy – Conflict Minerals Procedure	→ Company purpose and values, page 06 → Sustainability report, pages 40 to 67 → Section 172 statement, pages 35 to 36 → Principal risks and uncertainties, pages 28 to 33
Anti-corruption and anti-bribery matters	– Supplier Code of Conduct – Anti-Tax Evasion Policy – Anti-Bribery and Corruption Policy – Competition and Anti-Trust Policy – Data Protection Policy – Anti Money Laundering Policy – Open Door Policy	→ Sustainability report, pages 40 to 67 → Principal risks and uncertainties, pages 28 to 33 → Report of the Audit Committee, page 87

GOVERNANCE.



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03

Board of Directors



DANIEL DAYAN

Non-Executive Chair

Appointed

January 2022

External roles

Non-executive Chair of CellMark AB (not listed). Non-executive Chair of Aquaspersions group (not listed). Non-executive Chair of Trend Networks group (not listed). Director Washington Acquisition Co UK Limited (JSM Group).

Past roles

Chair of Portals International from 2020 to 2022. Chair of Low & Bonar plc from 2018 to 2020, Non-Executive Director and Chair of the Remuneration Committee of Chemring Group plc from 2016 to 2018 and Chair of Nonwovens Innovation & Research Institute from 2014 to 2015. CEO of Linpac Group and Klöckner Pentaplast Group from 2015 to 2019 and CEO of Fiberweb plc from 2006 to 2013. Daniel spent his early career at Novar plc until 2005 and prior to that worked at ICI and management consultant, Arthur D Little.

Qualifications

Bachelor's degree in Engineering from the University of Cambridge. Member of the Institution of Mechanical Engineers.



JIM FAIRBAIRN

Chief Executive Officer

Appointed

March 2024 and Chief Executive Officer from May 2024

External roles

None.

Past roles

Began his career as a design engineer with John Wood Group plc, a multinational engineering and consulting business. Joined Clyde Bergemann in 2000 as Managing Director, and subsequently became CEO of Clyde Process Solutions. Subsequently held several executive management roles with Howden Group, latterly as Divisional CEO of the Power, Environmental and Process Division. He then went on to become Group CEO of Megger Group, a leader in electrical test and measurement products and systems, from 2017 to 2024.

Qualifications

Graduated from the University of Strathclyde with a degree in Mechanical Engineering and has an MBA from Loughborough University. Chartered Engineer and Fellow of the Royal Academy of Engineering. Honorary Doctor of Science from City University. Officer of the Order of the British Empire (OBE).



BEN FIDLER

Chief Financial Officer

Appointed

February 2023

External roles

None.

Past roles

Began his career in strategy consulting working for the LEK Partnership. He moved to investment banking in 1997, as an equity research analyst covering the Aerospace & Defence sector at Kleinwort Benson and then Deutsche Bank. Joined Rolls-Royce Holdings plc in 2017 where he held a number of senior management positions including Director of Group FP&A, Vice President Business Performance and Deputy Group CFO. Was a Non-Executive director of ITP Aero engines in Spain and Rolls-Royce SMR.

Qualifications

Masters degree in Biochemistry from the University of Oxford.



KEVIN BOYD

Non-Executive Director

Appointed

September 2020

External roles

Non-Executive Chair of Genuit Group plc. Senior Independent Director and Audit Committee Chair of Galliford Try Holdings plc.

Past roles

Held the positions of Chief Financial Officer at Oxford Instruments plc, Radstone Technology plc and at Spirax-Sarco Engineering plc (stepped down in September 2020). He was Non-Executive Director of EMIS Group plc from 2014, Chair of the Audit Committee from 2019 and Senior Independent Director from 2022 until October 2023.

Qualifications

Chartered Accountant, Chartered Engineer. Fellow of the Institute of Chartered Accountants and the Institute of Engineering and Technology. BEng, Electronic and Information Engineering from Queen's University Belfast.



LILI CHAHBAZI

Non-Executive Director

Appointed

January 2018

External roles

Senior partner at Bain & Company focused on Industrials and Energy & Natural Resources sectors; member of Bain's Global Compensation and Promotions Committee.

Past roles

Lili began her career as an actuary before joining Bain & Company.

Qualifications

Graduated with a BSc in Mathematics from Concordia University, Montreal followed by an MBA from INSEAD, Fontainebleau. Associate of the Society of Actuaries.

Board of Directors continued



CYNTHIA GORDON
Non-Executive Director

Appointed
June 2022

External roles

Chair and Non-Executive Director of Global Fashion Group, Non-Executive Director of Severfield plc from October 2024 and will become a Non-Executive Director of Airtel Africa plc from April 2025. Senior adviser for Tillman Global Holdings.

Past roles

Began her career at Unilever before moving to Lloyds Bank. Held the positions of VP Business Marketing and VP Partnerships & Emerging Markets at Orange – France Telecom, was Group Chief Commercial Officer at Ooredoo Group and former CEO of Millicom Cellular, Africa. Was a non-executive director of Kinnevik AB, BIMA Mobile, Tele 2 AB, Bayport Financial Services and Eutelsat Communications SA.

Qualifications

Graduated with a BA from the University of Brighton in Business Studies.



PATRICK LARMON
Senior Independent Director

Appointed
September 2016

External roles

Non-Executive Director of Handgards Inc., Box Partners LLC, DFS Inc. and Fresh Edge LLC, none of which are listed companies.

Past roles

Was Executive Vice President and owner of Packaging Products Corporation until 1990 when the company was acquired by Bunzl plc. Held various senior management positions for over 13 years before becoming President of Bunzl’s North America business in 2003, then Chief Executive Officer, North America, of Bunzl plc in 2004, joining the Bunzl plc board in 2005. Retired from Bunzl plc in December 2018 and retired from Huttig Building Products Inc. in 2022.

Qualifications

Graduated from Illinois Benedictine University (major Economics & Business Economics), is a Certified Public Accountant, completed an MBA from Loyola University of Chicago and a Master of International Business from St. Louis University.



BEATRIZ GARCÍA-COS MUNTÁÑOLA
Non-Executive Director

Appointed
September 2023

External roles

Chief Financial Officer of Ferroglobe PLC (NASDAQ) and director of a number of its subsidiaries.

Past roles

Began her career at Audigest, Spain, before moving to PPG Industries. She spent several years at Vestas Wind Systems in Spain and then at Trafigura in Switzerland. She was Chief Financial Officer at Bekaert in Belgium, before being appointed as Chief Financial Officer of Ferroglobe plc in 2019, based in the UK. She was also a Non-Executive Director of Bridon-Bekaert Ropes Group in the UK from 2016 to 2018.

Qualifications

Graduated with a Master’s degree in Economics and Business Administration from the University of Barcelona.



ALISON BROUGHTON
Group Company Secretary

Appointed
January 2024

External roles

None.

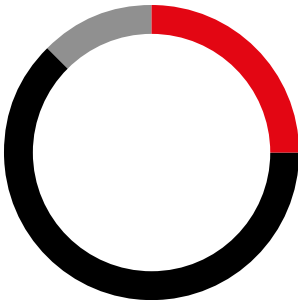
Past roles

Began her company secretarial career with Enterprise Oil plc, before joining Shell Exploration & Production Limited, part of the Royal Dutch Shell group, following a takeover in 2002. She spent eight years with Wolseley plc (now Ferguson plc) as Deputy Company Secretary, before joining Petrofac Limited in 2011, where she was latterly the Head of Company Secretariat and Secretary to the Board.

Qualifications

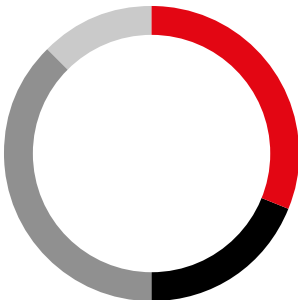
A fellow of the Chartered Governance Institute.

Board composition



Executive Directors	2
Independent Non-executive Directors	5
Independent Chairman	1

Board diversity



Male	5
Female	3
White	6
BAME	2

A	Audit
E	Executive
N	Nomination
R	Remuneration
	Committee Chair

Chair's introduction



2024 was a significant year with a new Chief Executive appointed and the launch of an ambitious strategy to deliver improved growth and performance, building on our strong foundations."

Daniel Dayan
Chair

Dear Shareholders

On behalf of the Board, I am pleased to present Bodycote's Corporate Governance Statement for 2024.

Like other businesses in our sector, Bodycote has been faced with a number of macro-economic headwinds during the year, including weak industrial demand and temporary supply chain disruption in the aerospace sector. Despite this challenging backdrop, the business has remained resilient and has made good operational progress, with ongoing focus on cost control initiatives and improved operating margins. Throughout the year, the Board, with management, has assessed the risks and opportunities presented by these events to ensure we remain best-placed to manage their impact.

Board changes

In March 2024, we welcomed Jim Fairbairn to the Board as our new Group Chief Executive designate. With considerable experience in managing engineering businesses, and an impressive track record in leading and developing specialist global industrial businesses, the Board believes he is well-placed to build on the foundations laid by Stephen Harris over many years. We look forward to working with Jim over the coming years to drive our continuing development and growth. Stephen Harris stepped down from the Board at the end of May 2024. During his tenure with Bodycote he reshaped the business and significantly improved its quality and financial performance.

Further changes to our Board will take place later in 2025, when Patrick Larmon steps down as Non-executive Director having reached his nine years on the Board. The recruitment process for this position has commenced, with candidates identified reflecting a diverse range of relevant experience and diversity characteristics, which we believe will maximise continued Board effectiveness.

Stakeholder engagement

Regular, open and constructive dialogue with shareholders continued throughout 2024. I met with several significant shareholders, including at our Capital Markets Event, to discuss shareholder views in relation to governance matters. The Group's key stakeholders and their various perspectives are taken into account as part of the Board's annual strategy and corporate planning discussions. This ensures the Board is able to focus on delivering value for shareholders, while addressing the impact of decisions and strategies on all stakeholders.

During 2024, the Board collectively had the opportunity to visit four sites in the US and Germany, giving Directors the opportunity to speak first-hand with colleagues, listen to their questions, and better understand their views and those of the organisation. Two virtual meetings were held with our Employee Engagement Groups in North America and Europe. The feedback from these forums was reported to the Board, with management charged with addressing particular areas of development. Further details are set out on page 76.

Governance

The Group's long-term sustainable success is contingent on our commitment to good governance standards. The Board continues to be guided in its approach by the application of the UK Corporate Governance Code 2018 (the '2018 Code') as we believe good corporate governance is about effective oversight, including how we provide assurance on our performance to stakeholders and in how we report on that performance.

Board evaluation

The Board understands the benefits of annual performance evaluations, both for Directors on an individual basis, as well as for the Board as a whole. In accordance with the 2018 Code, an externally facilitated effectiveness evaluation was undertaken in 2024. This provided an objective view of our performance and proposed areas for focus as we continue to update our approach.

Sustainability

Good progress has been made on sustainability, which the Board regards as an important initiative both commercially and for our position with investors and other stakeholders. As a result of the Company being on track to deliver against its SBTi target ahead of schedule, the target to reduce our Scope 1 and 2 emissions was increased to 46% by 2030, up from 28%. Our Sustainability report sets out the activities undertaken throughout 2024.

AGM

All Directors plan to attend this year's AGM, which will provide an opportunity for shareholders to ask questions of the Board. I look forward to meeting any shareholders who can join us.

I would like to extend my thanks to all our stakeholders for their continued support over the year.

Daniel Dayan
Chair
13 March 2025

Corporate governance statement

Compliance with the 2018 UK Corporate Governance Code

Bodycote is required to prepare a corporate governance statement with reference to the UK Corporate Governance Code, as issued by the FRC in July 2018 ('the 2018 Code'). The 2018 Code underpins the corporate governance framework for listed companies and sets out the principles and provisions of good governance, with compliance with the 2018 Code resting with the Board. In respect of the 2024 financial year, the Board considers that it has complied with all provisions of the 2018 Code. The table below sets out where shareholders can find further information on how the Company has applied the principles of the 2018 Code within this Annual Report.

In January 2024, the FRC published a revised Corporate Governance Code (the '2024 Code') which will apply from financial years beginning on or after 1 January 2025. In light of this new code, an internal review of our governance framework was undertaken during 2024 to determine what process improvements or refinements would be required to ensure the recommendations set out in Provision 29 of the 2024 Code could be addressed to enable the Company to report on a 'comply or explain' basis against the revised 2024 Code in our 2025 Annual Report. Copies of the 2018 Code and 2024 Code are available at www.frc.org.uk.

For the year ended 31 December 2024, Bodycote also complied with the relevant requirements of the DTR, the UK Listing Rules and narrative reporting requirements.

Code principles – Board areas of focus

Board leadership and company purpose

- | | | |
|---|---|------------------------------|
| – Regularly discussing strategy at Board meetings during the year | – Approving the Group's strategy, budget, tax policy and dividend | → See more on pages 14 to 27 |
| – Receiving presentations from operational management on performance against the strategy | – Considering and approving strategic opportunities, including potential acquisitions | |

Division of responsibilities

- | | | |
|--|---|--|
| – Review of Board roles and responsibilities | – Overview of stakeholder relationships and workforce engagement | → See more on pages 37 to 39, 41, and 72 to 81 |
| – Review of Group policies | – Convening the AGM, approval of shareholder materials | |
| – Review of schedule of matters reserved for the Board | – Review of corporate governance code and guidelines | |
| – Review of terms of reference of all committees | – Determining/maintaining the Group's values and ensuring that these are reflected in business practice | |
| – Review of environmental, health and safety updates at each meeting | – Implementation of sustainability strategy | |

Composition, succession and evaluation

- | | | |
|--|---|--------------------------------------|
| – Considering proposals on succession planning for the Board | – Reviewing proposals on senior executive succession planning | → See more on pages 79, and 84 to 86 |
| – Reviewing the size, composition and diversity of both the Board and its Committees | – Considering talent management programmes and the need to develop managers and executives for the future | |
| – Ongoing Board training | – Approving further terms for the Non-Executive Directors | |
| – Completion of annual Board evaluation/ effectiveness reviews | | |
| – Tailored induction, when required | | |

Audit, risk and internal control

- | | | |
|--|--|------------------------------|
| – Approval of 2023 year end and 2024 half-year results | – Reviewing future scenarios and other factors in relation to audit, risk and internal control | → See more on pages 87 to 93 |
| – Recommending the final and interim dividends | – Review of viability statement | |
| – Annual review of principal and emerging risks, risk management and control systems | – Consideration as to whether the Annual Report and Accounts are fair, balanced and understandable | |

Remuneration

- | | | |
|---|---|-------------------------------|
| – Remuneration policy review and approval (including Executive Directors' and Senior Management remuneration) | – Review of Chair and Non-Executive Directors' fees | → See more on pages 94 to 117 |
|---|---|-------------------------------|

Corporate governance statement continued

Board leadership and Company purpose

Board and Board Committees meeting attendance

Each year the Board has a full programme of scheduled meetings, which are supplemented with ad hoc meetings, as required. During 2024, the Board met on eight occasions and Director attendance for those meetings held during 2024 is set out below.

All Directors are encouraged to engage actively and effectively during meetings, with scrutiny and constructive debate encouraged. Non-executive Directors are able to seek clarification on any key points from management when required.

Senior Management from across the Group and advisers are routinely invited to attend and present at meetings to provide updates and context. This exposure allows specific matters to be brought to the attention of the Board, and for the Board to gain awareness of nuances that may not always be obvious in written reports. The exposure to members of Senior Management from across the Group helps enhance the Board’s understanding of the business, the implementation of strategy and the changing dynamics of the markets in which the Group operates. It is also felt this provides the Directors with the opportunity to meet and assess key individuals who have been identified through the succession planning process.

The Chair and Executive Directors also attended, by invitation, some parts of the Audit, Nomination and Remuneration Committees meetings, when relevant.

	Board meetings	Audit Committee	Nomination Committee	Remuneration Committee
Meetings held during the year	8	5	3	6
Directors				
Jim Fairbairn ¹	7	–	–	–
Ben Fidler	8	–	–	–
Daniel Dayan	8	–	3	–
Patrick Larmon	8	5	3	6
Kevin Boyd	8	5	3	6
Lili Chahbazi	8	5	3	6
Cynthia Gordon	8	5	3	6
Beatriz García-Cos Muntañola	8	5	3	6
Former Director				
Stephen Harris ²	2	–	–	–

1 Jim Fairbairn was formally appointed to the Board with effect from 11 March 2024. He was invited to attend all meetings held during 2024, including meetings held prior to his formal appointment. He was unable to attend one meeting during the year as a result of a family bereavement.

2 Stephen Harris stepped down from the Board on 30 May 2024.

BOARD SITE VISITS

During 2024, the Directors held two full off-site Board meetings. The first was in Los Angeles, California which included visiting three plants (Huntington Park, Vernon and Rancho). The second, which coincided with a visit by the Executive Management team, was held in Haag-Winden in Germany.

These visits included presentations from the plant managers, enabling the Board to engage with local management, hear about business performance, current opportunities and challenges, and updates on customer engagement. Each visit also enabled the Directors to experience first-hand the environment within each of the plants with the aim of better understanding our operations.

During the visits Directors were also able to interact directly with employees, which provided them with the opportunity to hear their views, see examples of best practice that could be shared more widely, and to answer questions about Bodycote.



Overall, the visits provide Directors with the opportunity to see the differences at various plant locations, highlighting the scale and variety of our operations and the skills of our employees, while providing an overview of the extent of our business offering. With this deeper and broader understanding of Bodycote’s operations, the Directors are able to apply relevant context to boardroom decision-making in relation to future operational matters.

Corporate governance statement continued

Business ethics and culture

A healthy culture is one in which the Group has a purpose, values and strategy that are respected by the Group’s stakeholders and an operating environment that is inclusive, diverse and engaging; encouraging employees to make a positive difference for stakeholders. The Board is responsible for assessing, monitoring and promoting our culture and understands the importance of setting the right tone from the top. Corporate culture is guided by the principles against which the Board monitors how the culture exists and is viewed by employees. These include our values, attitudes and behaviours.

The ongoing implementation of key messages and expectations is driven through initiatives overseen by the Executive Committee and the divisions. This includes targeted communications and mandatory training, with the output reported to the Board. The role of the Board in relation to purpose, strategy, long-term goals and stakeholder engagement is key in supporting a healthy corporate culture. The Board’s Committees support this role and the Board recognises that this continues to be an evolving area.

Purpose and values

The Board recognises that having a defined purpose and an agreed set of values that are embedded within the organisation, helps to create a culture that optimises performance and delivers long-term results. During the year, we established a new purpose for the Group, to deliver performance metallurgy that powers sustainable global progress. Our refreshed values also articulate the qualities we wish all employees to demonstrate, and we aim for these to be embedded within all our operational practices. During the year, the Board was satisfied that the overarching practices and behaviours were aligned with the Company’s purpose, values and strategy.

Board governance

In determining the Group’s strategic direction the Board is conscious of its collective responsibilities to all stakeholders and seeks to ensure that the necessary corporate and management structures are in place to ensure our strategy is implemented effectively. The Board seeks to ensure there is an effective governance framework across the Group and recognises that the Group’s long-term success depends on a commitment to good governance standards, with governance an element that should be ingrained in our behaviours, in the way we make decisions and run our business, rather than simply a compliance metric.

A review of our governance framework was undertaken during 2024 to determine what process improvements or refinements would be required to enable compliance with the new principles and provisions set out in the revised 2024 Corporate Governance Code.

Matters reserved for the Board

The Board is responsible for promoting the Group’s long-term success for the benefit of all its stakeholders and maintains a formal schedule of matters reserved for its decision-making and approval. These matters include responsibility for the overall management and performance of the Group, the approval of strategy and long-term objectives, and the financial statements, budgets, material contracts, capital commitments/investments and acquisitions and disposals. They also include matters relating to internal controls, risk management and determining risk appetite, approval of viability statements, environmental, social and governance topics, employee incentive arrangements, and key policies. The matters reserved for decision by the Board are regularly reviewed by the Board and are updated where required. The latest review took place in October 2024. A copy of the Matters Reserved for the Board is available on the website.

Board activities and key focus areas

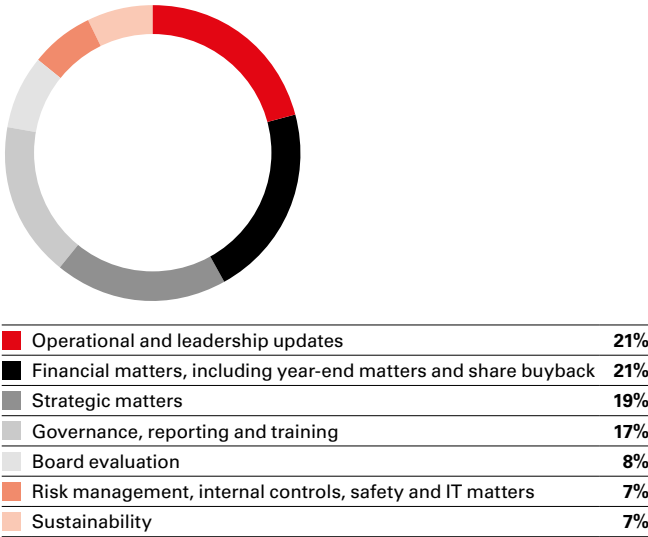
The main priorities of the Board are to provide leadership and guidance in support of the Group’s strategic priorities, with consideration to the Group’s financial performance. The Board also focuses on good governance and risk management procedures and processes to ensure they are fully embedded across the Group. The views and differing perspectives of the Group’s stakeholders are also taken into account as part of Board discussions. During the year, the Board and its Committees spent time considering a number of wide-ranging topics.

These included development of the Group’s strategic plan, reviewing updated strategic initiatives, business performance, budgets and financial planning, stakeholder feedback, talent development, and regulatory and governance matters.

The Board’s areas of focus in 2025 are expected to include:

- Execution of updated strategic priorities;
- Reviewing and embedding Group culture;
- Continued monitoring of financial and operational performance;
- Continued strong focus on safety improvements;
- Increased emphasis on the challenges and opportunities arising from climate change, and sustainability and ESG matters more broadly; and
- Reviewing principal and emerging risks.

The key activities of the Board during 2024 are set out in the following chart:



Corporate governance statement continued

Employee engagement

There were two Employee Engagement Group meetings held virtually during 2024, one for North America employees and one for European employees. The Groups were chaired by Patrick Larmon, the designated Non-Executive Director, with meetings supported by the Divisional Presidents, the Chief Human Resources Officer and the Group Company Secretary. Representatives from across the business participated at each meeting, with nominated attendees encouraged to share their views, escalating issues and challenges for further discussion and resolution, as well as sharing best practice initiatives and recommended improvements. These Employee Engagement Groups continue to develop and the Board feels that they are a beneficial source for Directors, assisting them in understanding the views of employees across the business and acting as a conduit of information from employees directly to the Board. The minutes of each Employee Engagement Group meeting are presented to the Board by the designated Non-Executive Director, with actions arising shared with the business.

In addition, the Board and the Executive Committee take every opportunity to meet with local employees when visiting different business locations. During 2024, the Board visited three sites in Los Angeles, California, and the Board and Executive Committee both visited the Haag-Winden site in Germany. Further details are set out on page 74.

Stakeholder engagement

The Board places significant importance on listening to, establishing, and maintaining good relationships with its stakeholders. This engagement allows the Board to better understand what matters to each stakeholder group and the impact of decisions taken on those stakeholders, as recognising their differing interests is integral to Board discussions. Good engagement ensures Directors are kept informed of significant changes in the operating environment as well as the broader market, including the identification of emerging risks and trends, which in turn can be factored into strategic discussions.

Constructive engagement with major shareholders and other investors throughout the year is considered a critical activity. Our Investor Relations team acts as the principal focal point, with an annual programme of meetings and presentations arranged with existing and prospective shareholders and other investors.

The Chief Executive Officer and Chief Financial Officer regularly meet institutional investors, both individually and collectively, enabling institutional investors to increase their understanding of the Group's strategy and operating performance.

Additional sessions are also held with stakeholders following the publication of our full-year and half-year financial results. We have communicated with existing and potential shareholders in a number of different ways during the year:

January 2024	– US investor roadshow
	– Full-year results announcement and results presentations
	– UK investor roadshow
	– Annual Report and Accounts and Notice of AGM posted to shareholders and placed on the website
March 2024	
	– Trading Update
May 2024	– Annual General Meeting
	– Investor visit to our site in Derby, UK
June 2024	
	– Half-year results announcement and results presentation
August 2024	– UK and US shareholder roadshows
	– Investor visit to our site in Gebze, Turkey
September 2024	
November 2024	– Trading Update
December 2024	– Capital Markets Day

Analyst research notes are regularly circulated to all Directors, with brokers' reports submitted with Board packs. In addition, up-to-date news on the Group and its share price, including copies of recent announcements and results presentations, are available to all stakeholders at www.bodycote.com. On a regular basis, Bodycote's financial advisers, corporate brokers and financial public relations consultants provide the Directors with opinion surveys from analysts and investing institutions following visits and meetings with the Chief Executive Officer and Chief Financial Officer, enabling them to better understand investor sentiment. The Chair and Senior Independent Director (SID) are also available to discuss any issues not able to be resolved by the Chief Executive Officer and Chief Financial Officer.

During the year, engagement with the top ten shareholders also took place with our Chair, Daniel Dayan, in relation to general governance matters and with our Remuneration Committee Chair, Cynthia Gordon, to highlight the Committee's intentions in relation to our 2025 Remuneration Policy.

CAPITAL MARKETS EVENT

On 12 December 2024, a Capital Markets Event was held. This set out the Company's plans and actions to deliver sustainable improvements in the quality, performance and growth outlook for the business, as well as setting new financial targets. At this event, two new, redefined global divisions were established – Specialist Technologies and Precision Heat Treatment; three levers of strategic execution were announced – Optimise, Perform and Grow; along with compelling financial targets to underpin our strategic actions and three new sustainability targets.

In total, we were joined by c.70 external attendees, with representation from a range of investors, analysts and advisers. Feedback was positive, with investors noting the clarity of the new reporting structure and strategy.

For those unable to attend, we issued a detailed announcement to the market on the morning of the event, and published further information on our website, at www.bodycote.com/investors/capital-markets-event-2024/.



Corporate governance statement continued

Governance framework

We believe our corporate governance framework underpins good governance practices and enables the Board and senior management to provide effective strategic leadership and stewardship of the Group.

The Board

Provides leadership and direction to ensure long-term success by setting a sustainable strategy and overseeing its implementation. Responsible for the financial performance and overall corporate governance of Bodycote, delegating certain matters to its principal committees. Provides rigorous challenge to ensure appropriate processes are in place to monitor and manage risk and internal controls.

Chair	Senior Independent Director	Non-Executive Directors	Chief Executive Officer	Chief Financial Officer	Group Company Secretary
Provides leadership of the Board and is responsible for ensuring effective Board governance, including overseeing the Board evaluation process. Ensures effective communication flows between Directors, and that Board members receive accurate, timely and clear information on Board issues. Ensures effective communication with stakeholders, enabling their interests to be represented at Board meetings.	Works closely with the Chair, acting as a sounding board. Provides support and acts as an intermediary for other independent Directors. Meets annually with other Directors to appraise the Chair's performance, and on such other occasions as is deemed appropriate. Is available to meet stakeholders if they have concerns which they have not been able to resolve through the normal channels.	Support executive management while providing constructive challenge and rigour. Monitor strategy and bring sound judgement and objectivity to the Board's decision-making processes. Review the integrity of the risk management framework, financial systems and controls to ensure they are robust. Scrutinise the performance of management and share the skills, experience and knowledge from other industries and environments. Have prime roles in Board composition and succession planning processes.	Has overall responsibility for Group performance. Implements and executes agreed strategy, setting priorities to deliver agreed objectives. Develops proposals to present to the Board on all areas reserved for its judgement and ensures the Board is fully informed of all key matters. Supported by the leadership team, has responsibility for driving execution of the Group's strategic aims. Maintains a close working relationship with the Chair, ensuring effective dialogue with investors and stakeholders. Has overall responsibility for the Group's sustainability programme.	Responsible for all aspects of the Group's finance functions, financial planning and budget management. Implements effective financial controls and provides financial and commercial decision leadership and support. Ensures the appropriateness of risk management systems and oversees all aspects of accounting and finance operations. Maintains relationships with key external stakeholders, including investors, lenders, banks, and credit rating agencies.	Advises the Board on all governance, legislation, and regulatory requirements, as well as best practice corporate governance developments. Responsible for implementing the processes designed to ensure compliance with Board procedures and efficient information flows. Facilitates the Board evaluation, induction and development processes. Available to individual Directors in respect of Board procedures to provide general support and advice.

Board Committees

The Board delegates specific areas of focus to its Committees, which generally comprise only Non-Executive Directors.

Audit Committee	Nomination Committee	Remuneration Committee	Executive Committee	Finance Committee	Risk and Sustainability Committee
Reviews and monitors the integrity and effectiveness of the Group's financial reporting and performance of audits and assesses and monitors financial risks. → Committee report on page 87	Ensures an effective Board that consists of individuals with the right balance of skills, knowledge and experience. → Committee report on page 84	Sets remuneration policy and determines compensation levels for Executive Directors, the Chair, and members of senior management. Oversees the remuneration framework for the Group. → Committee report on page 94	Focuses on the development and implementation of the Group's strategy, financial structure, organisational development and policies as well as reviewing financial performance.	Implementation of treasury and tax policies and, within limits defined by the Board, authorises capital expenditure and other financial activities.	Monitors and provides insight on risk and sustainability issues, in particular, climate change.

Corporate governance statement continued

Division of Responsibilities

Board roles and responsibilities

The Board is responsible to shareholders for good corporate governance, setting the Group's strategic objectives, values and standards, and ensuring the necessary resources are in place to achieve the objectives. The roles and responsibilities of our Directors are set out on page 77. All Directors are encouraged to be open and forthright in their approach as we believe this helps to develop strong working relationships, enabling them to make their best possible contribution, with Non-Executive Directors encouraged to share their experiences, whilst providing constructive challenge.

Regular meetings between the Chair and Chief Executive Officer are held throughout the year, allowing general matters to be discussed and enabling them to reach an understanding of each other's views. The Chair and SID also maintain regular contact between scheduled Board meetings, with time also set aside at meetings for the Chair to meet with Non-Executive Directors without the presence of management. The relationships between these roles are important, as these individuals represent the views of both management and Directors, respectively. The combination of these meetings ensures that the Chair is fully informed of all views, which assists in setting agendas and ensures all Directors can contribute effectively through their individual and collective experiences.

Board information

In advance of each Board meeting, Directors are supplied with up-to-date information regarding the operational and trading performance of the business, in addition to the Group's overall financial position and its achievement against prior year results, budgets and forecasts (where appropriate). They are also supplied with the latest available information on environmental, health and safety and risk management issues and details of both the Group's and each division's health and safety performance, in terms of severity and frequency rates. The Board also receives regular briefings from operational and functional management about Group-specific matters, with reports provided by the Chief Executive Officer and Chief Financial Officer. Cybersecurity is covered by annual briefings and ad hoc updates are provided by the Chief Information Officer. The Board also has a programme of briefings from the Group's external advisers on a range of topics. This enables current and future plans to be set in the wider context of the broader environment.

Board support

All Directors have access to Executive Management and to additional information, as is needed, to discharge their duties and responsibilities fully and effectively. In addition, the Group also has procedures in place for Directors to seek independent professional advice, the cost of which is reimbursed by the Group, where they judge it necessary to discharge their responsibilities. All Directors have access to the Group Company Secretary, and they may also address specific issues with the Senior Independent Director. A statement of the Directors' responsibilities is set out on page 118.

Service contracts and letters of appointment

Executive Directors are employed under service contracts of employment, the principal terms of these service contracts are set out below:

Name	Position	Effective date of contract	Notice period From Company/From Director	Termination
Jim Fairbairn	Chief Executive Officer	17 October 2023	12 months/12 months	Company has right to terminate on payment of a termination payment
Ben Fidler	Chief Financial Officer	28 October 2022	12 months/12 months	Company has right to terminate on payment of a termination payment

The Chair and Non-Executive Directors have letters of appointment that set out their duties and responsibilities. They do not have service contracts. The key terms of the appointments are set out below:

Name	Position	Date of original appointment	Date of last (re)appointment at AGM	Notice period
Daniel Dayan	Chair	1 January 2022	2024	6 months
Patrick Larmon	Senior Independent Director	13 September 2016	2024	6 months
Kevin Boyd	Non-Executive Director	1 September 2020	2024	6 months
Lili Chahbazi	Non-Executive Director	1 January 2018	2024	6 months
Cynthia Gordon	Non-Executive Director	1 June 2022	2024	6 months
Beatriz García-Cos Muntañola	Non-Executive Director	1 September 2023	2024	6 months

Service contracts and letters of appointment are available for inspection at the Company's registered office during normal business hours. In line with the Code, all Directors will seek re-appointment by shareholders at the 2025 AGM, with service contracts and letters of appointment, also available for inspection in the 30 minutes prior to the start of the AGM.

Composition/succession and evaluation

Board composition

At the date of this report, the Board comprised eight members, comprising the Chair, five independent Non-Executive Directors and two Executive Directors. Biographical details of all Directors in office at 31 December 2024 and at the date of this report are set out on pages 70 and 71. All Board appointments are subject to formal and rigorous procedures led by the Nominations Committee and details of the work undertaken by this Committee during 2024 are set out on pages 84 to 86.

Corporate governance statement continued

Skills and experience

An effective Board requires the right mix of skills and experience, complemented by individual styles and outlooks. As demonstrated by their biographies on pages 70 and 71, each of our Directors has a varied career history, and considerable effort has been taken to ensure that the Board retains the right balance of skills, capabilities, knowledge and industry expertise to form a diverse and effective team focused on promoting the long-term success of the Group and ensuring we are able to deliver sustainable growth.

The skills matrix below details some of the key skills and experience that our Board has identified as necessary for the effective oversight of the Group and the effective execution of our strategy, and indicates which Directors bring those particular skills to the boardroom. The skills matrix is reviewed annually to ensure it continues to meet business needs.

Training

Training is provided to our employees where and when required. The Board believes it is also important for Directors to regularly refresh and update their skills and knowledge with both external and internal training. Members of the Board individually attend seminars, conferences and training events to keep up-to-date on developments in key areas. Board meetings also include presentations from Group experts to ensure the Directors have access to the wealth of knowledge within the Group, as well as presentations and briefings from external providers and subject matter experts to provide in-depth updates. We also believe it is important that Directors continue to develop and refresh their understanding of the Group's activities. Accordingly, every year the Board, as part of the organised site visits, meets local operational management, which allows Directors to familiarise themselves with the technologies used, business dynamics, logistics, health and safety standards and customers served. Plant visits to Los Angeles in California and Haag-Winden in Germany were undertaken during 2024.

Proposals for re-election

The Board has decided, in line with the 2018 Code, that all Directors will retire annually and, other than in the case of any Director who has decided to stand down from the Board, will offer themselves for re-appointment at each AGM. In accordance with the Articles of Association, all newly appointed Directors must also submit themselves for election at the AGM following their appointment to the Board. Non-Executive Directors, including the Chair, are appointed for fixed terms not exceeding three years from the date of first election by shareholders (for a maximum of two three-year terms), after which their appointment may be extended by mutual agreement on an annual basis.

In line with the findings of our externally facilitated Board effectiveness review, and supported by their biographies, the Board remains satisfied that it continues to operate effectively and, following an assessment of their performance through individual reviews, the Chair also confirms in respect of each Director that their performance continues to be effective and that each continues to demonstrate commitment to his or her respective role. The Board therefore recommends to shareholders that they re-elect all Directors at the 2025 AGM.

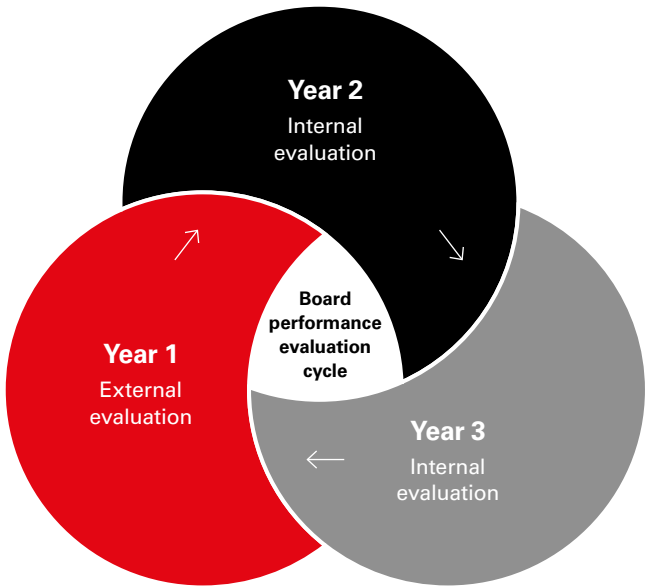
	Daniel Dayan	Jim Fairbairn	Ben Fidler	Patrick Larmon	Lili Chahbazi	Kevin Boyd	Cynthia Gordon	Beatriz García-Cos Muntañola
Strategy	■	■	■	■	■	■	■	■
M&A	■	■	■	■	■	■	■	■
International	■	■	■	■	■	■	■	■
Recent and relevant financial experience			■			■		■
Corporate finance/treasury			■			■		■
Accounting			■	■		■		■
Customer	■	■		■			■	
Sales and marketing	■	■		■	■		■	
Service industry		■		■	■		■	
Environmental, including climate change	■	■	■		■		■	■
Governance	■		■	■	■	■	■	■
Engineering	■	■			■	■		
Leadership	■	■	■	■	■	■	■	■
Emerging markets	■	■			■	■	■	■
Manufacturing	■	■	■			■	■	■
Capital-intensive industries	■	■	■		■			

Corporate governance statement continued

Board evaluation

The Board understands the benefits of annual performance evaluations, both for Directors on an individual basis, as well as for the Board as a whole. It continually strives to improve its effectiveness and believes these evaluations can provide a valuable opportunity to highlight strengths, identify any areas of weakness and therefore drive continuous improvements.

The 2018 Code requires the Board to undertake a formal and rigorous annual evaluation of its performance and that of its Committees, with a provision requiring that this be externally facilitated every three years. The evaluation process provides the Board with an opportunity to consider and reflect on how it operates and the quality and effectiveness of its decision-making, the range and level of discussion, and for each Director to consider their own contribution and performance. During 2023, the Chair and the Group Company Secretary led an internally facilitated review of the Board’s effectiveness. The results of this review were presented to the Directors in December 2023, with the areas of focus identified as succession planning, reviewing longer-term strategy and developing a wider approach to ESG. These areas were discussed and reviewed by the Board throughout the year.



Progress following 2023 Board evaluation

Key area for recommended improvement	Progress
Succession planning and Board induction	Significant focus was given to succession planning, not least due to the change in Group Chief Executive. Comprehensive induction plans were further developed to ensure new Directors were given the opportunity to gain a thorough understanding of the Group, in addition to understanding the governance requirements.
Improve divisional strategy sessions	More time was allocated on the Board agenda to discuss strategic developments and opportunities, which encouraged richer discussions by Directors. Each President was invited to attend a meeting to provide a deep dive on the current status and future initiatives for their respective divisions.
To develop the sustainability strategy and ESG roadmap	Significant work was undertaken, driven by the appointment of a new Chief Sustainability Officer at the end of 2023. A five-year sustainability plan was developed, which details the Group’s ESG roadmap, and enabled the Board to review the areas which will assist in driving continuous progress and drive the Group’s sustainable journey.

In consideration of the FRC’s Guidance on Board Effectiveness and in accordance with the Code and our three-year cycle, the Chair engaged the services of Dr Sabine Dembkowski of Better Boards, who has no other connection to the Group, to conduct an externally facilitated evaluation in 2024. This robust process involved a review of the year’s Board and Committee papers, completion of an online survey, followed by one-on-one interviews with each Director. In addition, Dr Dembkowski observed the scheduled Board and Committee meetings held during July 2024. Feedback from the evaluation was contained in a report setting out her observations and recommendations and this was presented to, and discussed by, the Board in September 2024, with Dr Dembkowski in attendance to facilitate the discussion.

The external review recognised that the evaluation process was being undertaken at a pivotal moment in the Company’s history, following the recent change in Chief Executive, resulting in an adjustment to board dynamics. It was perceived that the development of a more open environment conducive to constructive discussions was being fostered, with this transition met with much optimism. The review observed that each Director brought a range of complementary skills and experience to the boardroom, with a broad range of industry and functional expertise. It was noted that the Directors displayed high professionalism throughout the interview and observation process, with these attributes seen as providing the opportunity to create an even higher-performing Board. The atmosphere between the Executive Directors and independent Non-Executive Directors was found to be open, positive, and respectful, with the Executive Directors open to sharing information and their perspectives on all issues.

Corporate governance statement continued

A number of key issues emerged from the evaluation process, as set out below. The Board intends to work through these proposed suggestions over the coming year, with some changes already being implemented.

Action plan following 2024 Board evaluation

Area for recommended improvement	Initial progress
Better alignment around Company purpose	Work has commenced to embed a clearer and more compelling purpose for the Group to enable greater collaboration throughout the organisation.
Allow more time to discuss the development of strategic initiatives	Board meeting formats are being reviewed to ensure sufficient time is set aside for key discussion items, while creating sufficient space for reflection and feedback. Work is underway to strengthen the understanding and confidence in the new strategy, with further deep-dive presentations planned throughout the year, to enable the business to fully deliver on the strategy.
Board and Committee papers	The structure of papers has been amended, with new templates developed that better articulate key information and actions. Directors will continue to be presented with high-quality and relevant information, but the simplification of papers will aim to facilitate improved discussions during meetings. Clear guidelines have been developed for contributors, with meeting agendas adjusted to allow additional time for more strategic value-add discussions.

Board dynamics	Further strengthening the relationships between management and the Non-Executive Directors to ensure constructive relationships are maintained, while better utilising their skills and experience.
Succession planning and talent management	Focus to be given to ensuring succession plans are in place across the Group and to further developing leadership and talent development initiatives across the organisation.

Following completion of the external evaluation, the Board remains satisfied that it continues to operate effectively and believes the Directors are performing well and as would be expected within their relevant roles.

Audit, risk and internal control

Internal control and risk management

The Board is responsible for setting the Group’s risk appetite and for ensuring that procedures are in place to oversee the Group’s internal control and risk management systems and for reviewing their effectiveness. Processes are in place across the business to identify, evaluate and manage the Group’s significant risks. Further information on the Group’s approach to risk management is contained on pages 28 to 33.

The Audit Committee assists the Board in the effective discharge of its responsibilities as it is well-placed to challenge the performance of the Group’s financial reporting, risk management and internal control systems in order to safeguard the interests of shareholders. Information on the policies and procedures the Group has in place to oversee the internal control and risk management frameworks, to monitor the effectiveness of the Group’s internal and external audit functions and the integrity of the Group’s financial statements is contained in the Audit Committee report on pages 87 to 93.

Remuneration

Remuneration Report

The Directors’ Remuneration Report is set out on pages 94 to 117. This report details the Group’s remuneration policy, which will be submitted for shareholder approval at the 2025 AGM. The report also describes the work of the Remuneration Committee in determining Director and senior management remuneration and reviewing workforce remuneration and related policies. Each of our Non-Executive Directors are members of the Remuneration Committee, which enables them to ensure the Group’s remuneration policy and remuneration arrangements remain fully aligned with the Group’s strategic objectives.

Annual General Meeting

The 2025 AGM will be held on 21 May 2025 in accordance with the Notice being sent to shareholders under separate cover. All resolutions to be considered during the AGM will be conducted on a poll, with the results announced to the market as soon as practicable after the meeting.

By order of the Board:

Alison Broughton
Group Company Secretary
13 March 2025

Directors' report

Directors' report

The Directors are pleased to submit their report and the audited financial statements for the year ended 31 December 2024.

The Chair's statement, the Chief Executive Officer's review on pages 11 to 15, the Chief Financial Officer's report and all the information contained on pages 25 to 27, together comprise the Directors' report for the year ended 31 December 2024. For going concern, please see the Chief Financial Officer's report on page 27 and pages 133 and 134 of the consolidated financial statements.

Strategic report

The Strategic report is provided on pages 11 to 68 of this Annual Report. That report incorporates a review of the development of the Group's businesses, the financial performance during the year ended 31 December 2024, key performance indicators and a description of the principal risks and uncertainties facing the Group.

The Strategic report has been prepared solely to assist the shareholders in assessing the Group's strategies and the potential of those strategies. It should not be relied on by any other party for any other purpose. Forward-looking statements have been made by the Directors in good faith, using information available up to the date of this report. Such statements should be regarded with caution due to the inherent uncertainties in economic trends and business risks. Since the end of the financial year, no significant events affecting the business of the Group have occurred.

Dividends

The Board has recommended a final dividend of 16.1p per share (2023: 16.0p) bringing the full-year dividend to 23.0p per share (2023: 22.7p). If approved by shareholders, the final dividend of 16.1p per share will be paid on 5 June 2025 to all shareholders on the register at the close of business on 25 April 2025.

Share capital

The Company's issued ordinary share capital as at 31 December 2024 was £31.6m. No shares were issued during the year. Details of the issued share capital are shown in note 20 of the consolidated financial statements.

The Company has one class of ordinary shares, which carries 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, both of which are governed by the general provisions of the Articles of Association and prevailing legislation. 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. Details of employee share schemes are set out in note 25 and shares held by the Bodycote Employee Benefit Trust abstain from voting and waive dividend rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Authority to purchase own shares

Under the Articles of Association, the Company has authority to issue ordinary shares with a nominal value of £11,023,234, representing one third of the issued ordinary share capital.

At the Annual General Meeting held on 30 May 2024, the shareholders authorised the Company to make market purchases of up to 19,145,617 of its own shares, representing 10% of the Company's issued ordinary share capital as at the latest practicable date prior to the publication of the Notice of AGM.

In light of a lower than anticipated acquisition spend during 2023 and consistent with its balanced approach to capital allocation to return surplus cash to shareholders, the Company announced on 15 March 2024, the commencement of a share buyback programme of up to £60 million (the 'Programme') to end no later than 14 March 2025. The sole purpose of this Programme was to reduce the Company's share capital, with the ordinary shares purchased pursuant to the Programme being cancelled.

From 15 March 2024 to the end of the financial year on 31 December 2024, the Company purchased 8,558,676 ordinary shares of 17 3/11th pence each, representing a nominal value of £1,478,316 and 4.7% of the Company's issued share capital. All of these ordinary shares had been cancelled by 31 December 2024. The cost of the shares purchased during 2024 was £57.3 million excluding transaction costs. The Company subsequently announced in December 2024 a £30 million extension of this Programme. This Extended Programme commenced on 15 January 2025, following the completion of the Programme. This is expected to conclude no later than 14 July 2025.

A further 2,254,407 shares, representing a nominal value of £389,398 and 1.3% of the Company's issued share capital, have been purchased between 2 January and 7 March 2025 at a cost of £11.9 million, excluding transaction costs. The average cost of shares purchased under both the Programme and Extended Programme to date is £6.64 per share.

The authority to allow the Company to purchase its own shares will expire at the conclusion of the Annual General Meeting to be held on 21 May 2025, at which time a further authority will be sought from shareholders.

Change of Control provisions

There are a number of agreements that take effect, alter, crystallise, or terminate upon a change of control of the Company following a takeover bid such as commercial contracts, bank loan agreements, property lease agreements, employment contracts and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole, and the Directors are not aware of any agreements between the Company and themselves or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid except where specifically mentioned in this report.

Directors

The appointment and replacement of Directors is governed by the Company's Articles of Association, the UK Corporate Governance Code, the Companies Act 2006, and related legislation. The Articles of Association may be amended by a special resolution of shareholders. The powers of the Directors are described in the Governance Statement on pages 75 to 77.

The Directors in office as at 31 December 2024 and their biographies are listed on pages 70 and 71 and all apart from Jim Fairbairn served throughout the year. In line with the UK Corporate Governance Code, all Directors retired at the Annual General Meeting (AGM) held in 2024 and, save for Stephen Harris, stood for election and re-election by the shareholders. Stephen Harris retired from the Company and stepped down from the Board as Group Chief Executive on 30 May 2024.

All Directors who were in office at the year-end will retire at the AGM to be held in 2025 and will stand for re-election by the shareholders.

Directors' report continued

Directors' interests in contracts and shares

Details of the Executive Directors' service contracts are shown on page 78 and details of the Directors' interests in the Company's shares and share incentive plans are shown on page 112. No Director has had any dealings in any shares or options in the Company since 31 December 2024. None of the Directors had a material interest in any contract of significance in relation to the Company and its subsidiaries at any time during the financial year.

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) have remained in force for the Directors for the year ended 31 December 2024 and, as at the date of this report, remain in force for the benefit of the current Directors in relation to certain losses and liabilities which they may incur (or have incurred) to third parties in the course of their duties. Apart from these exceptions, none of the Directors had a material interest in any contract of significance in relation to the Company and its subsidiaries at any time during the financial year.

Potential conflicts of interest

Directors are required to declare actual conflicts of interest in transactions as they arise, and have a duty to avoid such conflicts whether real or potential. Potential conflicts of interest could arise where a single Director owes a fiduciary duty to more than one organisation (a 'Situational Conflict') which typically will be the case where a Director holds directorships in more than one company. To ensure all Directors have complied with these duties, each Director provided the Company with a formal declaration disclosing what, if any, Situational Conflicts affected him or her. The Board reviewed these declarations and approved the existence of each declared Situational Conflict and permitted each affected Director to attend and vote at Bodycote Directors' meetings up to end 2025, on the basis that each Director continues to ensure Bodycote's information remains confidential, and provided overall that such authorisation remained appropriate and in the interests of shareholders. Where such authorisation becomes inappropriate or is no longer in the interests of Bodycote's shareholders, either the Chair or the Nomination Committee can revoke an authorisation. No such revocations have been made.

Employment

The Group recognises the value that can be added to its future profitability and strength through the efforts of its employees. The commitment of employees to excel is key to the Group's continued success. Through their attendance at, or participation in, strategy, production, safety and health meetings at site level, employees are kept up-to-date on the performance and progress of the Group, the contribution to the Group made by their site, and are advised of any safety and health issues. Employees can voice any concerns through the Group's anonymous and confidential Open Door Whistleblowing Helpline, a phone line that can also be accessed in local languages.

Over 3,000 Bodycote employees are connected to the Bodycote intranet, which aims to improve knowledge of Group activities, and assists greatly with technology exchange and coordination.

An equality, diversity and inclusion policy is in operation across the Group and it is the Group's policy to give full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities, and to encourage the training and career development of all personnel employed by the Group. Should an employee become disabled, the Group will endeavour to seek to continue the employment, arranging appropriate retraining and adjusting the employee's work environment where practical.

Employee and stakeholder engagement

Information relating to engagement with employees and other stakeholders, including customers and suppliers, can be found in the Strategic report on pages 37 to 39 and in the Corporate Governance Statement on page 76.

Greenhouse gas emissions

Details of greenhouse gas emissions and Streamlined Energy and Carbon Reporting are included within the Sustainability section of this Annual Report on pages 59 and 60.

Donations

There were no political contributions made during 2023 or 2024.

Shareholders

An analysis of the Company's shareholders and the shares in issue as at 28 February 2025 together with details of the interests of major shareholders in voting shares notified to the Company pursuant to Chapter 5 of the Disclosure and Transparency Rules are given on page 182.

External auditors

In accordance with the provisions of section 489 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP (PwC) as external auditor is to be proposed at the forthcoming Annual General Meeting.

Each person who is a Director at the date of approval of this Annual Report confirms that:

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

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

Annual General Meeting

The 2025 Annual General Meeting will be held on 21 May 2025 in accordance with the Notice being sent to shareholders under separate cover.

By order of the Board:

Alison Broughton
Group Company Secretary
13 March 2025

Springwood Court
Springwood Close
Tytherington Business Park
Macclesfield
Cheshire
SK10 2XF

Report of the Nomination Committee



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The Committee is dedicated to selecting the best candidates to join the Board, who strengthen its capabilities with complementary skills, experience, and background to address the Board's needs."

Daniel Dayan
Chair

Committee membership		Attendance
Chair	Daniel Dayan	3/3
Members	Kevin Boyd	3/3
	Lili Chahbazi	3/3
	Beatriz García-Cos Muntañola	3/3
	Cynthia Gordon	3/3
	Patrick Larmon	3/3

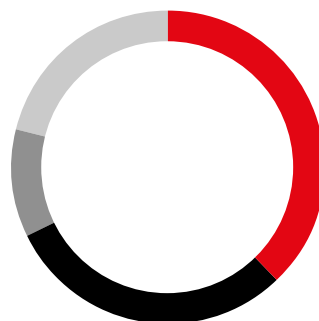
Role and responsibilities

- Regularly review the structure, size and composition (including the skills, knowledge, experience, and diversity) of the Board and make recommendations to the Board regarding any changes.
- Give full consideration to succession planning for Directors and other senior executives.
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Terms of reference

- The Committee reviewed its terms of reference during the year. Copies are available on our website at www.bodycote.com.

How the Committee spent its time during 2024



Director performance	38%
Board composition and succession planning	30%
Diversity and inclusion	11%
Governance and reporting	21%

Dear Shareholders

I am pleased to introduce the Nomination Committee report for 2024. This report provides an overview of the work of the Committee and details its activities during the year.

During 2024, the Committee met to review the composition and skills of the Board, considering the current and future competences required to ensure that the Board maintains the optimum mix of skills and experience, and overseeing the plans for senior management succession to direct the Company in the successful execution of its strategy.

Board changes

In March 2024, we welcomed Jim Fairbairn to the Board as Group Chief Executive designate. Jim joined from Megger Group, where he had been Group CEO since 2017. Jim formally succeeded Stephen Harris on 31 May 2024, following the conclusion of a comprehensive handover process. Stephen Harris retired from the Group as Group Chief Executive following the conclusion of the 2024 AGM. The Board acknowledges the valuable contribution made by Stephen over the 16 years of his stewardship and for his strong leadership of the Group.

The search process to identify Stephen's successor was led by the Chair, and advised by international search consultancy, Egon Zehnder, who have no connections to Bodycote plc that extends beyond senior executive searches. This process focused on candidates with the skills, experience and leadership behaviours required for an organisation of the scale, complexity and global nature of Bodycote and capable of delivering focus on driving the continuing development and growth of the business.

The profile and requirements necessary to fill the role were determined by the Committee, taking into consideration the current and future needs of the Group. In addition to operational and commercial expertise, soft skills were included as part of the required criteria, including critical assessment, judgement, and the ability to develop trust and forge new relationships. Egon Zehnder were also briefed on our equality, diversity and inclusion policy and were required to reflect this in the long list submitted to the Committee, recognising that the Committee remains committed to ensuring that the best available candidate fills any Board appointment, with complementary skills, capabilities, experience and background to address the Board's needs, irrespective of any other consideration.

Report of the Nomination Committee continued

Following completion of interviews conducted by the Chair and all Non-Executive Directors, the Committee unanimously agreed to recommend Jim's appointment. His track record in leading and developing specialist global industrial businesses and teams, coupled with his understanding of our processes, customers, and the nature of our highly varied markets were all taken into consideration during the interview process, and it was agreed by the Committee that he would be a strong addition to the Board.

Board composition

Towards the end of the year, the Committee reviewed the Board's size and composition, with a focus on planning for the transition of our longstanding Non-Executive Directors. The intention is to ensure that the composition of the Board remains well balanced with the appropriate skills, experience and capabilities, while ensuring all relevant UK Corporate Governance Code (the UK Code) and UK Listing Authority requirements are met.

In light of this review, it was agreed that Patrick Larmon would step down from the Board in September 2025, when his tenure on the Board will reach nine years. Lili Chahbazi, Non-Executive Director, will succeed Patrick as Senior Independent Director with effect from the AGM to be held on 21 May 2025. A process to replace Patrick on the Board commenced in early 2025.

The Committee, having reviewed its independence and contribution to Board matters, confirms that the performance of each of the Directors standing for re-election at this year's AGM continues to be effective and each demonstrates commitment to their roles, including independence of judgement and time commitment for meetings. Accordingly, the Committee has recommended to the Board that all Directors be proposed for re-election at the forthcoming AGM. The biographical details of the Directors in office at 31 December 2024 can be found on pages 70 and 71.

Board effectiveness

In accordance with our three-year cycle, an external Board effectiveness exercise was conducted during the year, following the internal evaluation undertaken in 2023. Further details on this review and the actions arising can be found on pages 80 and 81.

Succession planning

Succession planning for senior management remains a key focus for the Committee. Significant interest is taken in the development of the Group's future leaders, with the aim of

promoting a strong, resilient and diverse pipeline for the future. During 2024, with primary input from Jim, consideration was given to senior management succession, with significant work carried out by management to ensure the overall structure remained appropriate to expedite the strategy changes being introduced.

The Committee was satisfied that the process was sufficiently robust to enable vacancies to be filled, while taking account of the continuing need to consider diversity in its widest form. The Committee also acknowledged that in a business the size of Bodycote, it is not always possible to identify internal successors for all roles and accordingly recognised the need to recruit new members to the Senior Management team. The Committee will continue to work with management to ensure that a strong pipeline of talented individuals is available to support the Group in meeting its business objectives and fulfil its strategic goals.

The Committee has developed a formal rigorous and transparent procedure for the appointment of new Directors. This process was put into effect with the recruitment and appointment of Jim Fairbairn and will be implemented in the appointment of a new Non-Executive Director to replace Patrick Larmon during 2025.

Induction

On appointment to the Board, all Directors undertake a tailored and comprehensive induction programme, which is intended to account for each individual's differing requirements and concentrating on key focus areas. This ensures Directors are fully prepared for their new role, taking their background and experience into consideration. Each programme also considers existing expertise and any prospective Board or Committee roles.

Jim Fairbairn's induction programme started in late 2023, in advance of his appointment to the Board in March 2024. Having considered his key strengths, the focus areas for his induction were determined, to enable him to gain an in-depth understanding of the Group. The key elements of this induction programme included meetings with the Chair and each of the Non-Executive Directors; the outgoing Group Chief Executive to ensure a comprehensive and thorough handover; and with Executive Committee members and their direct reports. Ongoing meetings have also been held throughout the year with the Chief Financial Officer, and all members of the Executive team, as well as investors and shareholders. Jim has also visited over 45 plants and sites across North America and Europe,

as well as visiting administrative service centres. Meetings with key advisers, including brokers, corporate lawyers, financial and PR consultants were also undertaken throughout the year.

Training

The Board believes that continuous training and development supports good Board effectiveness. The Company is therefore committed to offering tailored training to provide each Director with the necessary resources to refresh, update and enhance their skills, knowledge, and capabilities. As part of the mandatory training programme, all Directors are required to complete online courses which address areas most pertinent to Bodycote. This covers both statutory obligations and ethical considerations and includes topics such as the legal duties of a director, competition law, anti-bribery and corruption, anti-tax evasion, share dealing, data protection, IT/cyber security, sexual harassment, and anti-slavery regulations.

The Group Company Secretary also regularly updates the Board on the governance, legislative and regulatory matters that may impact the Group and, where relevant, briefings from external advisers on strategic, governance, or any other significant topics are provided as part of the annual Board programme.

Committee governance

As recommended by the UK Code, the Chair acts as the Chair of the Committee, whose members comprise all Non-Executive Directors. Only members of the Committee have the right to attend Committee meetings, with other individuals and external advisers invited to attend for all or part of any meeting when deemed appropriate.

During the year, the Committee considered and authorised the potential conflicts of interest which might arise where a Director has fiduciary responsibilities in respect of other organisations. The Committee concluded that no inappropriate conflicts of interest exist. The Committee also has the authority to seek any information that is required, from any officer or employee of the Company or its subsidiaries. In connection with its duties, the Committee is authorised by the Board to take such independent advice (including legal or other professional advice, at the Group's expense) as it considers necessary, including requests for information from, or commissioning investigations by, external advisers.

Report of the Nomination Committee continued

Diversity and inclusion

Diversity and inclusion continue to be focal points for the Committee, recognising that diversity is not just about improving the levels of female representation throughout the Group or addressing gender imbalance, but in developing a diverse workforce across many dimensions and creating an inclusive working environment, irrespective of differences in social identities, to create a workplace that celebrates all employees and stakeholders.

The Committee and Board believe an inclusive and diverse workforce can promote productivity, and underpin our ability to operate successfully in our diverse markets and geographies. As a global business with operations in over 20 countries, diversity is an integral part of our culture and how we do business. While improvements are being seen in improving our gender diversity, we accept that there is more to be done across the organisation. Notwithstanding that engineering is still a predominately male-dominated profession, we are determined that further progress can be made over the coming years.

In relation to Board appointments, the benefits of diversity in its broadest sense are acknowledged by the Committee, with Directors appointed on the basis of their relevant skills, background, experiences, personal strengths, diversity of thought and ability to contribute to the Company's delivery of its long-term strategy. The Committee also recognises that Board appointments will continue to be made based on merit and on the individual's ability to contribute to the effectiveness and diversity of the Board as a whole, while remaining compliant with the requirements of the UK Listing Rules.

During the year, and in accordance with Provision 23 of the UK Code, a new Board Diversity and Inclusion policy was adopted setting out the Board's commitments and aspirations with regards to diversity. A copy of this Policy is available on our website.

In accordance with LR 6.6.6(10) of the FCA's Listing Rules, the following tables detail the diversity profile of the Board and Executive management:

Gender categories

ONS gender category	No. of Board members	% of Board	No. of senior positions on the Board (CEO, CFO, SID or Chair)	No. in executive management	% of executive management
Men (including those self-identifying as men)	5	62.5%	4	9	69.2%
Women (including those self-identifying as women)	3	37.5%	0	4	30.8%
Non-binary	0	n/a	0	0	0
Not specified/prefer not to say	0	n/a	0	0	0

Ethnicity categories

ONS gender category	No. of Board members	% of Board	No. of senior positions on the Board (CEO, CFO, SID or Chair)	No. in executive management	% of executive management
White British or White Other	6	75.0%	4	12	92%
Mixed/Multiple ethnic groups	1	12.5%	0	1	8%
Asian/Asian British	1	12.5%	0	0	0
Black/African/Caribbean/Black British	0	0	0	0	0
Other ethnic group	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0

This data was collected directly from the individuals concerned. The reference date used was 31 October 2024, which is in line with the reference date used for completion of the FTSE Women Leaders Review submission.

Annual Statement on Board Diversity Targets

The Committee acknowledges the requirements of the UK Listing Rules (LR 6.6.6R(9)), which relate to enhanced disclosures in gender and ethnic diversity at board level and increased targets, which are required to be met by the end of 2025. As of 31 December 2024, the Group had not yet met the gender diversity targets, with female representation on the Board at 37.5%, although it had achieved the target relating to having at least one individual on the Board from a minority ethnic background. The Committee confirms that the requirement to have at least one of the senior board positions held by a woman will be met following the 2025 AGM, when Lili Chahbazi will succeed Patrick Larmon as Senior Independent Director.

Further details of female representation at senior management level and across the workforce as a whole are provided in the Sustainability Report on page 65, where we also disclose further

details about the Group's approach to diversity, equity and inclusion. Our Equality, Diversity and Inclusion Policy is available on our website.

As Chair of the Committee, I will be available at the Annual General Meeting on 21 May 2025, to answer any question relating to the work of the Committee. Questions can also be submitted in advance of the meeting, either to our registered office address or to agm@bodycote.com.

On behalf of the Nomination Committee:

Daniel Dayan
Chair
13 March 2025

Report of the Audit Committee



▶▶
The Committee continued to focus on the integrity of Bodycote's financial reporting, financial risk management, internal controls and on the quality of the external and internal audit processes."

Kevin Boyd

Chair of the Audit Committee

Committee membership		Attendance
Chair	Kevin Boyd	5/5
Members	Patrick Larmon	5/5
	Lili Chahbazi	5/5
	Cynthia Gordon	5/5
	Beatriz García-Cos Muntañola	5/5

Main committee responsibilities

- Encourage and safeguard the highest standards of integrity, financial reporting, financial risk management and internal controls.
- Monitor the integrity of the financial statements including annual and half-yearly reports, trading updates and any other formal announcements relating to financial performance. Review and report to the Board on significant financial reporting issues and judgements.
- Review the content of the Annual Report and advise the Board whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.
- Monitor and review the adequacy and effectiveness of the Group's internal financial control and risk management systems.
- Monitor and review the effectiveness of the Group's Internal Audit function and its key findings and trends arising, and the resolution of these matters.
- Oversee the relationship with the external auditors: approve the remuneration, audit scoping and terms of engagement, review outcomes of the external audits, ensure compliance with the policy for the provision of non-audit services, conduct the tender process and make recommendations to the Board, subject to the approval by shareholders, on the appointment, re-appointment or removal of the external auditors.
- Monitor policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services considering the impact they may have on independence taking into account the relevant regulations and ethical guidance in this regard and report to the Board on any improvement or action required.
- Review and monitor the external auditors' independence, effectiveness and objectivity.

The full terms of reference for the Committee, which were reviewed during the year, can be found on the Group's website.

Chair's introduction

I am pleased to present the Audit Committee report for the year end 31 December 2024. This report provides an overview of the Committee's key activities and focus areas during the year and the framework within which it operates.

The Committee fulfils an important oversight role providing effective governance over the Group's reporting, including the adequacy of related disclosures, the management and oversight of the Group's systems of internal control, the management of financial risks, the performance of Internal Audit and the evaluation of the external auditors' including their appointment and re-appointment. During the year, the Committee continued to focus on the integrity of Bodycote's financial reporting, financial risk management, internal controls and on the quality of the external and internal audit processes and will continue to keep its activities under review as the regulatory environment changes.

Kevin Boyd

Chair of the Audit Committee

13 March 2025

Report of the Audit Committee continued

Committee membership and meetings

The Committee is comprised entirely of independent Non-Executive Directors. Their biographical details are shown on pages 70 and 71, and their remuneration on page 110. The Group Company Secretary is the secretary to the Audit Committee.

Kevin Boyd is Chair of the Committee. Mr Boyd is a Chartered Accountant and a Chartered Engineer with substantial experience in senior finance roles. The Board considers that Mr Boyd has extensive recent and relevant financial, accounting and sector experience required to chair the Committee.

All Committee members have significant and widespread experience in executive and non-executive capacities from either multinational or industrial companies and are considered to have competencies relevant to their duties. The expertise the Committee utilises, together with their independence, provides good challenge to management as well as the internal and external auditors.

The Committee met five times during 2024 and in January and March 2025 and all members attended all meetings. The Committee Chairman also invited the Board Chair, Chief Executive Officer, Chief Financial Officer, Group Financial Controller and Group Head of Internal Audit and Risk to attend all of the Committee's meetings. Other Senior Management from the Group were also invited, as appropriate, to attend meetings to provide a deeper level of insight into key issues. Furthermore, the external auditors, PricewaterhouseCoopers LLP (PwC), attended every meeting. BDO LLP, which provides internal audit services, attended one meeting. As part of the process of working with the Board to carry out its responsibilities and to maximise effectiveness, regular meetings of the Committee generally take place shortly before Board meetings.

Mr Boyd also held preparatory meetings separately with the external auditor, the Chief Financial Officer, the Group Financial Controller and the Group Head of Internal Audit and Risk before regular Committee meetings to review their reports and discuss issues in detail. PwC, the Group Head of Internal Audit and Risk and the co-sourced Internal Auditors, BDO LLP, also met with the Committee without executive management present.

Main activities of the Committee during the year

The Committee supports the Board in fulfilling its responsibilities regarding financial reporting and assessing the effectiveness of the Group's financial risk management and internal control systems. The Committee is also responsible for reviewing the Interim results for the half-year and the Annual Report and financial statements before recommending them to the Board for approval. At its meetings, the Committee focused on the following main areas:

Financial reporting

The primary recurring role of the Committee in relation to financial reporting has been to review, with management and the external auditor, the appropriateness and integrity of the Annual Report and financial statements for the year and the interim results for the half-year concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices including the interpretation of reporting standards and the adoption of policies;
- the application and impact of significant judgements, accounting estimates and matters where there was a significant discussion with the external auditor;
- compliance with regulatory and governance requirements;
- the clarity of disclosures and compliance with the relevant accounting standards for the consolidated financial statements;
- the key points of disclosure and presentation to ensure the adequacy, clarity and completeness in the Annual Report and financial statements;
- the appropriateness of the alternative performance measures used in the Annual Report and their disclosure;
- the classification of certain income and costs as exceptional in the financial statements;
- whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's strategy, business model and performance;
- the appropriateness of the external audit scoping and whether the external auditor had applied the necessary level of professional scepticism in performing their work;
- reviewing various materials to support the statements on risk management and internal control and related disclosures made in the Annual Report and financial statements on this matter; and

- considering the Group's readiness for the revised UK Corporate Governance Code requirement for an annual declaration on the effectiveness of material internal controls. The Committee reviewed a gap analysis and management's plans to address any areas of potential non-compliance over the coming 12 months.

Additionally, the Committee considered the Group's preparedness for potential future reporting under the EU CSRD and made recommendations to the Board.

Reports from management were reviewed on significant matters, including outstanding litigation and claims, accounting judgements and issues, UK pension reports, business combinations, treasury and tax matters and also reports from the external auditor on the outcome of their work. A summary of the areas of focus considered by the Committee in respect of the 2024 consolidated financial statements is set out in the table on pages 89 to 91.

Going concern, viability statement and financial resilience

The Committee receives regular updates from management on the underlying performance of the business, the strength of the Group's liquidity and its operational and financial resilience. The Committee has reviewed the 2024 going concern and viability statements and challenged the assumptions, risk assessments, forecasts for profits and cash generation, liquidity, available borrowing facilities and covenant compliance that were modelled as part of the scenarios and stress testing undertaken.

The Committee challenged assumptions related to the effect of current and future inflation and the effects of the strategic optimisation initiatives on cash flows ensuring that these cash flows include the cost of actions to be undertaken within the time frame under review consistent with the carbon reduction initiatives agreed with the Science Based Targets initiative. Sensitivity analyses were undertaken to understand the impact of changes to key variables and included severe but plausible downside scenarios and stress testing. The Committee was satisfied that these represented accurate assessments of the Group's financial position at the date of the consolidated financial statements. Further detail on the going concern and viability assessments are set out on pages 27 and 34, respectively.

Report of the Audit Committee continued

Fair, balanced and understandable

The Committee reviewed a paper prepared by management setting out the approach taken to the preparation of the Annual Report as well as the form and content of the report. The review included consideration of the oversight provided throughout the year based on the regular review of financial results and reports from both Senior Management and PwC, consideration of the regulatory and governance requirements for reporting, and consideration of the process of planning and preparing the

Annual Report. In reviewing that process, the Committee considered the collaborative approach between all parties required to contribute to the report to ensure it contains complete, accurate and balanced information, and the reviews performed to ensure feedback was appropriately reflected (including internal and external reviews).

Based on the activities described above and on robust discussion with both management and the external auditor, the Committee was satisfied with the work performed and advised the Board

that the Annual Report, taken as a whole, presents a fair, balanced and understandable view of the business and its performance for the year and that it provides the information necessary for shareholders to assess the Group’s strategy, business model, position and performance.

In addition to these matters, the Committee considered the following significant topics impacting the financial statements:

Area of focus

Valuation of assets

As set out in the accounting policies, the Group performs an impairment test over the carrying amounts of goodwill at least annually, whilst tangible and other intangible assets are considered for impairment indicators. Further details are set out in notes 7 and 9 of the consolidated financial statements.

Actions

The Committee considered reports from management describing potential impairment indicators for tangible and intangible assets and the outcome of impairment tests performed at the year-end. Annual impairment tests were performed for all cash generating units with a goodwill balance as required by accounting standards. The Committee also received reports from management detailing the calculation and disclosure of the £28.4m impairment recorded in respect of the ERP Operations module asset.

Details of the key assumptions used in the impairment tests and the sensitivity analysis applied as well as the conclusions reached are set out in note 7 to the consolidated financial statements. In respect of the ERP impairment, the key judgement was how the cost of the ERP project should be split between the Operations and Finance and Procurement modules.

The Committee reviewed management’s reports and challenged the assumptions used including the future forecasts and business improvements underlying the calculations of recoverable amounts, the discount rates used, the effect of future inflationary impacts and the growth factors used in the discounted cash flow calculations for each cash generating unit. The Committee reviewed reports describing the split of the ERP asset into its component parts. In addition, the Committee challenged the results obtained and the sensitivity analysis applied to each calculation.

Based on those reviews, the Committee was satisfied with the calculation and disclosure of the £28.4m impairment recorded in respect of the ERP Operations module and the £18.0m impairment recorded in respect of goodwill in the North American Automotive and General Industrial markets’ cash generating unit. The Committee was satisfied with the carrying value of assets and goodwill in the annual report and that no further impairment was required to be recorded as of 31 December 2024.

The Committee considered the adequacy of the disclosures including the classification of asset impairments as exceptional provided in respect of the Group’s goodwill impairment test and ERP Operations module impairment. The Committee was satisfied that the disclosure provided was appropriate.

Report of the Audit Committee continued

Area of focus	Actions
Strategic Optimisation – Restructuring During the course of 2024, the Group announced that it had undertaken a strategic review. As a result of that review, it announced a number of portfolio and footprint optimisation actions resulting in an exceptional charge of £31.9m being recorded in the year largely comprising £8.5m of restructuring provisions and £18.8m of asset write-downs. Assumptions and judgement are exercised in the development of restructuring, reorganisation, legal and environmental provisions and in the measurement of recoverable amounts when assessing whether asset values at affected sites have become impaired. Further details of the exceptional charge are included in note 3 to the Consolidated Financial Statements. Movements in the Group's provisions in the year are set out in note 19 to the Consolidated financial statements and movements in property, plant and equipment are set out in note 9.	The Committee received a paper from management summarising the accounting for the strategic actions as well as the basis for treating the associated costs as exceptional. The Committee challenged the principles applied in determining the timing and measurement of the accounting for the associated actions and the presentation of the related costs. The Committee received reports summarising the status of the optimisation actions at the year-end. In respect of restructuring provisions, the Committee considered the status of announcements at the year-end and challenged management's judgements as to whether a constructive or legal obligation had been created at affected sites. The Committee was satisfied that appropriate restructuring provisions had been recorded. The Committee discussed and challenged management's judgements behind the provisions recorded in the year as well as those that already existed, taking note of the range of possible outcomes. The Committee was satisfied with the accounting treatment applied. The Committee received a paper summarising the asset write-downs recorded as a result of the strategic restructure. It challenged the basis on which write-downs had been calculated and was satisfied with the level of impairment recorded. The Committee considered the adequacy of the disclosures provided in respect of the Group's strategic actions including the classification of costs as exceptional and the associated accounting effects. The Committee was satisfied that the disclosure provided was appropriate.
Taxation The Group operates in a number of tax jurisdictions and is subject to increasing reviews by different tax authorities across the Group in the ordinary course of business. A number of judgements are involved in calculating tax provisions and the level of deferred tax assets/liabilities to be recognised. Provisions are made based on the tax laws in the relevant country and the expected outcomes of any negotiations or settlements. Recognition of deferred tax assets relating to future utilisation of accumulated tax losses and other tax assets is dependent on future profitability and performance of the underlying business. Further details are included in notes 5 and 17 of the consolidated financial statements.	The Committee received regular reports from management about the Group's most significant tax exposures, including ongoing tax audits and related tax provisions recognised by management; new legislative developments that may impact the Group's tax positions and the results of both internal and external reviews. The Committee focused on reviewing, understanding and challenging the Group's critical tax risks and management's assessment of and accounting for these risks. The Committee has supported transparency over the Group's tax risks and strategy in external reporting. Key risks, notably in the internal cross-border funding arrangements, have been reviewed and challenged including management's views on the future profitability of the relevant businesses. The Committee has received and challenged reports about the impact of the introduction of the global minimum tax rate on the Group and the work on assessing the impact for the current and future years.. The Committee was satisfied with the Group's tax approach and with the accounting treatment and disclosure of tax exposures.

Report of the Audit Committee continued

Area of focus	Actions
Acquisitions During the year, the Group completed the acquisition of Lake City Heat Treating for cash consideration of £52.2m giving rise to goodwill of £3.8m and intangible assets of £39.9m. There is a high level of judgement and estimation involved in the valuation of acquired intangible assets in relation to major acquisitions, including customer relationships. The associated valuation models contain judgements relating to future business performance and underlying economic conditions.	The Committee received reports from management outlining the details of the acquisition accounting including details of the key assumptions used in the valuation of the intangible assets acquired and the associated goodwill calculation. The Committee reviewed management’s reports and challenged the assumptions used in the valuation and the appropriateness of the final values assigned to the assets acquired. Based on this review and its consideration of the valuation methods and key assumptions applied, the Committee was comfortable that the key assumptions and the resulting intangible assets recognised were appropriate. The Committee also reviewed the disclosure provided of the acquisition in the annual report and was satisfied that it was appropriate.
Retirement benefits schemes Determining pension liabilities in relation to the Group’s defined benefit schemes requires significant judgement and estimation including in respect of discount rates, mortality and inflation (see note 26 to the consolidated financial statements). These variables can have a material impact in calculating the quantum of any defined benefit pension liability recorded by the Group.	Management obtained independent external specialist advice to assist in determining the Group’s pension liabilities. The Committee reviewed reports prepared by management and external experts and challenged the key assumptions used based on the advice received from external advisers. The Committee reviewed the disclosures about the Group’s pension schemes provided in note 26 to the consolidated financial statements and was satisfied with the judgements and estimations taken and the disclosure provided.

Report of the Audit Committee continued

External audit

The Committee is responsible for managing the relationship with the Group's external auditor on behalf of the Board.

The Committee continues to review and make recommendations with regard to the re-appointment of the external auditor each year. In making these recommendations, the Committee considers auditor effectiveness and independence, partner rotation and any other factors which may impact the external auditor's re-appointment. The Group last undertook a tender for external audit services during 2018 which led to the appointment of PwC at the May 2019 Annual General Meeting, replacing Deloitte LLP.

The Group requires the lead partner to change every five years in order to protect independence and objectivity and provide a fresh challenge to the Group. As the 2023 audit was Mr Simon Morley's fifth year as the lead audit partner, he rotated off the Bodycote audit at the conclusion of the 2023 audit in line with rotation requirements. He was replaced by Mr Tim McAllister.

At the October Committee meeting, PwC presented its audit plan for the year end audit. The Committee considered, challenged and agreed the scope and materiality to be applied to the Group audit and its components. The Committee gave particular focus to considering the scope in respect of smaller, more remote, and emerging market locations and noted that the majority of the Group's local audits are performed by PwC. Audit fees for the year were agreed at £2.4m.

The other significant matters that PwC drew to the Committee's attention, key audit areas and the audit approach to these areas are discussed in the Independent Auditors' Report (pages 120 to 128).

In order to comply with UK legal requirements regarding the auditor's tenure and audit tendering, the external audit must be put out to tender before the 2029 financial year. The Committee reviews the performance of PwC as the external auditor on an annual basis and may choose to commence a tender earlier if it deems this to be in the best interests of the Company's shareholders.

The Committee is cognisant of the geographical spread of the Group and does not believe that tendering the audit would be in the best interests of shareholders at this time. A sufficiently long transition period would be required to ensure a new auditor to

build up the necessary knowledge and business familiarity to ensure the delivery of an effective audit and consequently any plans to tender the external audit should allow time for an orderly transition.

During 2024, the Group complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Assessment of effectiveness

The Committee has adopted a formal framework for the review of the effectiveness of the external audit process and audit quality which includes the following aspects:

- assessment of the quality, technical skills and experience of the engagement partners and the audit team;
- audit approach and scope, including identification of risk areas;
- quality of reporting to the Committee, the level of challenge and professional scepticism and the understanding demonstrated by PwC of the business of the Group;
- execution of the audit;
- interaction with management;
- communication with, and support to, the Committee;
- insights, management letter points, added value and reports; and
- independence and objectivity.

An assessment questionnaire was completed by each member of the Committee, the Chief Financial Officer, the Group Financial Controller and other senior personnel involved in the audit at both the corporate and divisional levels. Senior management received answers and comments from all questionnaires and consolidated them into a report. The Committee used this report to assist in its assessment of the level of external audit effectiveness. Feedback from the process was discussed and considered by the Committee and provided to the external auditor and management. The key outputs of this assessment were:

- No issues were raised concerning the quality of either the audit partner or the team in the feedback received.
- The audit had been well planned and delivered, with work completed and management comfortable that any key findings had been raised appropriately, there was active engagement on misstatements and appropriate judgements on materiality.
- PwC's reporting to the Committee was clear and included explanations supporting its conclusions.
- There was an appropriate level of challenge of management's judgements and assertions, including critical accounting judgements and key sources of estimation uncertainty, during the audit.
- PwC demonstrated a good understanding of the Group and identified and focused on areas of greatest financial reporting risk.

The Committee assessed the effectiveness of management in the external audit process by considering timely identification and resolution of areas of accounting judgement, the quality and timeliness of papers analysing those judgements and other documents provided for review by the external auditor and the Committee.

The Committee considered the UK Financial Reporting Council's (FRC) 2022/23 report on Audit Quality Inspections which included a review of audits carried out by PwC. If the Bodycote audit is selected for quality review, the Committee understands that any resulting reports will be sent to the Committee by the FRC. No such review occurred in 2024.

After considering all of the relevant matters, the Committee concluded that the external audit had been effective and objective.

Safe-guarding independence and objectivity

The Committee recognises that the independence of the external auditor is an essential part of the audit framework. The independence of the external auditor was formally confirmed by PwC at the March 2024 Audit Committee and was confirmed again in March 2025. The Committee considered PwC's presentation and confirmed that it considered the auditor to be independent.

Report of the Audit Committee continued

Non-audit services

The external auditor may be invited to provide services where their position as auditor renders them best placed to undertake the work. In order to safeguard the auditor's independence and objectivity, and in accordance with the FRC's Ethical Standard, the Group does not engage PwC for any non-audit services except where the proposed services are permissible in the context of the Ethical Standard, and where it is work that the statutory auditor must, or is clearly best suited to, perform. Non-audit services, regardless of scope, cannot be awarded to the external auditor without prior approval from the Committee Chairman, on behalf of the Committee. In addition to the Group's policy, the auditor runs its own independence and compliance checks, prior to accepting any engagement, to ensure that all non-audit work is compliant with the FRC's Ethical Standard and that there is no conflict of interest. The only non-audit fees paid to the auditor in 2024 were for the half-year interim review, a liquidation filing required in one country, and a subscription to a generic accounting and reporting website and are shown in note 28 of the consolidated financial statements representing 5% (2023: 5%) of the audit fee.

Internal audit

The internal audit plan for 2024 was presented to the Committee in October 2023. The plan took into account the Group's strategic objectives and risks and provided the degree of coverage deemed appropriate by the Committee. The Committee reviewed and accepted the plan following discussion and challenge as to its scope and areas of focus. The internal audit approach for 2024 was focused on providing assurance over the Group's principal risks and key financial and operational controls and included audits of HR systems in the US and Canada, contract review processes, cyber security, compliance with US labour laws, a selection of Plant audits globally reviewing key controls including health and safety and an audit of key controls in the Group's operations in Turkey. An internal audit and risk update was provided at each meeting during the year.

At each regular meeting, the Group Head of Internal Audit and Risk presented a report to the Committee on the status of the internal audit plan, points arising from audits completed and follow-up action plans to address areas of weakness. The status of these actions is monitored by the Committee until they are completed. The Committee also received reports on actual or suspected frauds and thefts by third parties and employees; none of which had a material financial impact on the Group.

The Group Head of Internal Audit and Risk provides independent assurance over the key financial processes and controls in operation across the Group. The Group continued to engage BDO LLP to provide co-sourced internal audit services.

Internal Audit has provided additional financial control assurance through a number of control self-assessments. Internal auditors have received self-certification from every plant that internal controls have been complied with, or noting any non-compliance. The accuracy of returns was monitored by Internal Audit by verification visits to a sample of sites. A control self-assessment has also been obtained from each of the divisional finance teams, financial shared services, Group IT services and Group finance team. Internal Audit performed audits over a sample of returns to confirm their accuracy.

The effectiveness of Internal Audit is reviewed and discussed annually with the Group Head of Internal Audit and Risk and the BDO LLP engagement partner. Audit quality is assured through a detailed review of each report being carried out by the Group Head of Internal Audit and Risk, and a summary of each report's findings being reviewed by the Audit Committee. The review confirmed that the Internal Audit function was independent and objective and remained an effective element of the Group's corporate governance framework.

In November 2024, a new Group Head of Internal Audit and Risk was appointed to lead the next stage of development of the Group's Risk Management and Internal Audit Assurance activities.

Risk management

The Group Head of Internal Audit and Risk has responsibility for monitoring the Group's risk management and internal controls framework. The Executive Committee is responsible for developing the risk framework. The Committee reviewed the Group's financial risk management and internal control systems' effectiveness through regular updates from the Group Head of Internal Audit and Risk.

The Committee reviewed changes to the principal financial risks and mitigating actions identified by management and also monitored the emerging risk identification process and provided its support to the Board in concluding that a robust assessment of the principal and emerging risks has been undertaken in 2024. Further details are set out in the Principal Risks and Uncertainties report on pages 28 to 33.

Internal control

The Board has overall responsibility for the effectiveness of the Group's internal controls framework and is satisfied that the Group maintains an effective system of internal controls in relation to the financial reporting process, and that there were no significant failings or weaknesses in controls during the year. At each regular meeting the Committee considered and challenged reports from the internal auditors on internal controls' effectiveness and noted no significant failings or weaknesses. The Committee also performed an annual review of the Group's internal control processes and remains satisfied that management places a strong focus on closing out internal audit actions and ensuring their timely completion. The Committee has concluded the internal control system to be effective and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting as issued by the FRC (September 2014). Further information is set out on page 28.

Committee evaluation

The Committee's activities formed part of the external Board effectiveness evaluation which was undertaken during the year (see pages 80 and 81). The Committee considered it had operated effectively during the year. Based on this, and as a result of the work undertaken throughout 2024, the Committee has concluded that it has acted in accordance with its terms of reference and carried out its responsibilities effectively.

On behalf of the Audit Committee:

Kevin Boyd

Chair of the Audit Committee
13 March 2025

Directors' report on remuneration




The Committee believes that the balance of performance metrics reflects Bodycote's strategic priorities and continued focus on delivering value to shareholders, together with our commitment to sustainability."

Cynthia Gordon

Chair of the Remuneration Committee

Committee membership		Attendance
Chair	Cynthia Gordon	6/6
Members	Kevin Boyd	6/6
	Lili Chahbazi	6/6
	Beatriz García-Cos Muntañola	6/6
	Patrick Larmon	6/6

Role and responsibilities

- Responsibility for setting and reviewing the remuneration policy for Executive Directors, Senior Management and the Company's Chair.
- Recommend and monitor the level and structure of remuneration for Senior Management.
- Oversight of workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Directors' remuneration.
- Approve the design of, and determine targets for, Executive Directors' and other senior executives' long-term incentive arrangements.

Terms of reference

- The Committee reviewed its terms of reference during the year. Copies are available on our website at www.bodycote.com.

How the Committee spent its time during 2024



	Director remuneration arrangements, including review of performance conditions/metrics	38%
	Remuneration policy review	24%
	Governance and reporting	14%
	Review of external environment	12%
	Wider workforce remuneration considerations	12%

Chair's letter

As Chair of the Remuneration Committee ('the Committee') and on behalf of the Board of Directors, I am pleased to present our Directors' report on remuneration for 2024.

The report has the following sections:

- This letter, which provides an overview of the key decisions made on Directors' remuneration during the year (pages 94 to 96)
- An 'at a glance' of remuneration (page 96)
- The Directors' Remuneration Policy, which outlines the remuneration framework that will apply from 2025 for which we will be seeking shareholder approval at the 2025 Annual General Meeting (pages 99 to 105)
- The Annual Report on Remuneration, which describes the remuneration outcomes for 2024 and explains how our Remuneration Policy was applied during 2024 (pages 106 to 117)

Review of the Directors' Remuneration Policy

Our current Policy was approved by shareholders at our 2022 Annual General Meeting. As our current Policy is approaching the end of its three-year term, a new Policy will be put to shareholders for approval at our 2025 Annual General Meeting.

During 2024, the Committee undertook a comprehensive review of the current Policy and our executive remuneration framework, including incentive structures, measures and targets. A range of incentive frameworks were considered, however it was concluded that overall, the current approach comprising an annual bonus and the performance-based long-term incentive plan remains aligned to Bodycote's strategy and performance-driven culture. Furthermore, it was agreed that the maximum annual bonus opportunity (200% of base salary for the Chief Executive Officer and 150% of base salary for the Chief Financial Officer) and maximum BIP opportunity (200% of salary for Executive Directors) remain appropriate to provide flexibility within the Policy over the next three years to provide competitive remuneration packages. It was therefore concluded that the Policy remains relevant, appropriate, and sufficiently flexible to support the execution of our strategy to meet the needs of the business, so that no changes are being proposed in 2025.

Directors' report on remuneration continued

Performance metrics

While there are no proposed changes to the current Policy, the Committee is proposing changes to the performance metrics for the bonus and BIP for 2025 to reflect the Group's strategic levers, to deliver sustainable improvements in the performance and growth outlook for the business.

Driving accelerated growth and margin improvements, delivering attractive returns on capital employed, and maintaining strong cash conversion are key measures of success in terms of strategy execution and ultimately creating value for shareholders, and the business has announced an ambitious set of targets for these measures. Playing a meaningful role in the transition to a low carbon future is also a key accelerator to our strategy.

To provide greater alignment to the Group's strategic levers and key measures of success, the following changes are proposed to the annual bonus and BIP metrics for 2025:

- Introduction of a Return On Sales performance metric (a key measure of profit margin performance for the business) within the annual bonus
- Replacing the Adjusted Operating Cash flow performance metric with Adjusted Operating Cash Conversion within the annual bonus
- Removal of the ESG performance metric from the annual bonus and inclusion of a greenhouse gas emissions reduction performance metric within the BIP, in alignment with our long-term sustainability targets and ambition to be known as a sustainability leader

A comparison of the 2024 and proposed 2025 performance metrics for the annual bonus and BIP awards is set out below:

	2024	2025
Bonus	Adjusted Operating Profit (65%)	Adjusted Operating Profit (40%)
	–	Return on Sales (20%)
	Adjusted Operating Cash flow (10%)	Adjusted Cash flow Conversion (20%)
	ESG (5%)	–
	Personal Objectives (20%)	Personal Objectives (20%)

	2024	2025
BIP	Adjusted EPS (50%)	Adjusted EPS (40%)
	ROCE (50%)	ROCE (40%)
	–	Greenhouse gas emissions (20%)

The Committee considered a 20% weighting for the greenhouse gas emissions reduction performance metric to be appropriate in order to provide a meaningful level of incentive to Executive Directors to deliver Bodycote's sustainability ambitions. This weighting is also reflective of market practice when compared to industrial peers listed on the London Stock Exchange.

The Committee believes that the balance of performance metrics reflects Bodycote's strategic levers and continued focus on delivering value to shareholders, together with our commitments to sustainability. The targets for the 2025 BIP awards are disclosed on page 109. Targets for the 2025 annual bonus are considered commercially sensitive and will be fully disclosed in the 2025 Directors' Remuneration Report.

Chief Executive Officer's annual bonus and BIP opportunity

Following his appointment as Chief Executive Officer, Jim Fairbairn was granted an annual bonus award with a maximum opportunity equal to 175% of base salary (set below the level granted to his predecessor and the maximum policy opportunity of 200% of salary) and a 2024 BIP award with a maximum opportunity equal to 175% of base salary (also set below the maximum policy opportunity of 200% of salary), both pro-rated for time served during the year.

The Committee considered the positioning of the Chief Executive Officer's annual bonus and BIP opportunities as part of the broader Policy review. After careful consideration, it was concluded that Jim Fairbairn's maximum annual bonus and BIP opportunities will each remain at 175% of salary for 2025. The Committee will continue to evaluate executive packages to ensure they are motivating, appropriately benchmarked, and reflect performance.

Executive Director changes

It was announced in May 2023 that Stephen Harris would step down from the Board at the end of May 2024. The treatment of Stephen Harris' remuneration arrangements were fully disclosed in the 2023 Directors' Remuneration Report and a summary

is provided on page 111. He remains subject to the post-employment shareholding guidelines and will retain shares to the value of 200% of his final salary for a period of two years following his departure. Jim Fairbairn was appointed as Chief Executive Officer with effect from 31 May 2024. As disclosed in the 2023 Directors' Remuneration Report, the Committee agreed to buy-out Jim's long-term incentive awards forfeited by him on leaving his previous employer. The buy-out awards were granted on 22 March 2024 and details are disclosed on page 110.

Business performance and incentive outcomes for 2024

Despite a challenging market, the Group delivered a resilient performance in 2024. Further growth was seen in Specialist Technologies, supported by rising adoption for these newer processes, as well as market share gains and strong demand in the Aerospace and Energy markets. This was partly offset by a modest decline in Precision Heat Treatment, which was impacted by challenging conditions in global Automotive and Industrial Markets. Significant operating profit margin improvement was delivered in the year, with adjusted Group operating margins of 17.0%, up from 15.9% in 2023. Adjusted operating profit increased to £129.0m in the year (from £127.6m in 2023).

We believe that the incentive-based payouts made this year are aligned with the overall performance of the Company. As such, the Committee determined that no discretionary adjustments (either upward or downward) would be required from the formulaic outcomes of the annual bonus or BIP.

Annual bonus

The 2024 annual bonus award was based on adjusted operating profit (65%), adjusted operating cash flow (10%), ESG (5%), and personal scorecard objectives (20%). Adjusted operating profit at constant currency, excluding the Lake City acquisition, increased to £130.9m and adjusted operating cash flow at constant currency, excluding the Lake City acquisition was £114.9m. The ESG measure, which was introduced in 2024, is based on the year-on-year reduction of absolute energy consumption (KwH). The personal objectives primarily reflect how Executive Directors have delivered on our strategic goals.

Jim Fairbairn, Ben Fidler and Stephen Harris earned a bonus equal to 53.3%, 52.9% and 45.7% of the maximum respectively. Jim Fairbairn's and Stephen Harris' bonuses were pro-rated for time served as Group Chief Executive (including as Group Chief Executive designate) during 2024. See page 106 for the application of bonus deferral.

Directors' report on remuneration continued

Bodycote Incentive Plan (BIP)

The 2022 BIP awards were based on performance against return on capital employed (ROCE) (50%) and adjusted earnings per share (EPS) (50%) targets over a three-year period ended 31 December 2024. This award vested at 36.1% of the maximum. Further details are set out on page 109.

Conclusion

I hope you find this report clear and informative and I trust that the information presented will enable our shareholders to understand how we have operated our Directors' Remuneration Policy over the year and the rationale for our decision-making. The Committee believes that the Policy operated as intended and we consider that the remuneration received by Executive Directors during the year was appropriate, taking into account Group and personal performance, and the experience of shareholders and employees.

I hope the Committee has your support for the Directors' report on remuneration, including the Remuneration Policy and the Annual Report on Remuneration, which will be submitted to shareholders at our Annual General Meeting to be held on 21 May 2025. At this meeting, I will also be pleased to answer any questions you may have in relation to this report, our Policy or to any of the Committee's activities.

Cynthia Gordon

Chair of the Remuneration Committee
13 March 2025

Remuneration at a glance for Executive Directors in office at the date of this report

Total single figure table

	Fixed Pay					Variable Pay				
	Financial year	Salary/fees (£000)	Pension (£000)	Taxable benefits³ (£000)	Subtotal (£000)	Annual bonus (£000)	Buy-out award (£000)	BIP (£000)	Subtotal (£000)	Total (£000)
Executive Directors¹										
Jim Fairbairn²	2024	502	50	45	597	469	930	–	1,399	1,996
Ben Fidler	2024	523	52	16	591	415	–	–	415	1,006

1 The figures reported relate only to the Executive Directors in office at the date of this report. Figures relating to Stephen Harris, who stepped down from the Board on 30 May 2024 are set out on page 106.

2 Jim Fairbairn was appointed as Group Chief Executive designate and as a member of the Board on 11 March 2024. He became Chief Executive Officer on 31 May 2024. The figures presented reflect the period from 11 March to 31 December 2024.

3 Taxable benefits consist of company car (or allowance), family level private medical insurance, life assurance cover and sick pay. Jim Fairbairn also received a one-off relocation allowance of £30,000 following his appointment.

Annual bonus

Jim Fairbairn and Ben Fidler earned a bonus equal to 53.3% and 52.9% of maximum respectively. For Jim Fairbairn, this bonus was pro-rated from 11 March 2024, the date he joined the Board.

Measure	% of award	Actual performance achieved ¹	Outcome			
			Jim Fairbairn		Ben Fidler	
			% of max	% of salary	% of max	% of salary
Adjusted operating profit	65%	£130.9m	31.9%	36.3%	31.9%	31.1%
Adjusted operating cash flow	10%	£114.9m	100%	17.5%	100%	15%
ESG	5%	8.4%	100%	8.8%	100%	7.5%
Personal score card	20%	n/a	88%	30.8%	86%	25.8%
		Total	53.3%	93.4%	52.9%	79.4%

1 Figures quoted for adjusted operating profit and adjusted operating cash flow are at constant currency rates, excluding the Lake City acquisition.

Time horizons for each remuneration element

	Year 1	Year 2	Year 3	Year 4	Year 5
Fixed pay	Salary, taxable benefits and pension				
Variable pay: Bonus	65% in cash	35% in deferred shares			
Variable pay: BIP	Performance period			Holding period	

Directors' report on remuneration continued

Implementation of the Remuneration Policy

The table below is a summary of the key components of the Remuneration Policy for Executive Directors, including why each are used, how they are operated in practice and the maximum opportunities available. The table also sets out how the Policy was implemented in 2024 and how it is intended to be implemented during 2025.

Key features	Implementation in the year ended 31 December 2024	Implementation planned for year ending 31 December 2025
Salary and fees Core element of remuneration. To be market competitive and attract and retain appropriate talent required to execute and deliver the strategy.	The new Chief Executive Officer was appointed to the Board on 11 March 2024 on a salary of £620,000. The Chief Financial Officer received a salary of £522,500, with effect from 1 January 2024, which was an increase of 4.5% on the prior year. This increase was in line with the average increases awarded to employees in the UK, the jurisdiction in which the Chief Financial Officer is based. The former Group Chief Executive received a salary of £695,181, with effect from 1 January 2024, which was an increase of 4.5% on the prior year. This increase was in line with the average increases awarded to employees in the Czech Republic, the jurisdiction where the former Group Chief Executive was based. The fees payable to the Non-Executive Chair and Non-Executive Directors were reviewed in March 2024, with increases of 4.5% awarded with effect from January 2024. This resulted in a base fee for the Chair of £301,744 and £65,477 for the Non-Executive Directors.	With effect from 1 January 2025, the Chief Executive Officer receives a salary of £640,460, an increase of 3.3% on the prior year. The Chief Financial Officer will receive a salary of £537,130, an increase of 2.8% on the prior year. These salary increases were determined taking into account the budgeted salary increases for UK employees (3.3%), the positioning of the Executive Director's salaries against the market, and internal pay differentials. Non-Executive Director fees will next be reviewed at the March 2025 meeting, with the outcome disclosed in the 2025 Directors' Remuneration Report.
Benefits Provides market competitive benefits at an appropriate cost. Supports the attraction and retention of talent.	Benefits include car allowance, medical insurance and life assurance. The Chief Executive Officer received a one-off relocation allowance of £30,000 following his appointment.	In line with benefits provided in 2024.
Pension Provides an appropriate level of provision for post-retirement income and assists with retirement planning.	The Chief Executive Officer and Chief Financial Officer each received a cash equivalent amount equal to 10% of base salary, which is aligned with the Company pension contribution opportunity for the UK workforce, the jurisdiction where they each live and work. The former Group Chief Executive received a cash equivalent amount equal to 23.5% of base salary, which was aligned with the Company pension contributions of the Czech Republic workforce, where he lived and worked.	Pension allowances are unchanged from the prior year, with the current Executive Directors receiving a cash equivalent allowance equal to 10% of base salary.

Directors' report on remuneration continued

Key features		Implementation in the year ended 31 December 2024	Implementation planned for year ending 31 December 2025
Annual Bonus To incentivise delivery of the business plan on an annual basis and to reward performance against key performance indicators which are critical to the delivery of strategy.	The maximum annual bonus opportunity in the policy is 200% of salary. The Committee set stretching targets, based on financial performance, ESG strategic metrics, and personal objectives.	Maximum opportunity of 175% of base salary for Jim Fairbairn, pro-rated for the time served as Chief Executive Officer (including as Group Chief Executive designate) during the year. Maximum opportunity of 150% of base salary for Ben Fidler. Maximum opportunity of 200% of base salary for Stephen Harris, pro-rated for the time served as Group Chief Executive during the year. The annual bonus is split 65% in respect of adjusted operating profit, 10% in respect of adjusted operating cash flow, 5% in respect of ESG targets and 20% on personal objectives. 35% of any bonus earned is deferred into shares for three years. Performance targets and outcomes are set out on page 107. It was agreed that any bonus payable to Stephen Harris in respect of 2024 would be paid fully in cash on provision that he continue to hold shares equivalent to at least 200% of salary for two years following him stepping down from the Board.	Maximum opportunity of 175% and 150% of base salary for the Chief Executive Officer and Chief Financial Officer, respectively. The annual bonus will be split 40% in respect of adjusted operating profit, 20% in respect of adjusted operating cash conversion, 20% in respect of return on sales and 20% on personal objectives. 35% of any bonus earned is deferred into shares for three years. Performance targets are considered commercially sensitive and will be fully disclosed in the 2025 Directors' Remuneration Report.
Bodycote Incentive Plan (BIP) Rewards the delivery of targets linked to the delivery of long-term strategic goals, and incentives performance. Assists the creation of shareholder value over the longer-term.	Annual grants up to 200% of base salary, subject to a three-year performance period and two-year holding period post vesting.	Maximum opportunity of 175% of salary for both Executive Directors. The awards granted to Stephen Harris and Jim Fairbairn were pro-rated for time served as Group Chief Executive (including as designate) during the vesting period. Awards are based on performance against ROCE (50%) and adjusted EPS (50%) targets over a three-year period ending 31 December 2026. The Performance targets are set out on page 109.	Maximum opportunity of 175% of salary for both Executive Directors. Awards will be based on performance against ROCE (40%), adjusted EPS (40%) and greenhouse gas emissions reduction targets (20%) over a three-year period ending 31 December 2027. Performance targets are set out on page 101. The Committee reviewed the performance targets during the year to ensure alignment with internal budgets and the strategic levers. These targets are considered stretching yet achievable, and are designed to appropriately incentivise participants while driving successful strategy execution.
Shareholding requirement To provide alignment of interest between Executive Directors and shareholders.	Executive Directors are required to build up a holding of 200% of base salary over five years. Post-employment shareholding requirements also apply.	Jim Fairbairn and Ben Fidler having joined the Company in March 2024 and February 2023 respectively are working towards building their shareholdings. Stephen Harris, the former Group Chief Executive met this shareholding requirement.	Jim Fairbairn and Ben Fidler having joined the Company in March 2024 and February 2023 respectively will continue to work towards building their shareholdings.

Directors' report on remuneration continued

Directors' Remuneration Policy

Remuneration Policy and summary of the decision-making process

During 2024, the Remuneration Committee (Committee) conducted a review of the Remuneration Policy and concluded that the Policy continues to support the delivery of business strategy and the creation of shareholder value. Accordingly, no changes are being proposed to the Policy, other than minor wording changes to improve clarity. The Remuneration Policy review involved the Committee following a robust process which included discussions at the July 2024 and October 2024 Committee meetings on the content of the Policy, with input from management and independent advisers, and engagement with major shareholders (representing over 60% of the Company's issued share capital). No Executive Director is a member of the Remuneration Committee.

Executive Remuneration Policy

The table below sets out the key components of Executive Directors' pay packages, including why they are used and how they are operated in practice.

Executive Directors – Fixed Remuneration

Element/purpose and link to strategy	Operation and key features	Maximum opportunity	Performance measures
Base Salary Core element of remuneration. To be market competitive and attract and retain the talent required to execute and deliver the strategy.	Base salaries are typically reviewed annually (or more frequently if specific circumstances necessitate this), with salary reviews based on role, experience, performance, internal increases and the external market, with the competitiveness of total remuneration assessed against companies of comparable size and complexity, as appropriate.	Whilst the Committee has not set a maximum level of salary, ordinarily, salary increases will be determined considering the average increases awarded to: (1) employees in the country in which the Executive Director lives and/or works; and (2) Group employees across Western Europe, including the UK. Higher increases may be awarded in exceptional circumstances, which may, for example, include an increase in scope or responsibility, or a new Executive Director who is being moved to market positioning over time.	None
Benefits Provides market competitive benefits at an appropriate cost. Supports the attraction and retention of appropriate talent.	A range of cash benefits and benefits in kind are provided in line with market practice. These may include the provision of a company car (or allowance), private medical insurance, short- and long-term sick pay and death in service cover. The Company may also meet certain mobility costs, such as relocation support, expatriate allowances, temporary living and travel and subsistence expenses. Benefits provision will also extend to the reimbursement of taxable work-related expenses, such as travel. In the case of non-UK executives, the Committee may consider providing additional allowances in line with relevant market practice, including expatriate benefits.	The Committee has not set a maximum level of benefit, given that the cost of certain benefits will depend on the individual's particular circumstances. However, benefits will be set at an appropriate level considering market practice and the needs for specific roles and individual circumstances.	None
Pension Provides an appropriate level of provision for post-retirement income and assists with retirement planning.	The Group operates a defined contribution scheme. Executive Directors are provided with a contribution to this scheme, or cash allowance equivalent value. Base salary is the only pensionable element of remuneration.	Company contributions (or cash equivalents) are aligned with the contributions available to the wider workforce in the country where the Executive Director lives and/or works.	None

Directors' report on remuneration continued

Executive Directors – Variable Remuneration

Element/purpose and link to strategy	Operation and key features	Maximum opportunity	Performance measures
Annual Bonus To incentivise delivery of the business plan on an annual basis and to reward performance against key performance indicators that are critical to the delivery of strategy.	The level of bonus is determined by the Committee after the year-end based on performance against targets. 65% of the bonus earned is paid in cash shortly after the financial year-end, with the remaining 35% deferred into shares which vest after three years subject to continued employment and the rules of the Deferred Bonus Plan. Dividend equivalents are payable in respect of the shares which vest. Malus and clawback provisions also apply.	The maximum opportunity is 200% of base salary for the CEO and 150% of base salary for the CFO. Up to 30% of maximum may be earned for threshold performance. Awards are earned progressively between threshold and maximum performance.	At least 70% of the bonus will be based on Group financial metrics with the remainder based on non-financial strategic and/or personal metrics. The metrics, their weightings and specific targets are reviewed on an annual basis to ensure alignment to strategy, with financial targets set by reference to budget. Details of the metrics, weightings and targets will be fully disclosed on a retrospective basis in the relevant year's Annual Report on Remuneration. Discretion may be exercised in cases where the Committee believe that the bonus outcome is not a fair and accurate reflection of business performance, the performance of the individual and/or the experience of shareholders or other stakeholders over the performance period. The exercise of this discretion may result in a downward or upward movement in the amount of bonus earned.
Bodycote Incentive Plan (BIP) Rewards the delivery of targets linked to the delivery of long-term strategic goals, and incentives performance. Assists the creation of shareholder value over the longer-term.	Awards will normally be granted annually and be subject to the rules of the Bodycote Incentive Plan. These awards are subject to a three-year performance period and the achievement of stretching performance metrics and continued employment. Awards are subject to a two-year post-vesting holding period. Dividend equivalents are payable in respect of the shares which vest, with such amounts normally paid in shares. Malus and clawback provisions also apply.	A maximum opportunity of up to 200% of base salary may be awarded in respect of a financial year. For 2024 and 2025 the maximum opportunity was equal to 175% of base salary. Up to 25% of the maximum may vest for threshold performance. Awards will vest progressively between threshold and maximum performance.	Performance metrics and their weightings are determined annually reflecting the Group's strategic levers and key performance indicators. Details of the performance metrics for the 2025 awards are set out on page 101. Discretion may be exercised in cases where the Committee believe that the vesting outcome is not a fair and accurate reflection of business performance, the performance of the individual and/or the experience of shareholders or other stakeholders over the performance period. The exercise of this discretion may result in a downward or upward movement in the vesting outcome resulting from the application of the performance metrics.
Shareholding requirement To provide alignment of interest between Executive Directors and shareholders.	Executive Directors are expected to build up and retain a holding in shares equal to 200% of base salary within five years from appointment.	None	None
Post-cessation shareholding guidelines To provide continued alignment with shareholders post departure from the Company.	Executive Directors are required to maintain their full within-employment shareholding guideline (or their actual holding if lower) for two years following them stepping down from the Board.	None	None

Directors' report on remuneration continued

Non-Executive Director (NED) Fee Policy

The Policy on Non-Executive Chair and Non-Executive Director (NED) fees is set out below:

Element/purpose and link to strategy	Operation and key features	Maximum opportunity under the element	Performance measures
Fees for Non-Executive Directors To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy.	The fees for the NEDs are determined by the Non-Executive Chair and the Chief Executive Officer. The fee for the Non-Executive Chair is set by the Remuneration Committee. The Non-Executive Chair and NED fees are reviewed on an annual basis. When reviewing fees, the primary source of comparative market data is companies of similar size, market value, and complexity. The fees for the Non-Executive Chair and NEDs are set at a level that will attract individuals with the necessary experience and ability to make a significant contribution to the Group's affairs. The fees reflect the time commitment and responsibilities of the roles. The Non-Executive Chair and NEDs are not entitled to any pension or other employment benefits and do not participate in any incentive plan. The Company will pay reasonable expenses incurred by the Non-Executive Chair and NEDs and may settle any tax incurred in relation to these.	Fees for the Non-Executive Chair and NEDs for the following year are set out in the statement of implementation of Policy on page 97. The Company's Policy is that the Non-Executive Chair and NEDs receive a fixed fee for their services as members of the Board and its Committees. The fee structure may also include additional fees for chairing a Board Committee and/or further responsibilities (for example, Senior Independent Directorship).	None

Choice of performance metrics

Annual bonus performance metrics are selected to incentivise delivery of the Group's annual performance targets and provide a balance between generating profit and cash to enable the Group to pay a dividend, reward its employees and make investments in the future of the business; and achieve other strategic goals to drive long-term sustainable return.

The 2025 BIP awards will be based on ROCE (40%), Adjusted EPS (40%) and a new Greenhouse gas emissions reduction target (20%). Due to the nature of the Company's activities, the Committee considers ROCE to provide shareholders with an appropriate measure of how well the Company is performing and is being managed, while adjusted EPS provides a measure of the level of value created for shareholders. The introduction of a greenhouse gas emission measure to the BIP reflects the importance of our focus on energy transition and reducing our carbon intensity and the Committee's aim to achieve alignment to the Group's strategic levers. ROCE and adjusted EPS are our top two KPIs as shown on page 19.

The Committee retains the discretion to adjust or set different performance metrics, weightings and/or targets if there is a material event (such as a change in strategy, a material acquisition and/or divestment of a Group business or a change in prevailing market conditions) which causes the Committee to

determine that the original performance metrics, weightings and/or targets are no longer appropriate and the amendment is required so that they achieve their original purpose. Should there be an adjustment to targets, the Committee will ensure that they are not materially less challenging than originally intended. Share awards may be adjusted in the event of a variation of share capital or a demerger, delisting, special dividend or other event that may affect the Company's share price. If the Committee were to make such adjustments, an explanation would be provided at the time of the event and/or in the following year's Annual Report on Remuneration.

Legacy arrangements

The Committee reserves the right to make any remuneration payments and payments for loss of office outside the Policy set out on pages 99 to 105 where the terms of the payment were agreed: (i) before the Policy came into effect (provided that the terms were consistent with any shareholder-approved Remuneration Policy in force at the time they were agreed); or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment being agreed at the time the award is granted.

Application of malus and clawback

The annual bonus, deferred bonus and BIP each contain robust malus and clawback provisions, which provide the Committee with the authority, in certain circumstances, to request the repayment of amounts received, or to reduce or cancel awards or require repayment of amounts already paid. The provisions apply as follows:

	Malus	Clawback
Annual bonus	To such time as payment is made.	Up to three years following payment.
Deferred bonus	To such time as the award vests.	No clawback provisions apply (as malus provisions apply for three years from the date of award).
BIP	To such time as the award vests.	Up to two years following vesting.

Directors' report on remuneration continued

A clawback period of three years following payment of an annual bonus and two years following vesting of BIP awards is considered appropriate on the basis that:

- It is reasonable to assume that the circumstances in which clawback may apply would be discovered within the proposed clawback periods.
- The periods are considered reasonable to support the enforceability of clawback.
- The periods are broadly aligned with market practice in the FTSE 250.

The Committee has full discretion to adjust outcomes up or down where:

- They do not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period, including for example: discovery of a material misstatement of financial results, a material failure of risk management, a material breach of any relevant health and safety or environmental regulation, a breach of the Code of Conduct, an action which results in serious reputational damage to the Group, a material corporate failure, are not appropriate in the context of circumstances that were unexpected or unforeseen at the award date; or
- There exists any other reason why an adjustment is appropriate.

Fees retained for External Non-Executive Directorships

To broaden their experience, Executive Directors are permitted to hold non-executive appointments in other companies provided that permission is sought from the Board in advance. Any fees received may be retained by the Director. Any external appointment must not conflict with the Directors' duties and commitments to the Company.

Illustration of application of remuneration policy for 2025

The remuneration arrangements for the Executive Directors are designed to provide an appropriate balance between fixed and variable performance-related components and to ensure that a significant proportion of pay is dependent on the delivery of stretching short- and long-term performance targets, which are aligned with the creation of sustainable shareholder value. The Committee is satisfied that the composition and structure of the remuneration package remains appropriate, clearly supports the Group's strategic ambitions and does not incentivise inappropriate risk-taking.

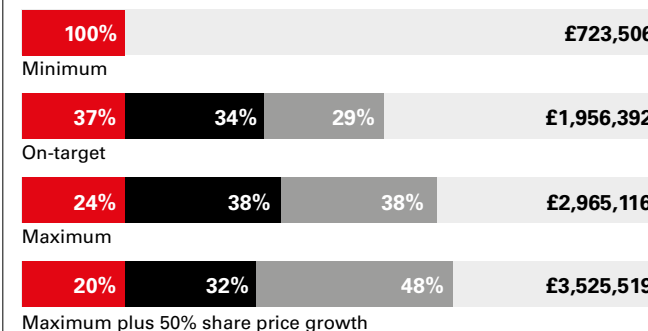
The table below provides illustrative values of each Executive Director's remuneration package in 2025, under four assumed performance scenarios:

Assumed performance	Clawback
Minimum performance	– Fixed remuneration ¹ only
	– Fixed remuneration
	– 60% of maximum annual bonus is earned
On-target performance	– 50% of maximum BIP vests
	– Fixed remuneration
	– 100% of maximum annual bonus is earned
Maximum performance	– 100% of maximum BIP vests
	– As per the maximum performance illustration, but also assumes for the purposes of the BIP that share price increases by 50% over the vesting period
Maximum performance +50% share price growth	

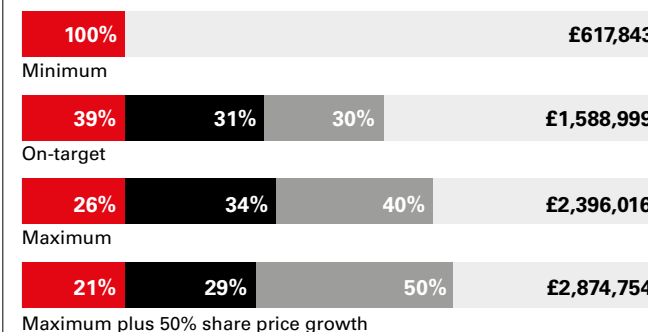
¹ Fixed remuneration comprises base salary as at 1 January 2025, benefits received in 2024 (for Jim Fairbairn, this is calculated on a FTE basis, excluding the one-off relocation allowance received) and the pension opportunity applying from 1 January 2025.

These charts provide illustrative values of the remuneration packages for each Executive Director in 2025. Actual outcomes may differ from those shown:

Jim Fairbairn



Ben Fidler



■ Base Salary ■ Bonus ■ BIP

Directors’ report on remuneration continued

Statement of considerations of employment conditions elsewhere in the Group

The remuneration policy for our Executive Directors is designed in line with the remuneration principles that underpin remuneration for the wider Group. The Company adopts a policy of positioning fixed pay for its employees at a level which is competitive to the market, reflective of the size, complexity and scope of the business, promoting long-term success and supporting our strategic objectives.

The remuneration for senior and high-performing individuals at all levels and across all functions within the organisation is set through a balance of fixed and variable pay, similar to the Executive Directors, with the intent of creating a competitive total remuneration package to attract and retain, while creating an appropriate alignment between incentivising performance and the interests of shareholders. The reward strategy is calibrated to provide substantive reward only on achievement of superior performance.

We operate Employee Engagement Groups (see page 76 of the Corporate Governance Statement), where a range of topics are actively discussed with employees, including employment conditions of all employees and, when relevant, executive remuneration. Feedback from the Employee Engagement Groups, alongside information provided by management and the Human Resources function, on pay and conditions across the Group, is considered by the Committee as part of its discussions and decision-making on executive remuneration.

Statement of consideration of Shareholders’ views

The Company places significant emphasis on strong relationships with shareholders, and recognises the importance of clear consultation on all aspects of governance and remuneration. The Committee also welcomes the views of shareholders in respect of pay policy, including those views expressed on behalf of shareholders by their respective proxy advisers. The Committee documents all remuneration-related comments received at the Company’s AGM along with any comments received during shareholder engagement throughout the year. All feedback received is reviewed and considered by the Committee.

In reviewing our approach to Directors’ remuneration and in considering our Remuneration Policy for 2025 and beyond, the Committee engaged with the Company’s major shareholders, taking their views into account. The Committee continues to monitor shareholder views when evaluating and setting our remuneration strategy and is committed to consulting with major shareholders prior to any significant changes to our Remuneration Policy to ensure it continues to meet the expectations of our shareholders.

How the Committee addressed the factors in Provision 40 of the UK Corporate Governance Code (Code)

Our Remuneration Policy is designed to support an effective pay-for-performance culture that enables the Company to attract, retain and motivate Executive Directors who have the necessary experience and expertise to execute our strategy and deliver shareholder value. Below is an explanation of how the Committee has addressed the principles prescribed in Provision 40 of the Code:

Principle	How the Committee has addressed the principle
Clarity and simplicity	Our remuneration framework has been established to support both the financial and strategic priorities of the Company, aligning with shareholder interests. The Committee ensures that remuneration arrangements are transparent, comprising fixed pay elements, short-term and long-term variable pay. These elements provide a clear line of sight for both executives and shareholders with the variable pay elements providing stretching targets to drive the success of the business.
Risk	The Committee promotes long-term sustainable performance through sufficiently stretching performance targets, whilst ensuring that the incentive structure does not encourage Executive Directors to take inappropriate risks. The Committee has recourse to recover incentive payments in certain circumstances, with all executive variable pay awarded on a discretionary basis and subject to malus and clawback provisions.

Principle	How the Committee has addressed the principle
Predictability	The illustration of application of remuneration policy chart indicates the potential maximum values for each component of executive remuneration that may be earned through our remuneration arrangements. The Committee believes that the Remuneration Policy table clearly sets out how each element of remuneration links to the delivery of strategy and the alignment between Group performance and the rewards available to Executive Directors. All executive performance measures are disclosed where awards are made, providing the link between the performance achieved and the shareholder value created. The Committee retains the discretion to adjust incentive outcomes up or down, so that they fairly reflect Group performance over the relevant performance period.
Proportionality	The Committee believes that the balance of financial and non-financial measures used for both short-term and long-term incentives arrangements is designed to support the values and expected behaviours for long-term sustainable growth.
Alignment to culture	

Directors' report on remuneration continued

Approach to recruitment remuneration

When recruiting new Executive Directors and determining remuneration arrangements, the Company's policy is to ensure that remuneration packages are generally aligned with the same structure and elements as described in the Remuneration Policy table on pages 99 and 100, paying what is necessary to attract individuals with the skills and experience appropriate to the role to be filled.

Component	Policy
Notice period	The initial notice period may be longer than the Company's one-year policy (up to a maximum of two years). However, this will reduce by one month for every month served, until the Company's one-year policy position is reached.
Base salary	Base salary levels will be set at an appropriate level to recruit the best candidate in consideration of the individual's existing salary, location, skills and experience and expected contribution to the role, the current salaries of other Executive Directors and current market levels for the role. If considered appropriate, the base salary for a new Executive Director may be set at a level to allow future progression to reflect performance and continued development in the role. This base salary may then be increased to market level by way of above wider workforce salary increases over two to three years.
Pension and benefits	Pension contribution levels will be aligned with the contributions available to the wider workforce in the country where the new Executive Director lives and works, in line with the Remuneration Policy. Benefits will be considered in line with the Remuneration Policy. If the new Executive Director is required to relocate, reasonable relocation, travel and subsistence payments may be provided, either via a one-off or ongoing payments and benefits.
Annual bonus and long-term incentives	Annual bonus and BIP awards will ordinarily be granted in line with the Remuneration Policy. The new Executive Director may be invited to participate in the bonus on a pro-rated basis in the first year of appointment and to participate in 'in flight' BIP awards on a pro-rated basis when appointed. The Committee may alter the performance metrics, performance period, vesting and holding period and deferral period of annual bonus and BIP awards, subject to the plan rules, if the Committee determines that the circumstances of the recruitment merit such alteration. An explanation would be provided at the time of recruitment and/or in the following year's Annual Report on Remuneration.
Maximum level of variable pay	The Committee has set the maximum amount of variable pay which could be paid to a new Executive Director in respect of his/her recruitment at 400% of base salary, which covers the maximum annual bonus and the maximum face value of any long-term incentive awards. For the avoidance of doubt, this 400% variable pay limit excludes the value of any 'buyout' awards.
Buyout awards	The Committee retains the discretion to make awards on hiring an individual to 'buyout' awards which will be forfeited on leaving their previous employer. Our approach is to conduct a detailed review of the awards that the individual will forfeit and calculate their estimated value. In doing so, we will consider the vesting period, the option exercise period if applicable, whether the awards are cash or share based, or performance-related, the Company's recent performance and payout levels and any other factors considered appropriate. If a 'buyout' award is to be granted, the structure and level will be carefully designed and will generally reflect and replicate the previous awards as accurately as possible. Where considered appropriate, the award will be subject to forfeiture and malus and clawback provisions in the event of early departure. An explanation as to why a buyout award has been granted would be provided at the time of recruitment and/or in the following year's Annual Report on Remuneration.
Internal promotions	The overall approach outlined above would also apply to internal appointments, with the proviso that any commitments made prior to the appointment or promotion that are inconsistent with the Policy will continue to be honoured as the individual is transitioned to the new remuneration arrangements.
Other elements of remuneration	Other elements may be included in the following circumstances: – An interim appointment being made to fill an Executive Director role on a short-term basis. – If exceptional circumstances require that the Non-Executive Chair or a Non-Executive Director is required to assume an executive function on a short-term basis. – If an Executive Director is recruited at a time in the year when it would be inappropriate to provide an annual bonus or BIP award for that year, subject to the limit on variable pay set out above, the quantum in respect of the period employed during the year may be transferred to the subsequent year.

Any share award referred to in this section will be granted as far as possible under the Company's share plans. To the extent that this is not possible, share awards may be granted outside of these plans as permitted under the Listing Rules. Shareholders will be informed of any Director appointment and the individual's remuneration arrangements as soon as practicable following the appointment. Fee levels for new Non-Executive Directors will be determined in accordance with the Remuneration Policy set out on page 101.

Directors' report on remuneration continued

Termination Policy

The Committee takes a number of factors into account when determining leaving arrangements for Executive Directors, including the nature and circumstances of the intended departure. The Committee will honour any contractual entitlements agreed with Executive Directors. Individuals may be eligible to receive an annual bonus on a time pro-rated basis, subject to business and individual performance in the same manner as for continuing Executive Directors and paid at the usual time. Other payments such as legal fees and outplacement fees may be paid if it is considered appropriate. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Executive Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid. Service contracts do not contain liquidated damages clauses.

Component	Policy
Compensation for loss of office in service contracts	Under the terms of the Executive Directors' contracts, the Company may in its absolute discretion, in lieu of giving notice, terminate the service contracts by making a payment equivalent to one year's annual base salary and other fixed benefits.
Treatment of cash element of the annual bonus	On cessation of employment, and at the absolute discretion of the Committee, the level of bonus will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year and subject to the achievement of the original performance metrics. The Committee retains the absolute discretion not to pro-rate the bonus and/or to pay the bonus at the time of cessation of employment (with performance measured at the time of payment). Under all other circumstances no bonus will be earned on cessation of employment. Any bonus earned for the year of departure and, if relevant, for the prior year may be paid wholly in cash at the discretion of the Committee.
Treatment of unvested deferred bonus awards under Plan rules	On cessation of employment, the Committee may in its absolute discretion, enable deferred shares to be released to the participant at the normal vesting date. The Committee retains the absolute discretion not to pro-rate the deferred shares to time and/or to vest deferred shares at the date of cessation of employment. Under all other circumstances unvested awards will lapse on cessation of employment.
Treatment of unvested BIP awards	On cessation of employment during the vesting period, awards under the BIP will lapse in full, unless the Committee exercises its discretion, which is absolute. In such instances where the Committee determines that awards should not lapse in full, awards will normally vest at the normal vesting date, pro-rated for time served between the date of grant and date of cessation of employment and subject to the achievement of the original performance metrics. To the extent that awards vest, a two-year holding period will apply. The Committee retains the absolute discretion to not pro-rate awards for time; to vest and release awards at the date of cessation of employment (with performance measured at the time of vesting); and/or to reduce or not to apply the two-year holding period. On cessation of employment during the two-year holding period, awards under the BIP will normally remain subject to the holding period. The Committee retains the discretion to reduce or not to apply the remainder of the holding period.
Exercise of discretion	In the event that an Executive Director leaves the Company, the Committee's policy for exit payments is to consider the reasons for cessation and consequently whether any exit payments other than those contractually required are warranted. In the event of a compromise or settlement agreement, the Committee may agree payments it considers reasonable in settlement of any legal claims. This may include an entitlement to compensation in respect of their statutory rights under employment protection legislation in the UK or any other jurisdiction. The Committee may also include in such payments reasonable reimbursement of professional fees in connection with such agreements.
Change of control	On a change of control, awards under the Company's incentive plans will generally vest subject to performance and time apportionment as determined by the Committee and in accordance with the rules of the relevant plan.
Other payments	In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement and legal fees.

The discretions noted in the table above will only be used in circumstances where there is an appropriate business case. If the Committee were to use such discretion, an explanation would be provided at the time of cessation of employment and/or in the following year's Annual Report on Remuneration.

Minor amendments

The Committee may make minor amendments to the Remuneration Policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Directors' report on remuneration continued

Annual Report on Remuneration

Auditable section

The information presented within this section provides details of remuneration outcomes for Directors who served during the financial year ended 31 December 2024.

Single total figure of remuneration

The following table sets out the total remuneration for Executive Directors for the year ended 31 December 2024, with prior year figures also shown.

	Fixed remuneration								Variable remuneration								Total remuneration (£000)	
	Salary (£000)		Pension (£000)		Taxable benefits ⁴ (£000)		Total fixed pay (£000)		Annual bonus ⁵ (£000)		BIP (£000)		Buy-out award (£000)		Total variable pay (£000)			
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023		
Executive Directors																		
Jim Fairbairn ¹	502	–	50	–	45	–	597	–	469	–	–	–	930 ⁸	–	1,399	–	1,996	–
Ben Fidler ²	523	422	52	42	16	14	591	478	415	630	–	–	–	1,036 ⁹	415	1,666	1,006	2,144
Former Director																		
Stephen Harris ³	290	665	68	156	18	41	376	862	265	1,306	296 ⁶	268 ⁷	–	–	561	1,574	937	2,436

Notes to the table

1 Jim Fairbairn was appointed as Group Chief Executive designate and as a member of the Board on 11 March 2024. He became Chief Executive Officer on 31 May 2024. The figures presented reflect the period from 11 March to 31 December 2024.

2 Ben Fidler was appointed to the Board on 24 February 2023. The 2023 figures reflect the period from 24 February to 31 December 2023.

3 Stephen Harris stepped down as Group Chief Executive on 30 May 2024. The figures presented reflect the period from 1 January to 30 May 2024.

Further notes to the table – methodology

4 Taxable benefits consist of company car (or allowance), family level private medical insurance, life insurance cover and sick pay. Jim Fairbairn also received a one-off relocation allowance of £30,000 following his appointment.

5 See page 107 for the application of bonus deferral.

6 The BIP award granted to Stephen Harris on 28 March 2022 with a performance period ending on 31 December 2024 will vest in March 2025 at 36.1% based on the outcome of the performance targets, as set out on page 109. The estimated value at vesting is based on the average share price from 1 October 2024 to 31 December 2024 of £5.97 pence per share. Dividend equivalents of £28,848 are included in the estimated value at vesting. This award was pro-rated for time served as Group Chief Executive during the relevant vesting period.

7 The value relating to the BIP award granted to Stephen Harris on 15 April 2021 and which vested on 30 April 2024 has been revised from the figure included in the 2023 report from £231,106 to £268,288, as this is now based on the mid-market closing share price on the vesting date of £6.96. The share price at the grant date was £7.97, reflecting a share price decrease of £1.012 between the grant date and vesting date. As none of the value of the vesting is attributable to share price appreciation, the Committee did not exercise discretion to adjust the vesting outcome in respect of the share price.

8 As disclosed on page 80 of the 2023 Directors' Remuneration Report, the Committee agreed to buy out the in-flight long-term incentive awards which were forfeited by Jim Fairbairn on leaving his previous employer. The face value of his buy-out award was £930,000 and was granted as nil cost options that would vest between March 2025 and March 2027, subject to continued employment.

9 As disclosed on page 85 of the 2023 Directors' Remuneration Report, the Committee agreed to buy out the deferred portion of Ben Fidler's 2022 annual bonus and in-flight share incentives which were forfeited by him on leaving his previous employer. The value of his buy-out award was based on the number of shares subject to the buy-out award (162,417) multiplied by the three-day volume weighted average share price for 22, 23 and 24 February 2023 of £6.376. These shares will vest between March 2023 and March 2025.

Directors' report on remuneration continued

Taxable benefits

The Group provides other cash benefits and benefits-in-kind to Executive Directors, in addition to sick pay and life insurance, as set out below:

Executive Directors	Car/car allowance	Fuel	Healthcare	Relocation
Jim Fairbairn	£11,019	£1,945	£2,445	£30,000
Ben Fidler	£12,000	£1,200	£2,970	–
Stephen Harris	£5,667	£1,000	£10,970	–

Pension

Aligned with the Company pension contributions for the UK workforce, Jim Fairbairn received a pension contribution of £10,000, with the balance of his 10% base salary entitlement paid in cash. Ben Fidler received a cash contribution in lieu of pension of 10% of base salary. Stephen Harris received a cash contribution in lieu of pension at a rate of 23.5% of base salary. This was aligned with the Company pension contribution of the Czech Republic workforce where he worked and lived.

Incentive outcomes for 2024

Annual bonus

The maximum annual bonus opportunity for Jim Fairbairn, Ben Fidler and Stephen Harris was 175% of salary, 150% of salary and 200% of salary, respectively. As disclosed in the 2023 Directors' Remuneration Report, Jim Fairbairn's bonus was pro-rated for time served during the year. Stephen Harris was also eligible to receive a bonus pro-rated for the time served as Group Chief Executive during 2024.

The annual bonus for 2024 was split 65% in respect of adjusted operating profit, 10% in respect of adjusted operating cash flow, 5% for ESG metrics (which were based on year-on-year reduction of absolute energy consumption (KwH)) and 20% on personal strategic objectives. These performance conditions and their respective weightings reflected the Committee's belief that any incentive compensation should be linked both to the overall performance of the Group and to those areas of the business that the relevant individual can directly influence.

Stretching targets were set in the context of challenging market conditions. As a result of a resilient performance in a challenging market through 2024, Jim Fairbairn, Ben Fidler and Stephen Harris earned bonus equal to 53.3%, 52.9% and 45.7% of maximum, respectively.

For Jim Fairbairn and Ben Fidler, 35% of the amount earned will be deferred into shares, which will vest in three years subject to continued employment. Stephen Harris stepped down as Group Chief Executive and retired from the Board on 30 May 2024. The Committee agreed to pay any bonus earned by him fully in cash at the usual time in 2025.

The performance targets and actual performance are set out below:

	% of award	Threshold ¹	Target ¹	Maximum ¹	Actual performance achieved ²	Jim Fairbairn ³		Ben Fidler		Stephen Harris ³	
						% of max	% of salary	% of max	% of salary	% of max	% of salary
Adjusted operating profit ⁴	65%	£128.6m	£140.5m	£148m	£130.9m	31.9%	36.3%	31.9%	31.1%	31.9%	41.5%
Adjusted operating cash flow	10%	£84.7m	£109.7m	£109.7m	£114.9m	100%	17.5%	100%	15%	100%	20%
ESG metrics	5%	1%	2%	3%	8.4%	100%	8.8%	100%	7.5%	100%	10%
Personal scorecard	20%				See page 108	88%	30.8%	86%	25.8%	50%	20%
Total						53.3%	93.4%	52.9%	79.4%	45.7%	91.5%

1 Payout is pro-rated between threshold, target and maximum as follows: Adjusted operating profit: threshold (25%), target (60%) and maximum (100%); Adjusted operating cash flow threshold (0%), target and maximum (100%); and ESG metrics threshold (30%), target (60%) and maximum (100%).

2 Figures quoted for adjusted operating profit and adjusted operating cash flow are at constant exchange rates, excluding the Lake City acquisition.

3 Payout has been pro-rated for time served during the year.

4 The Lake City Heat Treating acquisition has been excluded from the targets and the actual performance achieved.

Directors’ report on remuneration continued

2024 Personal Scorecards

Jim Fairbairn Overview The Chief Executive Officer’s objectives were set with focus on improving safety performance through better behaviours and reporting; creating a plan to consistently deliver >20% adjusted operating profit from 2026 onwards and a strategic review to strengthen and grow the business. He was also charged with reviewing the organisation structure, strengthening the team to improve effectiveness, while transforming the market perception of the Company. Key achievements in the year Following his appointment, significant improvements in safety approach were introduced, including improved observational expertise and greater employee engagement. Strategic activities were developed with actionable initiatives introduced in relation to culture, plant utilisation and margin improvement. The senior team has been strengthened, with a new people strategy currently underway. Improvements were made to sustainability plans and external reporting, reflected in a successful Capital Markets Event held in December 2024. Rating After reviewing his scorecard performance taking into consideration the achievements completed during the year, the Chairman and the Committee agreed with an overall rating, which equated to a bonus outcome of 88% of maximum. Link to strategy 12345	Ben Fidler Overview The Chief Financial Officer’s objectives included a review of the portfolio; the delivery of a revised divisional structure with refined reporting structures; the development of a revised reporting framework to drive efficiencies; continued delivery of improvements in Group cash conversion year-on-year and working capital management; the strengthening of the Group Finance function; and the development of the investor base, including delivery of a Capital Markets event. Key achievements in the year Detailed analyses on the portfolio was completed on improving performance, with new high-level plans implemented and rolled-out. New monthly reporting packs were designed and issued, with new divisional reporting lines introduced. Adjusted cash flow and cash conversion improvements continued. The strength and capabilities of the Group Finance function was improved. A successful Capital Markets Event was held in December 2024, with two US investor roadshows held in 2024 and one in January 2025. Rating Mr Fidler’s detailed scorecard was reviewed by the Chief Executive Officer and the Committee, assessing the achievement of each scorecard objective. Following this review, the Committee agreed with the rating proposed, which equated to a bonus outcome of 86% of maximum. Link to strategy 245	Stephen Harris Overview For 2024, prior to his departure, objectives set were for the Group Chief Executive relating to the onboarding of his successor, to ensure a comprehensive and successful transition. He was also charged with defining and implementing a restructuring project in North America and for ensuring that the Lake City Heat Treating acquisition integration was successfully completed. Key achievements in the year The new Group Chief Executive designate joined the Company in March 2024 and, following a comprehensive and thorough induction, formally took over the role on 31 May 2024. Neither the North American restructuring project nor the Lake City Heat Treating acquisition integration were fully completed at the time of Mr Harris’ departure from the Company. Rating The Committee and Chair assessed achievement for the personal scorecard objectives. Following this review, an overall rating was proposed, which equated to a bonus outcome of 50% of maximum. Link to strategy 456
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Directors' report on remuneration continued

Bodycote Incentive Plan (BIP)

Awards vesting during the financial year

BIP awards granted on 28 March 2022 had a three-year performance period ended 31 December 2024, with 50% of the award subject to ROCE targets and 50% subject to adjusted EPS targets. Furthermore, if adjusted EPS at the end of the performance period was below 39.0p, then no awards would vest. The underpin target of 39.0p together with the ROCE threshold target were achieved. The threshold and maximum targets along with performance achieved and the vesting outcome are set out in the table below:

Performance measure	Threshold performance (25% of maximum)	Target performance (57.1% of maximum)	Maximum performance (100% of maximum)	Performance achieved (out-turn)	Vesting % (actual)	Vesting % (of maximum) ²
ROCE ¹	13.5%	17.5%	20.0%	15.7%	35.9%	41.1%
Adjusted EPS in 2024	46.0p	59.5p	63.9p	48.6p	27.3%	31.2%

1 For the purposes of the BIP, pre-tax ROCE is calculated using actual exchange rates. Capital employed includes the acquired goodwill existing as at the start of the performance period (1 January 2022) only.

2 Figures have been rounded to one decimal place.

The table below sets out the 2022 BIP outcome for Stephen Harris:

	Number of shares granted	End of performance period	% award vesting	Number of shares vesting	Number of shares lapsed	Dividend equivalents	Total estimated value of awards on vesting	Vesting date	End of holding period
Stephen Harris	153,197 ¹	31 Dec 2024	36.1%	44,588	108,609	£28,848	£296,361 ²	March 2025	March 2027

1 Stephen Harris was granted a BIP award of 153,197 shares equivalent to 175% of his salary in 2022. He stepped down as Group Chief Executive on 30 May 2024 and the award was subsequently pro-rated for time served during the vesting period. The number of shares available to vest after the application of the time pro-rating was 123,408, with a total of 29,789 awards lapsing due to the time pro-rating.

2 The estimated value at vesting is based on the average share price from 1 October 2024 to 31 December 2024 (£5.97). The share price at the grant date was £6.959. None of the value of the vesting is attributable to share price appreciation, accordingly the Committee did not exercise discretion to adjust the vesting outcome.

Awards granted during the financial year

Awards consisting of nil cost options were granted to Jim Fairbairn, Ben Fidler and Stephen Harris on 20 March 2024 equivalent in value to 175% of their base salaries. The performance period will end on 31 December 2026. As disclosed in the 2023 Directors' Remuneration Report, Stephen Harris' award will be pro-rated for the time served as Group Chief Executive during the vesting period.

Awards are subject to continued employment and the achievement of ROCE and Adjusted EPS growth performance targets, as summarised in the table below. The Committee considered the targets to be appropriately stretching taking into account internal and external forecasts at the time, the challenging market conditions and the continued level of uncertainty faced by the business over the next three years.

Performance measure	Threshold performance (25% of maximum)	Target performance (57.1% of maximum)	Maximum performance (100% of maximum)	Vesting of element (% of maximum)
ROCE for 2026 ¹	15.0%	19.0%	21.0%	100%
Adjusted EPS for 2026	61.0p	65.0p	69.0p	100%

1 For the purposes of the BIP, pre-tax ROCE is calculated using actual exchange rates. Capital Employed includes the goodwill existing as at the start of the performance period (1 January 2024) only.

Directors' report on remuneration continued

If Adjusted EPS at the end of the performance period is below 51.8p, then no awards will vest. Furthermore, the Committee has discretion to amend the vesting outcome where it considers that it is not a fair and accurate reflection of business performance. Dividend equivalents are payable in respect of those shares that vest. Shares that vest are subject to a two-year post-vesting holding period.

The number of awards that were granted to the Executive Directors during the year is set out below:

	Grant date	Number of shares granted	Market price at grant date ¹	Face value at grant date
Jim Fairbairn ²	20 March 2024	156,445	£6.55	£1,024,715
Ben Fidler	20 March 2024	133,586	£6.55	£874,988
Stephen Harris ³	20 March 2024	177,737	£6.55	£1,164,177

1 The three-day volume weighted average share price following the announcement of results for financial year 2023 (15, 18 and 19 March 2024).

2 Jim Fairbairn joined as Group Chief Executive Designate on 11 March 2024. He was granted a 2024 BIP award equivalent to 175% of his base salary, with the award pro-rated from the date of joining.

3 Stephen Harris stepped down as Group Chief Executive on 30 May 2024. He was granted a 2024 BIP award of 177,737 shares equivalent to 175% of his salary in March 2024. This award was subsequently pro-rated for time served as Group Chief Executive. The number of shares granted after the application of the time pro-rating was 24,685, which will remain subject to the achievement of performance conditions.

Buy-out awards granted to Jim Fairbairn during the financial year

As disclosed in the 2023 Directors' Remuneration Report, the Committee agreed to buy out Jim Fairbairn's in-flight long-term incentive awards which had been forfeited by him on leaving his previous employer. The buy-out awards were granted as nil cost options on 22 March 2024 and have been structured on a like-for-like basis to reflect the value and the remainder of the vesting periods for incentives which were forfeited, in accordance with the terms of the Directors' Remuneration Policy.

The Committee carried out a detailed review of the incentives which had been forfeited, including obtaining award certificates and confirmation of values forfeited. Details of the buy-out are as follows:

	Grant date	Number of shares granted	Market price at grant date ¹	Face value at grant date
Jim Fairbairn	22 March 2024	141,209	£6.59	£930,000

1 The five-day volume weighted average share price following the announcement of results for financial year 2023 (15-21 March 2024).

	Number of shares granted	Face value of award	Vesting date of award
Tranche 1	94,139	£620,000	22 March 2025 (first anniversary of appointment)
Tranche 2	23,535	£155,000	22 March 2026 (second anniversary of appointment)
Tranche 3	23,535	£155,000	22 March 2027 (third anniversary of appointment)
Total	141,209	£930,000	

Jim Fairbairn will be expected to retain the shares following vesting (net of tax) to support the build-up of his shareholding towards achievement of the Company's shareholding requirement. The vesting of awards will be subject to his continued employment and no dividend equivalents will be payable in respect of those shares that vest.

Single total figure of remuneration for the Chair and Non-Executive Directors

The following table sets out the total remuneration for the Chair and Non-Executive Directors for the year ended 31 December 2024, with the prior year figures also shown:

	Fees (£000)	
Non-Executive Directors	2024	2023
Daniel Dayan	302	289
Patrick Larmon	91	83
Kevin Boyd	83	79
Lili Chahbazi	68	65
Cynthia Gordon	83	73
Beatriz García-Cos Muntañola ¹	68	22

1 Beatriz García-Cos Muntañola was appointed to the Board on 1 September 2023. The 2023 figures reflect the period from 1 September to 31 December 2023.

Chair and Non-Executive Directors' fees

At 31 December 2024, the aggregate annual fees for all Non-Executive Directors, including the Chair, was £694,972, which is below the maximum aggregate fee allowed by the Company's Articles of Association of £1,000,000 pa. The base fees payable to the Chair and other Non-Executive Directors are set out as follows:

	Fee for 2024	Fee for 2023	% increase
Base fee for Non-Executive Chair	£301,744	£288,750	4.5%
Base fee for Non-Executive Directors	£68,423	£65,477	4.5%
Remuneration Committee Chair/Audit Committee Chair	£14,264	£13,650	4.5%
Senior Independent Director	£11,291	£10,805	4.5%
Chair of Employee Engagement Groups	£11,291	£10,805	4.5%

Directors' report on remuneration continued

Share interests – share plan awards

The interests of the Executive Directors in the Company's share plans as at 31 December 2024 (or date of stepping down from the Board if earlier) are as follows:

Director	Plan	Interests as at 1 January 2024	Granted in year	Vested in year	Lapsed in year	Interests as at 31 December 2024
Jim Fairbairn ¹	BIP	–	156,445	–	–	156,445
	Buy-out awards	–	141,209	–	–	141,209
	BIP	140,179	133,586	–	–	273,765
	Buy-out awards	158,274	–	(94,368)	–	63,906
Ben Fidler ²	Deferred bonus shares	–	33,658 ⁵	–	–	33,658 ⁵
	BIP	461,929	177,737 ³	(35,297)	(372,398) ³	231,971 ^{3,4}
Stephen Harris ³	Deferred bonus shares	102,036	69,800 ⁵	(171,836)	–	–

1 Jim Fairbairn was appointed as Group Chief Executive designate and as a member of the Board on 11 March 2024 and became Chief Executive Officer on 31 May 2024.

2 Ben Fidler was appointed as Chief Financial Officer designate and as a member of the Board on 24 February 2023 and became Chief Financial Officer on 1 May 2023. The first elements of his buyout award was exercised on 24 April 2024. The remaining shares will vest on 31 March 2025.

3 Stephen Harris stepped down as Group Chief Executive on 30 May 2024. All outstanding BIP awards have been pro-rated for time served during the relevant vesting periods. The number of shares lapsed in the year included in the table is after the application of time pro-rating. The deferral period in relation to all awards granted under the Deferred Bonus Plan ended on 30 May 2024. All of these shares vested on his departure from the Company and were exercised and sold at £6.96 per share on 31 July 2024.

4 The BIP awards granted on 28 March 2022 will vest at 36.1% of maximum in March 2025.

5 The grant date face value of the deferred bonus shares granted on 20 March 2024 is £457,190 for Stephen Harris and £220,460 for Ben Fidler. This is based on a share price of £6.55, being the three-day volume weighted average share price following the announcement of the 2023 year-end results (15, 18 and 19 March 2024).

Loss of office

Stephen Harris stepped down as Group Chief Executive and retired from the Board and the Company on 30 May 2024.

The treatment of his remuneration arrangements were fully disclosed in the 2023 Directors' Remuneration Report.

As set out on page 110, Stephen Harris was granted a BIP award in March 2024 of 177,737 shares equivalent to 175% of his salary.

This award was subsequently pro-rated for time served as Group Chief Executive during 2024. The number of shares granted after the application of the time pro-rating was 24,685 shares, which will remain subject to the achievement of performance conditions.

All outstanding BIP awards granted to Stephen Harris between 2022 and May 2024, when he stepped down from the Board, remain capable of vesting, pro-rated for time, and subject to performance. Any shares that vest in 2025, 2026 and 2027 will be subject to a two-year post-vesting holding period. Details of the vesting outcome of the 2022 BIP awards are disclosed on page 109.

The Committee agreed that the bonus payable to Stephen Harris in respect of 2024 would be paid fully in cash, with all outstanding deferred shares vesting on his date of retirement, on the provision that he continue to hold shares equivalent to at least 200% of salary for two years following him stepping down as Group Chief Executive.

Payments to past Directors

There were no payments to past Directors during the year ended 31 December 2024. However, as disclosed in the 2022 Directors' Remuneration Report, Dominique Yates was treated as a good leaver following his retirement from the Company and the Board on 30 April 2023. As a result, it was determined that his unvested BIP awards would continue to vest in accordance with their normal vesting timetable, subject to the achievement of the relevant performance metrics and be pro-rated for time served as Chief Financial Officer during the relevant vesting periods. Based on performance and time prorating, 18,938 shares vested at £7.972 under the BIP in 2024.

Directors' report on remuneration continued

Directors' shareholdings and scheme interests

The Board operates a shareholding retention policy under which Executive Directors and other senior executives are expected, within five years of appointment, to build up a shareholding in the Company. For the purposes of this requirement, only beneficially owned shares and the net of tax value of unvested share awards, which are not subject to performance conditions, will be counted. The shareholding requirement for the Executive Directors is 200% of salary.

The interests in ordinary shares of Directors and their connected persons as of 31 December 2024 (or the date of stepping down from the Board if earlier), including any interests awarded under the annual bonus or BIP or buy-out awards, are presented below along with whether Executive Directors have met the shareholding guidelines.

	Counted towards the shareholding requirement			Not counted towards the shareholding requirement	
	Beneficially owned at 31 December 2024 (or at the date of leaving)	Deferred shares granted under the annual bonus ³	Unvested buy-out awards ³	Shares subject to performance conditions (BIP) ⁷	Shareholding requirement met
Executive Directors					
Jim Fairbairn (200% of salary min. holding requirement) ¹	–	–	141,209 ⁵	156,445	No
Ben Fidler (200% of salary min. holding requirement)	53,566	33,658	63,906 ⁶	273,765	No
Non-Executive Directors					
Daniel Dayan	97,500	–	–	–	n/a
Patrick Larmon	15,000	–	–	–	n/a
Lili Chahbazi	–	–	–	–	n/a
Kevin Boyd	11,800	–	–	–	n/a
Cynthia Gordon	1,708	–	–	–	n/a
Beatriz García-Cos Muntanola	–	–	–	–	n/a
Former Directors					
Stephen Harris (200% of salary min. holding requirement) ²	466,871	112,788 ⁴	–	231,971	Yes

¹ Jim Fairbairn was appointed as Group Chief Executive designate and as a member of the Board on 11 March 2024 and became Chief Executive Officer on 31 May 2024.

² Stephen Harris stepped down as Group Chief Executive on 30 May 2024. In accordance with the post-cessation shareholding guidelines, Stephen Harris is required to hold shares equivalent to at least 200% of salary for two years from stepping down as Group Chief Executive. Vesting of the deferred shares granted under the annual bonus and unvested buy-out awards are subject to continued employment only.

⁴ Figures relate to deferred shares granted in 2023 and 2024.

⁵ Jim Fairbairn was granted 141,209 shares under a buy-out award on appointment (see page 110). All shares remain unvested.

⁶ Ben Fidler was granted 162,417 shares under a buy-out award on appointment to the Board in February 2023. The first elements of this award were exercised on 24 April 2024. The remaining shares will vest on 31 March 2025.

⁷ Figures relate to unvested awards granted under the BIP in 2022, 2023 and 2024. For Stephen Harris, the outstanding awards have been pro-rated to his date of leaving. The BIP awards granted on 28 March 2022 will vest at 36.1% of maximum in March 2025.

As at 13 March 2025, the Company has not been advised of any changes to the interests of Directors and their connected persons as set out in the above table.

This represents the end of the audited section of the report.

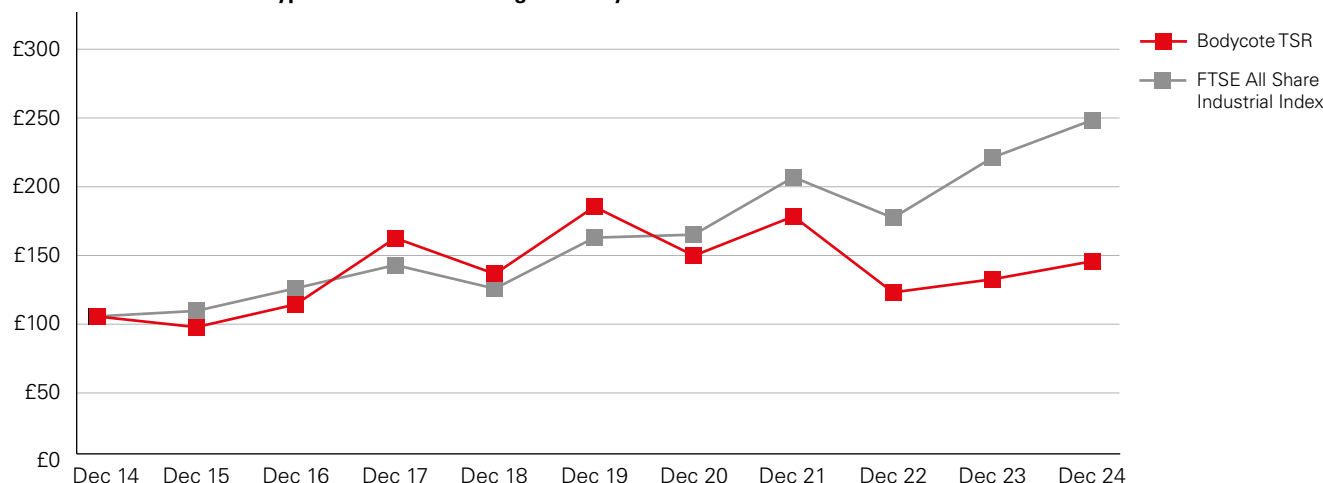
Directors' report on remuneration continued

Comparison of overall performance and pay

The chart below shows the value over the last 10 financial years of £100 invested in Bodycote plc compared with that of £100 invested in the FTSE All Share Industrial index. The Committee has chosen this index as it is a broad market index of which Bodycote plc is a constituent and reflects the wider sector in which the Group operates. The points plotted represent the values at each financial year-end.

Historical TSR performance

Growth in the value of a hypothetical £100 holding over 10 years



The table below shows how total remuneration for the Group Chief Executive has developed over the last 10 years. This role was held by Stephen Harris until 30 May 2024 when he stepped down from the Board. He was succeeded by Jim Fairbairn, who joined the Company as Group Chief Executive designate on 11 March 2024. Jim Fairbairn was appointed as Chief Executive Officer from 31 May 2024. The total pay set out in the table below is reflective of the remuneration received by each during 2024.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 SCH	2024 JF
Single figure of remuneration (£000)	771	875	2,280	2,728	1,862	783	1,969	1,608	2,399	937	1,996
Annual bonus payout (% of maximum)	20%	19%	98%	68%	50%	0%	96%	61%	98%	46%	53%
Long-term incentive vesting outturn (% of maximum)	0%	0%	48%	89%	84%	0%	0%	1%	27%	36%	–

Directors' report on remuneration continued

Percentage change in remuneration

The table below sets out the annual percentage change in remuneration for each of the Directors compared to that for an average employee.

	% change in salary/fees					% change in benefits ¹⁰					% change in annual bonus				
	2019/20	2020/21	2021/22	2022/23	2023/24	2019/20	2020/21	2021/22	2022/23	2023/24	2019/20 ¹¹	2020/21 ¹¹	2021/22	2022/23	2023/24
Executive Directors															
Jim Fairbairn ¹	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ben Fidler ²	–	–	–	–	4.5%	–	–	–	–	3.3%	–	–	–	–	(34.1)%
Non-Executive Directors															
Daniel Dayan ³	–	–	–	5.0%	4.5%	–	–	–	–	–	–	–	–	–	–
Patrick Larmon ⁴	3.0%	2.0%	3.0%	14.0%	4.5%	(83.2%)	1,935%	(100%)	–	–	–	–	–	–	–
Lili Chahbazi	3.0%	2.0%	3.0%	5.0%	4.5%	(70.6%)	19%	(100%)	–	–	–	–	–	–	–
Kevin Boyd ⁵	–	2.0%	17.3%	11.0%	4.5%	–	(8.3%)	(100%)	–	–	–	–	–	–	–
Cynthia Gordon ⁶	–	–	–	5.0%	4.5%	–	–	–	–	–	–	–	–	–	–
Beatriz García-Cos Muntañola ⁷	–	–	–	–	4.5%	–	–	–	–	–	–	–	–	–	–
Former Directors															
Stephen Harris ⁸	7.0%	2.0%	4.0%	5.0%	4.5%	2.8%	0.1%	1.6%	3.9%	4.5%	(100%)	100%	(35%)	70.4%	(79.7)%
Average employee ⁹	4.1%	2.9%	5.7%	6.9%	5.2%	2.4%	10%	9.8%	10.8%	9.7%	(100%)	100%	(9.2%)	6.9%	(5.6)%

1 Jim Fairbairn was appointed as Group Chief Executive designate and as a member of the Board on 11 March 2024 and became Chief Executive Officer on 31 May 2024.

2 Ben Fidler was appointed as Chief Financial Officer designate and as a member of the Board on 24 February 2023 and became Chief Financial Officer on 1 May 2023.

3 Daniel Dayan was appointed as Chair to the Board on 1 January 2022.

4 Patrick Larmon was appointed as Senior Independent Director on 31 May 2023.

5 Kevin Boyd was appointed as Chair of the Audit Committee on 25 May 2022.

6 Cynthia Gordon was appointed to the Board on 1 June 2022. She was appointed as Chair of the Remuneration Committee on 31 May 2023.

7 Beatriz García-Cos Muntañola was appointed to the Board on 1 September 2023.

8 Stephen Harris stepped down from the Board on 30 May 2024.

9 The annual percentage change of the average remuneration of the listed parent entity employees (excluding Directors), calculated on a full-time equivalent basis.

10 Percentage change in Benefits is calculated on unrounded figures.

11 No bonuses were paid to Executive Directors or the Company's employees in respect of 2020.

Directors' report on remuneration continued

Pay ratio of Chief Executive Officer to UK employees

The table below sets out the Chief Executive Officer's remuneration, in office as at the date of this report, as a ratio against the full-time equivalent remuneration of the 25th, 50th (median) and 75th percentile UK employees.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2024 ¹	Option A	66:1	53:1	36:1
2023	Option A	71:1	56:1	39:1
2022	Option A	52:1	41:1	28:1
2021	Option A	69:1	52:1	36:1
2020	Option A	28:1	21:1	15:1
2019	Option A	70:1	55:1	40:1

1 The Chief Executive Officer joined the Company on 11 March 2024. The total remuneration as provided in the single figure table on page 106 and used in the calculation of the 2024 ratios has therefore been annualised to provide a full year comparison.

A substantial proportion of the Chief Executive Officer's total remuneration is performance-related and delivered in shares. The ratios will therefore depend significantly on the Chief Executive Officer's annual bonus and BIP outcomes, which may fluctuate year-to-year. The calculations for the representative employees were performed as at the final day of the relevant financial year. Option A methodology, which is calculated using the pay and benefits of all UK employees for the relevant financial year, was selected on the basis that it is considered to be a robust approach and is aligned with best practice and investor expectations.

2024 pay ratios have decreased from 2023, reflecting the change in Chief Executive Officer in the year and the overall remuneration paid. In 2024 the proportion of the Chief Executive Officer's bonus and BIP (on an annualised basis) was 67% of total remuneration, in 2023 the Chief Executive Officer's bonus and BIP remuneration equated to 64% of total remuneration.

Our broad remuneration policy reflects the diversity of cultures, legislative environments and employment markets of our geographical spread. However, in line with the UK reporting regulations we have reported solely on the UK employee population. The Board believes that the median pay ratio is consistent with the pay, reward and progression policies for the UK employee population.

Total pay and benefits used to calculate the ratios

The table below sets out the UK employee percentile pay and benefits used to determine the above pay ratios and the salary component for each figure.

Financial year ended	Element of pay	Chief Executive Officer remuneration ¹ (£)	25th percentile ^{2,3} (£)	Median ^{2,3} (£)	75th percentile ^{2,3} (£)
	Total pay and benefits	2,246,217	34,059	42,172	61,563
31 December 2024	Salary component	622,925	32,237	39,942	56,123

- 1 The Chief Executive Officer joined the Company on 11 March 2024. The total remuneration as provided in the single figure table on page 106 has therefore been annualised to provide a full year comparison.
- 2 The UK employee percentile total pay and benefits has been calculated based on the amount paid or receivable for the relevant financial year. The calculations are on the same basis as required for the Chief Executive Officer's remuneration for single figure purposes. For pension-related benefits, employer pension costs have been estimated using the employer contribution rates applicable to the member's pension scheme. No other estimates or adjustments have been used in the calculations and no remuneration components have been omitted.
- 3 For employees employed on a part-time basis, their remuneration has been annualised to reflect the full-time equivalent.

Relative importance of pay spend

The table below sets out the total expenditure in relation to staff and employee costs and distributions to shareholders in 2023 and 2024.

	2024 (£m)	2023 ¹ (£m)	% change
Staff and employee costs	280.6	290.2	(3.3)%
Distribution to shareholders	42.8	40.6	5.4%

1 The 2023 average employee numbers have been restated to exclude 419 temporary contractors and the related wages and salaries of £17.3m

Directors' report on remuneration continued

Committee activities

During 2024 the Committee met six times to consider, amongst other matters:

Theme	Agenda items
Executive Directors' and senior executives' remuneration	– Approved the remuneration arrangements for the Executive Directors, including base salary increases – Approved the leaving arrangements for Stephen Harris – Reviewed, and where required approved, the remuneration arrangements for new senior hires below the main Board – Reviewed and approved the Global Bonus Scheme outcome for the Executive Directors and wider workforce – Reviewed and approved the annual bonus and BIP awards for Executive Directors, including setting of stretching and incentivising targets and ensuring performance measures continue to align with strategy
	– Assessment of annual bonus and BIP outcomes, including the monitoring of performance for inflight BIP awards – Reviewed shareholdings against share ownership guideline requirements

Theme	Agenda items
Wider workforce remuneration considerations	– Reviewed remuneration and related policies relating to the wider workforce – Reviewed the annual bonus and Bodycote Senior Management Incentive Plan awards for the wider workforce, with oversight of targets and ensuring performance measures align with strategy
Remuneration policy	– Reviewed and approved the Remuneration Policy to be presented to shareholders at the 2025 AGM – Consulted with major shareholders as part of the Policy renewal process
Best practice	– Consideration of feedback from shareholders and proxy agencies following the 2024 AGM – Reviewed market practice and corporate governance updates, including proxy advisory agency reports
Governance and reporting	– Considered and approved the Directors' Remuneration Report – Reviewed and updated the Committee's terms of reference

Advisers to the Committee

During the year, the Committee received independent advice on executive remuneration matters from Deloitte LLP (Deloitte), which was formally appointed as Committee adviser from 1 January 2020, following a competitive tender process. Deloitte is a founder member of the Remuneration Consultants Group and, as such, voluntarily operates under its Code of Conduct in relation to executive remuneration in the UK.

The Committee has reviewed the advice provided by Deloitte on executive remuneration and is satisfied that it has been objective and independent, and that no conflict of interest arises as a result of these services. The fees paid to Deloitte for its services to the Committee during the year, based on time and expenses, amounted to £29,200 excluding VAT. Deloitte also provided employee share plan advisory services, business tax services and financial advisory services to the Company during the year.

The Company Secretary acts as Secretary to the Committee. During the year, the Chief Executive Officer, Chief Financial Officer and Chief Human Resources Officer attended meetings on an ad hoc basis at the invitation of the Committee, to provide information and support as requested. However, no individual was present when their own remuneration was being discussed. The Committee consulted with the Chief Executive Officer and received recommendations from him in respect of his direct reports.

Directors' report on remuneration continued

Statement of shareholder voting and shareholder engagement

At the 2024 AGM, the 2023 Directors' remuneration report was submitted to shareholders for approval. The Directors' remuneration policy was last approved by shareholders at the 2022 AGM. The votes received for each of these resolutions at the relevant meetings are set out below:

2024 AGM held on 30 May 2024	Nature of vote	Total number of votes cast (excluding abstentions)	For (%)	Against (%)	Abstentions
Approve the 2023 Directors' Remuneration Report	Advisory	163,963,356	96.2%	3.8%	5,332

2022 AGM held on 25 May 2022	Nature of vote	Total number of votes cast (excluding abstentions)	For (%)	Against (%)	Abstentions
Approve the Directors' Remuneration Policy	Binding	157,982,504	76.6%	23.4%	11,802,612

The Committee recognises that more than 20% of votes were cast against this resolution at the AGM held in 2022. As a result, and in accordance with Provision 4 of the UK Corporate Governance Code, engagement with key investors and proxy advisers was undertaken to better understand the views expressed. These views have been noted as part of the remuneration policy review which was undertaken during 2024. The Remuneration Policy will be subject to shareholder review at the upcoming AGM to be held on 21 May 2025.

Governance

The Board and the Committee consider that, throughout 2024 and up to the date of this report, the Company has complied with the provisions set out in the UK Corporate Governance Code relating to Directors' remuneration. In addition, relevant guidelines issued by prominent investor bodies and proxy voting agencies have been presented to and considered by the Committee throughout the year. The Committee endeavours to consider executive remuneration matters in the context of alignment with risk management and, during the year, had oversight of any related factors to be taken into consideration. The Committee believes that the remuneration arrangements in place do not raise any health and safety, environmental, social or ethical issues, nor inadvertently motivate irresponsible behaviour.

Annual General Meeting

As set out in my statement on page 94, the Directors' Report on Remuneration, including the Annual Report on Remuneration, and the Remuneration Policy will be subject to shareholder votes at the AGM to be held on 21 May 2025.

On behalf of the Board:

Cynthia Gordon

Chair of the Remuneration Committee
13 March 2025

Directors' responsibilities statement

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, 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 Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the

Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

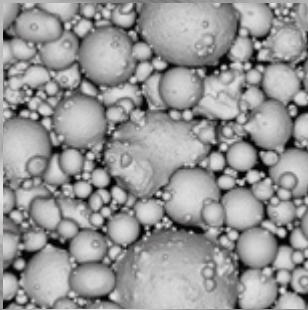
Each of the Directors, whose names and functions are listed in the Governance Report, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

FINANCIAL STATEMENTS.



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Independent auditors' report to the members of Bodycote plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Bodycote plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2024 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report 2024 (the "Annual Report"), which comprise: the Consolidated and the Company balance sheets as at 31 December 2024; the Consolidated income statement and the Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and the Company statements of changes in equity for the year then ended; the Group and the Company accounting policies; and the notes to the Consolidated and Company financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 28 to the consolidated financial statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Our audit included full scope audits of twenty-one components (two of which are financially significant due to their relative size); audit procedures over certain financial statement line items were also performed at six further components as well as other Group level audit procedures. This gave us coverage of 75% of the Group's revenue and 71% of the Group's absolute adjusted profit before taxation. There were no significant changes to the Group's operations during the year.

Key audit matters

- Accounting for the Optimisation programme (Group and Company)
- Valuation of other intangible assets – Lake City Heat Treating acquisition (Group)
- Valuation of goodwill (Group)
- Valuation of the ERP intangible asset (Group and Company)
- Valuation of uncertain tax positions (Group)
- Valuation of the defined benefit obligations of the UK scheme (Group and Company)

Materiality

- Overall Group materiality: £6,000,000 (2023: £6,200,000) based on approximately 5% of adjusted profit before tax.
- Overall Company materiality: £7,000,000 (2023: £4,300,000) based on approximately 1% of total assets but capped at £3,500,000 (2023: £2,500,000) for the purposes of the Group audit.
- Performance materiality: £4,500,000 (2023: £4,650,000) (Group) and £5,250,000 (2023: £3,200,000) but capped at £2,625,000 (2023: £1,875,000) for the purposes of the Group audit (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

Accounting for the Optimisation programme (Group and Company), Valuation of other intangible assets – Lake City Heat Treating acquisition (Group) and Valuation of the ERP intangible asset (Group and Company) are new key audit matters this year. Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report to the members of Bodycote plc continued

Key audit matter

Accounting for the Optimisation programme (Group and Company)

Refer to Note 3 (Exceptional items), Note 9 (Property, plant and equipment) and Note 19 (Provisions) of the consolidated financial statements and the areas of focus in the Report of the Audit Committee.

In December 2024 the Group announced an Optimisation programme ("the Programme"), which has resulted in the closure, or planned closure, of a number of sites across the Group, a revised strategy and operational focus and the removal of certain non-core operational lines which will no longer be used. The Programme has resulted in additional costs associated with severance and redundancy and site closures, including the impairment of property, plant and equipment no longer planned for use in the business.

Management has presented the associated costs as exceptional items. There is judgement as to whether the costs are exceptional, as well as over the point at which the associated costs of the Programme should be recognised. The provisions for redundancies and site closures, and the recognition of impairments, include estimation where the final costs are not yet known, or judgement as to whether assets have further use to the business in the short term.

Certain costs recognised were recorded in the Company financial statements and therefore the key audit matter is relevant for both the Group and the Company.

We identified a significant risk over the valuation of provisions recognised and assets impaired, given the estimation and judgement involved in the associated accounting treatment. Given the level of audit effort and judgements involved, this was a key audit matter.

Valuation of other intangible assets – Lake City Heat Treating acquisition (Group)

Refer to Note 7 (Goodwill), Note 8 (Other intangible assets) and Note 22 (Acquisition of business) of the consolidated financial statements and the areas of focus in the Report of the Audit Committee.

In January 2024 the Group completed the acquisition of Lake City Heat Treating, recognising £39.9m of other intangible assets, mainly relating to customer relationships (£39.4m). The valuation of the other intangible assets is complex and subject to a number of judgements.

Given the complexity involved and the material quantum of the accounting estimate, we identified the valuation of the other intangible assets recognised as a significant risk. The nature of the risk and the related audit effort resulted in this being a key audit matter.

How our audit addressed the key audit matter

With respect to the accounting for the optimisation programme, we performed the following audit procedures:

We reviewed management's accounting policies and presentation of the items recorded as exceptional. We challenged the judgements and estimates made by management; our audit work in this area was supported by our component teams.

For provisions recognised our audit work included verifying the internal announcements made to impacted plants and/or employees and testing the accuracy of the amounts recorded. In particular, we focused on whether constructive obligations existed for these events at the year end.

For the impairment of assets, we tested that the charges recognised represented a full impairment of the carrying value of the assets that are no longer to be used or sold. Where assets had not been fully impaired, we tested that the assets will continue to be used in the short term, and that the residual value retained after recognition of an impairment charge is supported by the remaining expected useful economic lives. Where plant closures or equipment scrappage was significant, we also obtained the relevant approval from executive management to proceed with that capital initiative.

We considered whether the presentation of these items as exceptional was in accordance with the Group's accounting policy and other guidance in this area.

We considered the appropriateness of the disclosures in the consolidated financial statements. Based on the audit procedures performed, we noted no material issues.

With respect to the valuation of the other intangible assets recognised on the Lake City Heat Treating acquisition, we performed the following audit procedures:

- We engaged our internal valuation experts to support us in our assessment of the completeness of the intangible assets identified and the appropriateness of the methodology adopted by management to value the intangible assets identified as part of the acquisition.
- With our internal valuation experts, we evaluated the appropriateness of the key assumptions used to value the intangible assets. In particular, our work focused on customer relationships given the value attributed to this intangible asset. Our procedures assessed the appropriateness of assumptions around forecast cash flows for the business, the customers identified, the discount rate and the attrition rates applied.
- We challenged the forecast cash flows by considering the historical performance and growth of the acquired business, the relative performance of parts of the existing business of the Group as well as external market data for the relevant sectors.

We considered the appropriateness of the disclosures in the consolidated financial statements. Based on the audit procedures performed, we noted no material issues.

Independent auditors' report to the members of Bodycote plc continued

Key audit matter

Valuation of goodwill (Group)

Refer to Note 3 (Exceptional items) and Note 7 (Goodwill) of the consolidated financial statements, as well as the areas of focus in the Report of the Audit Committee.

The Group has recognised £207.0m (2023: £221.5m) of goodwill in the consolidated balance sheet as at 31 December 2024. Management recorded an impairment charge against goodwill of £18.0m in respect of the NA AGI CGU during the year.

For the cash generating units ("CGUs") to which goodwill relates (which require an annual impairment test), the determination of the recoverable amount, being the higher of value in use and fair value less costs of disposal ("FVLCD"), requires judgement and estimation by management. This is because the determination of a recoverable amount includes management's consideration of key internal inputs and external market conditions such as future market volumes and pricing trends in those industries in which its customers operate, which impacts future cash flows, and the determination of the most appropriate discount rate. Where a FVLCD approach was applied, this assessment also considered the forecast cash flows from the Optimisation programme.

We identified the North America Automotive & General Industrial ("NA AGI") and North America Surface Technologies ("NA ST") goodwill balances as significant audit risks due to the lower level of headroom relative to the carrying value of these CGUs and the material goodwill balances held in these CGUs.

The nature of the risk and the related audit effort resulted in this being a key audit matter.

How our audit addressed the key audit matter

With respect to the valuation of goodwill, we performed audit procedures as set out below. Our audit procedures were focused on the significant risk CGUs – NA AGI and NA ST:

- We tested the integrity of management's impairment calculation and its mathematical accuracy, and corroborated the forecasts used to the Board approved budget and High-Level Plan.
- We performed lookback reviews to understand how accurate management has been in its forecasting historically and to verify historic growth rates achieved.
- We challenged management's key assumptions for revenue, profit and cash flow forecasts by comparing them with third party industry market data, where available, and considered the allocation of central costs and central assets to the CGUs. In particular, we challenged management on the growth projections for the NA AGI and NA ST business.
- We utilised internal valuation experts to assess the long-term growth assumptions beyond year 5, by comparing this to economic forecasts, and discount rates, by independently calculating a range for this rate.
- For NA AGI and NA ST, in light of the FVLCD approach adopted, we evaluated the appropriateness of management's expected improvements for the business under the Group's Optimisation programme. We also assessed the FVLCD against comparable market multiples for similar businesses.
- We agreed the underlying carrying values of the CGUs to audited financial information.
- We reviewed management's sensitivity analyses to assess whether they were appropriate and also tested their mathematical accuracy. We supplemented this with our own sensitivity analyses to determine if any further impairment risks existed. We considered additional specific factors, including management's self-identified impacts of climate change, and were satisfied that the level of management's sensitivity took these factors into account.
- We recalculated the impairment charge recognised for NA AGI.

We considered the appropriateness of the disclosures in the consolidated financial statements, which included an assessment of the presentation of the impairment charge recorded as an exceptional item. Based on the audit procedures performed, we noted no material issues.

Independent auditors' report to the members of Bodycote plc continued

Key audit matter

Valuation of the ERP intangible asset (Group and Company)

Refer to Note 3 (Exceptional items) and Note 8 (Other intangible assets) of the consolidated financial statements, and Note 3 (Intangible assets) of the Company financial statements, as well as the areas of focus in the Report of the Audit Committee.

During the year the Group reassessed the planned roll-out of the ERP, which is recognised as an intangible asset on the Consolidated and Company Balance Sheets. During the year the Group abandoned the operations module which was under development and recognised an impairment of £28.4m (2023: £nil). The finance and procurement module has been retained and has not been impaired.

The impairment charge recognised in respect of the operations module has been determined based on an allocation of the total external and internal costs incurred in the overall ERP development. The allocation is an estimate and is therefore subject to management judgement.

Given the material nature of the charge and the judgement involved, we identified an elevated risk over the valuation of the ERP. The nature of the risk and the related audit effort resulted in this being a key audit matter.

Valuation of uncertain tax positions (Group)

Refer to Note 5 (Taxation Charge) and Note 17 (Deferred Tax) of the consolidated financial statements and the areas of focus in the Report of the Audit Committee.

The Group has operations in a number of geographical locations and as such is subject to multiple tax jurisdictions, giving rise to complexity in accounting for the Group's taxation.

In particular, the interpretation of complex tax regulations and the unknown future outcome of pending rulings by the tax authorities results in the need to provide against a number of uncertain tax positions. The Group undertakes financing activities between jurisdictions and non-financing cross border transactions, which require judgement to determine the appropriate tax charge and any associated provisions. These transactions result in the recognition of material provisions for tax of £24.9m (2023: £26.4m). The nature of the risk and the related audit effort resulted in this being a key audit matter.

How our audit addressed the key audit matter

With respect to the valuation of the ERP we performed the following audit procedures:

- We verified the Board's decision to abandon the operations module of the ERP and the appropriateness of an impairment charge being recognised in the year under IAS 36.
- We obtained management's assessment of the total ERP costs to be allocated between the operational module and the finance and procurement module, and tested the allocation as set out below.
- For external costs that had been capitalised, we audited the allocation of costs to each ERP module based on an analysis provided by management's third-party service provider. We met with, and challenged the service provider directly, to verify the cost allocation.
- For internal costs that had been capitalised, which were largely employee costs, we tested a sample of costs to payslips to verify the accuracy of the amounts capitalised, and held corroborative discussions with a sample of individual employees to verify that the allocation of their time was in line with management's analysis supporting the impairment charge.
- We performed sensitivity analysis to assess the impact of reasonably possible changes to management's assumptions, noting no material variances.

We considered the appropriateness of the disclosures in the consolidated financial statements and the Company financial statements. We also assessed the presentation of the impairment charges recorded as exceptional items. Based on the audit procedures performed, we noted no material issues.

Our audit work, which involved taxation audit specialists at the Group level, included the assessment of the Group's uncertain tax positions.

Our audit procedures included:

- Considering the current status of new and historical tax assessments and investigations to monitor developments in ongoing disputes, in addition to reviewing correspondence with tax authorities.
- Reviewing external tax advice received by the Group, where relevant, to satisfy ourselves that the tax provisions had been appropriately recorded or adjusted to reflect the latest tax legislative developments.
- Understanding management's rationale based on internal analysis and other supporting information.
- Assessing significant transactions to identify uncertain tax positions that may arise from those transactions.
- Determining whether the tax provisions were recognised and measured in accordance with the relevant accounting standards.

In addition, we considered the appropriateness of the disclosures in the consolidated financial statements. Based on the audit procedures performed, we noted no material issues.

Independent auditors’ report to the members of Bodycote plc continued

Key audit matter	How our audit addressed the key audit matter
Valuation of the defined benefit obligations of the UK scheme (Group and Company) Refer to the Group’s accounting policies, Note 26 (Retirement benefit schemes) and the areas of focus in the Report of the Audit Committee. The Group operates a number of defined benefit pension schemes across different territories. The Group’s most significant scheme, which is held by the Company and therefore relevant to the Company also, is the Bodycote UK Pension Scheme (the “UK scheme”). The UK scheme had a defined benefit obligation of £54.8m (2023: £62.7m) at 31 December 2024. Accounting for the UK scheme is complex and necessitates a higher level of audit effort. The Group relies on management’s experts to determine the valuation of the UK scheme’s defined benefit obligation, and the valuation involves estimation and judgement in selecting appropriate actuarial assumptions. On this basis we identified the valuation of the defined benefit obligation for the UK scheme as an elevated risk for the audit. Given the heightened risk and greater audit effort required, we have included it as a Key Audit Matter for both the Group and the Company.	With respect to the UK scheme, the following procedures were performed: – We assessed the pension assumptions used to derive the scheme obligations, including discount rates, inflation and mortality, using our internal actuarial experts where necessary. We also considered and challenged the appropriateness of the actuarial assumptions against our internally developed benchmark ranges. In order to evaluate the reasonableness of management’s estimate, our experts also compared their independent estimate to management’s estimate. – We performed testing to verify that the obligations were consistent with the most recent funding valuations and that the movement in the obligations during the year was reasonable. We considered the appropriateness of the related disclosures in the consolidated and Company financial statements. Based on the audit procedures performed, we noted no material issues.

Independent auditors’ report to the members of Bodycote plc continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The financial statements are a consolidation of components, comprising the Group’s operating businesses and centralised functions. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at components by us, as the Group engagement team, or component auditors of other PwC network firms operating under our instruction. Our audit included full scope audits of twenty-one components (two of which are financially significant due to their relative size). The significant components were based in the USA, audited by the Group audit team, and France. Audit procedures over certain financial statement line items were also performed at six further components and central testing was performed on selected items, such as goodwill, uncertain tax positions and the consolidation, primarily to ensure appropriate audit coverage. This gave us coverage of 75% of the Group’s revenue and 71% of the Group’s absolute adjusted profit before taxation.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them. These instructions covered the significant areas that should be addressed by the component auditors (which included the relevant risks of material misstatement) and set out the information required to be reported back to the Group audit team. We spent time with our material component teams during the interim and execution phases of the audit, and we attended all their local clearance meetings. Throughout the audit, we also visited our Czech Republic team at the Group’s Prague Shared Services Centre, given the extent of testing they perform which supports the financial accounting for the majority of the Group’s European businesses. In addition, we maintained our oversight of all component audit teams through regular meetings and other forms of communication as considered necessary. We received reporting from all our component teams, and supplemented this with remote and in-person working paper reviews to satisfy ourselves as to the appropriateness of the audit work performed by each component team. This, together with the additional procedures performed centrally at the Group level, gave us the evidence we needed for our opinion on the financial statements as a whole.

The impact of climate risk on our audit

In planning our work, including identifying areas of audit risk and determining an appropriate response, we were mindful of the continued focus on the impact of climate change risk on companies and their financial reporting, and also that the Group has identified climate change as a principal risk. Climate change risk is expected to have an impact on the Group’s business as the operations and strategy of the Group evolve to address the potential physical and transition risks that could arise and the opportunities associated with climate change, including from its customer base. Climate change-related initiatives and commitments impact the Group in a variety of ways, as described within the Annual Report. We challenged the completeness of management’s climate risk assessment by considering the appropriateness of extending the cash flows as modelled in the Group’s impairment assessment into perpetuity and assessing how management had considered the impact of the Group’s sustainability initiatives on the cash flows included in this assessment.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Financial statements – Group	Financial statements – Company
Overall materiality	£6,000,000 (2023: £6,200,000).	£7,000,000 (2023: £4,300,000) but capped at £3,500,000 (2023: £2,500,000) for the purposes of the Group audit.
How we determined it	Approximately 5% of adjusted profit before tax	Approximately 1% of total assets
Rationale for benchmark applied	Adjusted profit before tax is the primary benchmark used by management and other stakeholders in monitoring the performance of the Group.	The Company holds the Group’s investments in subsidiary companies. The strength of the balance sheet is the key measure of financial health that is important to shareholders as this determines the Company’s ability to pay dividends. For the purpose of the Group audit, the allocated component overall materiality was capped at £3,500,000.

Independent auditors' report to the members of Bodycote plc continued

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £500,000 and £4,500,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £4,500,000 (2023: £4,650,000) for the Group financial statements and £5,250,000 (2023: £3,200,000) for the Company financial statements, capped at £2,625,000 (2023: £1,875,000) for the purposes of the Group audit.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £300,000 (Group audit) (2023: £310,000) and £300,000 (Company audit) (2023: £215,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the Directors' assessment and understanding the assumptions used in the base case scenario and the severe but plausible downside scenario, including verifying the modelling performed and compliance with the Group's covenants on its borrowing facilities throughout the going concern period;
- Agreeing the budget and forecasts used in the base case scenario to the Board approved forecasts and evaluating the appropriateness of key assumptions used in determining these cash flows, including considering these in the context of wider market data and the Group's historical performance; and
- Challenging the appropriateness of the severe but plausible downside scenario adopted by management, including considering the relevant downside risks that the Group may face over the going concern period.

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 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and the Directors' report

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 year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and the Directors' report.

Directors' report on Remuneration

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

Independent auditors' report to the members of Bodycote plc continued

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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 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 Company or to 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.

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.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to taxation and employment law, including legislation relating to pensions, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries meeting our defined risk criteria and management bias in accounting estimates and judgements. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

Independent auditors' report to the members of Bodycote plc continued

- Discussions with management, Internal Audit, the Audit Committee and the Group's internal legal counsel, including consideration of potential instances of non-compliance with laws and regulation and fraud;
- Reviewing minutes of meetings of those charged with governance including the Board, Audit Committee and Remuneration Committee;
- Incorporating unpredictability into the audit procedures we performed;
- Substantive testing of journal entries which met a defined risk criteria; and
- Challenging assumptions and judgements made by management in their critical accounting estimates and judgements, including the key audit matters described above.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- 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
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' report on remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 24 May 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 December 2019 to 31 December 2024.

Other matter

The Company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R–4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

13 March 2025

Consolidated income statement

For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Revenue	1	757.1	802.5
Cost of sales and overheads ¹	2	(647.8)	(694.4)
Other operating income	2	9.7	12.6
Other operating expenses ¹	2	(0.4)	(1.3)
Net impairment losses on financial assets	12,16	(2.4)	(0.2)
Operating profit before exceptional items	1,2	116.2	119.2
Exceptional items	3	(78.3)	–
Operating profit	2	37.9	119.2
Finance income	4	0.8	0.8
Finance charges	4	(10.3)	(8.3)
Profit before taxation		28.4	111.7
Taxation charge	5	(7.7)	(24.9)
Profit for the year		20.7	86.8
Attributable to:			
Equity holders of the Parent		20.0	85.6
Non-controlling interests		0.7	1.2
		20.7	86.8
Earnings per share	6		
		Pence	Pence
Basic		10.8	45.1
Diluted		10.7	44.8

1 Excludes exceptional items. Total cost of sales and overheads, including exceptional items are £648.5m (2023: £694.4m), net impairment losses on financial assets are £2.7m (2023: £0.2m) and total other operating expenses including exceptional items are £77.7m (2023: £1.3m).

The notes to the consolidated financial statements on pages 141 to 165 form an integral part of the consolidated financial statements.

All activities have arisen from continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Profit for the year		20.7	86.8
Items that will not be reclassified to profit or loss:			
Actuarial losses on defined benefit pension schemes	26	(0.3)	(0.1)
Tax on retirement benefit obligations that will not be reclassified	17	(0.1)	–
Total items that will not be reclassified to profit or loss		(0.4)	(0.1)
Items that may be reclassified subsequently to profit or loss:			
Exchange losses on translation of overseas operations		(13.8)	(29.7)
Movements on hedges of net investments	16	4.1	1.5
Movements on cash flow hedges		(0.1)	0.4
Total items that may be reclassified subsequently to profit or loss		(9.8)	(27.8)
Total other comprehensive expense for the year		(10.2)	(27.9)
Total comprehensive income for the year		10.5	58.9
Attributable to:			
Equity holders of the parent		10.1	58.5
Non-controlling interests		0.4	0.4
		10.5	58.9

The notes to the consolidated financial statements on pages 141 to 165 form an integral part of the consolidated financial statements.

Consolidated balance sheet

At 31 December 2024

	Note	2024 £m	2023 £m
Non-current assets			
Goodwill	7	207.0	221.5
Other intangible assets	8	114.4	111.2
Property, plant and equipment	9	481.2	504.9
Right-of-use assets	10	56.4	58.5
Deferred tax assets	17	7.0	2.6
Trade and other receivables	12	2.8	1.3
		868.8	900.0
Current assets			
Inventories	11	28.1	29.5
Current tax assets		10.1	13.1
Trade and other receivables	12	141.3	148.4
Cash and bank balances	13	19.1	45.2
Assets held for sale	14	–	0.5
		198.6	236.7
Total assets		1,067.4	1,136.7
Current liabilities			
Trade and other payables	18	146.7	122.7
Current tax liabilities	5	32.2	46.0
Borrowings	15	87.4	32.6
Lease liabilities	10	13.1	11.8
Provisions	19	11.9	12.0
		291.3	225.1
Net current (liabilities)/assets		(92.7)	11.6

	Note	2024 £m	2023 £m
Non-current liabilities			
Lease liabilities	10	50.4	52.5
Retirement benefit obligations	26	11.3	11.1
Deferred tax liabilities	17	41.2	51.8
Provisions	19	2.5	3.0
Other payables	18	0.8	0.9
		106.2	119.3
Total liabilities		397.5	344.4
Net assets		669.9	792.3
Equity			
Share capital	20	31.6	33.1
Share premium account		177.1	177.1
Own shares		(11.1)	(15.6)
Capital redemption reserve		131.3	129.8
Other reserves		10.0	10.1
Translation reserves		38.8	52.3
Retained earnings		290.4	404.0
Equity attributable to equity holders of the parent		668.1	790.8
Non-controlling interests		1.8	1.5
Total equity		669.9	792.3

The notes to the consolidated financial statements on pages 141 to 165 form an integral part of the consolidated financial statements.

The financial statements of Bodycote plc, registered number 519057, were approved by the Board of Directors and authorised for issue on 13 March 2025. They were signed on its behalf by:

Jim Fairbairn
Director

Ben Fidler
Director

Consolidated cash flow statement

For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Net cash from operating activities	23	152.6	191.6
Investing activities			
Purchases of property, plant and equipment	9,18	(70.1)	(74.1)
Proceeds on disposal of property, plant and equipment		13.4	10.4
Purchases of other intangible assets	8	(4.1)	(8.3)
Acquisition of businesses, net of cash acquired	22	(52.2)	–
Net proceeds on disposal of business	3	0.4	–
Loans issued		(1.0)	–
Interest received		0.8	0.8
Net cash used in investing activities		(112.8)	(71.2)
Financing activities			
Interest paid		(9.7)	(7.2)
Dividends paid	21	(42.9)	(40.6)
Principal elements of lease payments		(13.5)	(13.1)
Drawdown of bank loans		75.2	25.7
Repayments of bank loans		(19.0)	(61.8)
Ordinary shares purchased for share buyback		(57.7)	–
Own shares purchased to be held as treasury shares		–	(13.2)
Net cash used in financing activities		(67.6)	(110.2)
Net (decrease)/increase in cash and cash equivalents		(27.8)	10.2
Cash and cash equivalents at beginning of year		44.7	36.2
Effect of foreign exchange rate changes		(0.9)	(1.7)
Cash and cash equivalents at end of year	23	16.0	44.7

The notes to the consolidated financial statements on pages 141 to 165 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2024

	Share capital £m	Share premium account £m	Own shares £m	Capital redemption reserve £m	Other reserves £m	Translation reserves £m	Retained earnings £m	Equity attributable to equity holders of the parent £m	Non-controlling interests £m	Total equity £m
1 January 2023	33.1	177.1	(5.2)	129.8	5.1	81.2	359.8	780.9	1.1	782.0
Profit for the year	–	–	–	–	–	–	85.6	85.6	1.2	86.8
Exchange differences on translation of overseas operations	–	–	–	–	–	(28.9)	–	(28.9)	(0.8)	(29.7)
Movements on hedges of net investments	–	–	–	–	1.5	–	–	1.5	–	1.5
Movements on cash flow hedges	–	–	–	–	0.4	–	–	0.4	–	0.4
Actuarial gains on defined benefit pension schemes net of deferred tax	–	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Total comprehensive income for the year	–	–	–	–	1.9	(28.9)	85.5	58.5	0.4	58.9
Ordinary shares acquired	–	–	(13.2)	–	–	–	–	(13.2)	–	(13.2)
Settlement of share awards	–	–	2.8	–	(2.0)	–	(0.8)	–	–	–
Share-based payments	–	–	–	–	5.1	–	–	5.1	–	5.1
Deferred tax on share-based payment transactions	–	–	–	–	–	–	0.1	0.1	–	0.1
Dividends	–	–	–	–	–	–	(40.6)	(40.6)	–	(40.6)
31 December 2023	33.1	177.1	(15.6)	129.8	10.1	52.3	404.0	790.8	1.5	792.3
Profit for the year	–	–	–	–	–	–	20.0	20.0	0.7	20.7
Exchange differences on translation of overseas operations	–	–	–	–	–	(13.5)	–	(13.5)	(0.3)	(13.8)
Movements on hedges of net investments	–	–	–	–	4.1	–	–	4.1	–	4.1
Movements on cash flow hedges	–	–	–	–	(0.1)	–	–	(0.1)	–	(0.1)
Actuarial losses on defined benefit pension schemes net of deferred tax	–	–	–	–	–	–	(0.4)	(0.4)	–	(0.4)
Total comprehensive income for the year	–	–	–	–	4.0	(13.5)	19.6	10.1	0.4	10.5
Ordinary shares acquired	(1.5)	–	–	1.5	–	–	(90.6)	(90.6)	–	(90.6)
Settlement of share awards	–	–	4.5	–	(4.7)	–	0.2	–	–	–
Share-based payments	–	–	–	–	0.6	–	–	0.6	–	0.6
Dividends	–	–	–	–	–	–	(42.8)	(42.8)	(0.1)	(42.9)
31 December 2024	31.6	177.1	(11.1)	131.3	10.0	38.8	290.4	668.1	1.8	669.9

Notes to the consolidated financial statements on pages 141 to 165 form an integral part of the consolidated financial statements.

Other reserves include a share-based payments reserve of £5.5m (31 December 2023: £9.7m).

The capital redemption reserve of £131.3m consists of £129.8m transferred from retained earnings on the conversion of B shares into deferred shares in 2008 and 2009 and £1.5m arising on the share buyback programmes announced in January 2024 and December 2024. As at 31 December 2024 8,558,676 shares with a nominal value of 17³/₁₁p had been repurchased under the share buyback programmes which were announced in January 2024 (commenced March 2024) and December 2024

(to commence in 2025), for a total consideration of £57.7m (including costs £0.4m). A liability of £32.9m has been recognised relating to the Group's remaining contractual commitment to buy shares under the share buyback programmes as at 31 December 2024. Refer to note 20 for more information.

The own shares reserve represents the cost of shares in Bodycote plc purchased in the market and held by the Bodycote International Employee Benefit Trust to satisfy share-based payments under the Group's incentive schemes. As at 31 December 2024, 1,627,781 (31 December 2023: 2,292,243) ordinary shares of 17³/₁₁p each were held by the Bodycote International Employee Benefit Trust.

Group accounting policies

Year ended 31 December 2024

Basis of preparation

The financial statements of the Group have been prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared on the historical cost basis, except for items that are required by IFRS to be measured at fair value, principally certain financial instruments measured at fair value, and retirement benefit assets. Historical cost is generally based on the fair value of the consideration given up in exchange for the assets.

The accounting policies have been applied consistently throughout the current and preceding year.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Bodycote plc ('the Company') and entities controlled by the Company (its subsidiaries and together, 'the Group') made up to 31 December 2024. A subsidiary is an entity controlled, directly or indirectly, by the Company. Control exists when the Company has power to direct the activities of an entity that most significantly affect its returns, exposure or rights to the variable returns of the entity and the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date that the Company obtains control of the subsidiary until the date that its control ceases. Where necessary, adjustments are made to subsidiary financial statements to bring their accounting policies in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from equity attributable to shareholders of the parent. Non-controlling interests that represent current ownership interests entitling their holders to a proportionate share of net assets upon liquidation are initially measured at fair value. Subsequent to acquisition, the carrying amount are adjusted for the non-controlling interests' share of subsequent profits and losses less any distributions made to the non-controlling interest holders.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of both the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the adjustment to a non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Going concern

In determining the basis of preparation for the consolidated financial statements, the Directors have considered the Group's business activities, together with the factors likely to affect its future development, performance and position. The Chief Financial Officer's report included in this Annual Report includes a summary of the Group's financial position, cash flows, liquidity position and borrowings.

The Directors have considered the current and plausible impact of macroeconomic factors in preparing their going concern assessment, including ongoing conflicts, energy price instability, global manufacturing trends and other factors and risks on the Group's activities, performance and revenue. The Group has modelled a base case, which reflects the Directors' current expectations of future trading in addition to potential severe but plausible impacts on revenue, profits and cash flows in a downside scenario.

In preparing the scenarios, the assessment has considered both liquidity and compliance with the Group's covenants. The key covenants attached to the Group's Revolving Credit Facility relate to financial gearing (net debt to EBITDA) and interest cover, which are measured on a pre-IFRS 16 basis. The maximum financial gearing ratio permitted under the covenants is 3.0x (with a one-time acquisition spike at 3.5x) and the minimum interest cover ratio permitted is 4.0x. In both the base case and the severe but plausible downside scenario modelled, the Group continues to maintain sufficient liquidity and meet its gearing and interest cover covenants under the Revolving Credit Facility with substantial headroom.

Management's base case scenario is built upon the budgeting and forecasting processes for 2025 and extended up to June 2026. It includes the £30m share buyback extension that was announced in December 2024. This model shows an improvement in performance in both revenue and profits compared to 2024. The Group's recent record of cash conversion was used to estimate the cash generation and level of net debt over that period.

The severe but plausible downside scenario assumes a significant decline in revenue of around 16% below the base case modelled through to the end of June 2026, giving a 13% year on year decline in 2025. This downside takes account of short-term negative shock events specific to the Group's end-markets which are intentionally more severe than those used in the impairment analysis. In mitigation to this severe sales decline, a 5% reduction in maintenance capital expenditure and a 50% reduction in other capital expenditure compared to the base case has been assumed, together with an assumption that there is no growth in dividends from 2024 to 2025.

Management also performed a reverse stress test. This indicated that 2025 revenue would need to decline by over 21% compared to 2024 levels with no growth in 2026 before the Group's loan covenants were breached at the June 2026 test date. In this scenario, minimum liquidity was over £50m throughout the entire period. This scenario included the same mitigations as the downside scenario.

The Group meets its working capital requirements through a combination of committed and uncommitted facilities and overdrafts. For the purposes of the going concern assessment, the Directors have only taken into account the capacity under existing committed facilities, being predominantly the Group's Revolving Credit Facility.

Group accounting policies continued

Year ended 31 December 2024

The Group has access to a £251.0m Revolving Credit Facility maturing in September 2029. The Group's committed facilities as at 31 December 2024 totalled £259.7m while uncommitted facilities totalled £62.3m. At 31 December 2024, the Group's committed facilities had drawings of £84.3m (2023: £32.2m) and the Group's net debt (excluding lease liabilities) was £68.3m (2023: net cash (excluding lease liabilities) of £12.6m). The liquidity headroom was £194.4m as at 31 December 2024 (2023: £273.5m), excluding uncommitted facilities.

Following this assessment, the Directors have formed a judgement, at the time of approving the financial statements, that there are no material uncertainties that cast doubt on the Group's going concern status and that it is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the approval date of the consolidated financial statements. For this reason, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Revenue recognition

The Group predominantly has one revenue stream relating to thermal processing services with either identifiable customer contracts or specific terms and conditions that constitute a contract. Revenue is recognised net of discounts, VAT and other sales-related taxes. The Group's right to consideration equates to the value of the services provided, the transaction price of which is based upon pricing as agreed with the customer. In general, the services provided to the Group's customers consist of one performance obligation, being the delivery of a service which happens either at a point in time or over a short time frame. Revenue is recognised on completion of the service rendered as any spreading of revenue over a short time frame during which some services are performed would not have a material impact on revenue recognition. Where multiple performance obligations are determined to exist in one transaction, the allocation of transaction price and delivery of services are considered on a case-by-case basis. The determination of the transaction price is based upon pricing as agreed with the customer. In general, there are limited instances of judgements made in assessing revenue recognition under IFRS 15 given the relative simplicity of the contracts.

In certain cases, the Group will use third parties as part of delivering customer contracts. When a third party is involved in providing goods or services, the Group determines if there is a principal or an agency relationship with that third party. Due to the nature of the contractual arrangements, it is initially assumed that the Group enters into a principal relationship with third-party contractors recognising the related revenue on a gross basis, with related costs included in cost of sales and overheads in the consolidated income statement. In circumstances where the Group involvement with the third party is considered to be an agency activity the revenue and direct costs of sale are recorded on a net basis in revenue in the consolidated income statement.

Other operating income

Other operating income represents asset sales, government support, scrap sales and other items of operating income not generated in the normal course of business.

Other operating expenses

Other operating expenses are generated from activities outside of the Group's normal course of business, which includes redundancy and severance payments, impairments of assets and other items of operating expenses not generated in the normal course of business.

Foreign currencies

Transactions in currencies other than an entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date, with gains and losses arising on retranslation included in net profit or loss for the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered into to hedge certain foreign currency risks (see page 155); and
- Exchange differences on monetary items receivable from, or payable to, a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation). These exchange differences are recognised initially in the consolidated statement of comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Where exchange differences arise they are classified as equity and transferred to the Group's translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Government grants

Economic support provided to the Group as part of government and state initiatives to support local economies is recorded in the consolidated income statement on the date at which the conditions attached to the receipt of such assistance have been met, in the period it becomes receivable. General economic support is presented within other operating income in the consolidated income statement or, where appropriate, net against the applicable costs within cost of sales and overheads.

Operating profit

Operating profit is stated after charging restructuring costs, goodwill impairment, impairment of tangible and intangible assets, amortisation of acquired intangible assets, support from government assistance, but before finance income and finance costs.

Dividends

Interim dividend distributions to Bodycote plc's ordinary shareholders are recognised when paid. Final dividends are accrued when approved by the ordinary shareholders at the Group's Annual General Meeting.

Group accounting policies continued

Year ended 31 December 2024

Borrowing costs

Borrowing costs are recognised as finance costs in the consolidated income statement in the period in which they are incurred. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Interest costs on borrowings are expensed to the consolidated income statement as they fall due and accounted for as financing cash flows when settled.

Exceptional items

The Group considers exceptional items to be those which derive from events or transactions which are significant for separate disclosure by virtue of their collective size or incidence in order for the user to obtain a proper understanding of the Group's financial performance. These items include, but are not limited to, costs associated with significant restructuring and reorganisations and directly related actions, impairment charges, significant profits and losses on disposal of subsidiaries and other one-off items which meet this definition. Subsequent adjustments to items previously recognised as exceptional will normally also be reflected as exceptional items in future periods.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. If the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated income statement.

Goodwill is not amortised but is allocated to cash generating units (CGU's) and tested annually for impairment or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to assets of the CGU on a pro-rata basis. Any impairment loss recognised for goodwill cannot be reversed in a subsequent period.

On disposal of an operation, the attributable amount of goodwill is calculated based on the relative value of the operation disposed of and the portion of the CGU/Group of CGUs retained, and included in the determination of the profit or loss on disposal.

Other intangible assets

Intangible assets with finite useful lives acquired separately are carried at cost less accumulated amortisation and impairment losses. Intangible assets under development are carried at cost (less any accumulated impairment losses) until available for use. Intangible assets acquired in a business combination are initially recognised at fair value at the acquisition date (regarded as their cost) and subsequently reported at cost less accumulated amortisation and impairment losses.

Costs associated with maintaining software programmes are recognised in the consolidated income statement within cost of sales and overheads. Development costs directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets and include third-party costs and employee costs. These assets are amortised from the month in which the asset is available for its intended use.

Annual licence agreements to use Cloud software are treated as a service agreement and recognised in the consolidated income statement within cost of sales and overheads. Perpetual licences to use Cloud software are capitalised if the Group has both a contractual right to the software and the ability to run the software independently of the host vendor. Customisation and configuration costs related to the implementation of a Cloud-based solution are expensed unless they create an asset that is separate and identifiable from the software.

Amortisation of intangible assets is recognised in the consolidated income statement within cost of sales and overheads on a straight-line basis over their estimated useful lives, on the following bases:

Software	7%–33%
Non-compete agreements	20%–33%
Customer relationships	7%–10%

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged to the income statement within cost of sales and overheads and on a straight-line basis to write down the value of assets over their estimated useful lives at the depreciation rates below. Land is not depreciated.

The principal rates for depreciation are as follows:

Freehold buildings	2%
Leasehold improvements	Over the projected life of the lease
Fixtures and fittings	10%–20%
Plant and machinery	5%–20%
Motor vehicles	20%–33%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and recognised within other operating income in the consolidated income statement.

Assets in the course of construction are carried at cost, plus appropriate borrowing costs, less any recognised impairment loss and depreciated when the assets are ready for their intended use and have been transferred to their appropriate asset class.

Group accounting policies continued

Year ended 31 December 2024

Right-of-use assets and lease liabilities

Costs in respect of lease arrangements that are short-term in nature or relate to low value assets are charged directly to the consolidated income on a straight line basis over the term of the lease. Short-term leases are leases with a lease term of 12 months or less. Low value assets are those with a value of less than £1,000.

A lease liability is recorded in respect of all other leases. The liability is measured at the present value of the future lease payments, including fixed payments, any amounts expected to be payable by the Group under residual value guarantees and the exercise price of purchase options where it is reasonably certain that the option will be exercised, less any lease incentives receivable. The liability is generally discounted using the lessee's incremental borrowing rate except in the rare circumstances in which the interest rate implicit in the lease is easily determinable. Finance charges are recognised within finance charges in the consolidated income statement over the term of the lease. A related right-of-use asset is recognised, which is measured on initial recognition at cost. Cost is determined based on the amount initially recognised in respect of the lease liability plus advance lease payments, direct costs incurred, and an estimate of the dismantling, removal and restoration costs required by the terms and conditions of the lease. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the consolidated income statement from the lease commencement over the shorter of the useful economic life of the leased asset and the lease term unless the lease contains a purchase option which is reasonably certain to be exercised, in which case the asset is depreciated over the useful economic life of the asset.

If a lease contains an option to extend, then the lease term is determined by taking into account any extension periods for which it is reasonably certain that the Group will exercise its option to extend.

Contracts may contain both lease and non lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

If a leased asset is sub-let to a third party then the Group assesses whether the sub-lease is a finance or operating lease. If it is an operating lease then the rentals receivable are recorded in the income statement as they are earned. If it is a finance lease then a receivable is recorded representing the rental income receivable under the sub-let and the right of use asset under the lease is derecognised. Interest income is recognised in respect of the lease receivable.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible, right-of-use and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, or an asset is not in use and therefore requires an annual test, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Recoverable amount is the higher of fair value less costs to dispose and value-in-use. In assessing value-in-use, the estimated future nominal cash flows are discounted to their present value using a nominal discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lower of the asset's revised recoverable amount and the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income in the consolidated income statement.

Assets held for sale

Assets are classified and presented as held for sale at the lower of their carrying amount and fair value less cost to sell if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its current condition. Assets categorised as held for sale are not depreciated.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for under IFRS 3. The consideration for each acquisition is measured at the aggregate of the fair values at the acquisition date of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for:

- Deferred tax assets or liabilities, liabilities or assets related to employee benefit arrangements, are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payments.

Subsequent changes in fair values are adjusted against the cost of the acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of any contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS standards.

Group accounting policies continued

Year ended 31 December 2024

Retirement benefit schemes

Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement as incurred.

The cost of providing pensions under defined benefit schemes is calculated in accordance with a qualified actuarial evaluation and spread over the period during which the benefit is expected to be derived from the employees' services. The Group's net obligation or surplus in respect of defined benefit pension schemes is calculated separately for each scheme by a qualified actuary using the projected unit method by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods less the fair value of the scheme's assets. Past service costs resulting from scheme amendments or curtailments and gains or losses on settlements are charged to the consolidated income statement. If the calculation results in a surplus, the recognised asset is limited to the present value of benefits available in the form of future refunds from the plan or reductions in future contributions.

The average discount rate for the schemes' liabilities is based on investment grade rated corporate bonds or similar government bonds of suitable duration and currency. Scheme assets are measured using market values at the end of the reporting period. Actuarial gains and losses, differences between the expected and actual returns, and the effect of changes in actuarial assumptions are recognised in the consolidated statement of comprehensive income in the year they arise. Any scheme surplus (to the extent it is considered recoverable under the provisions of IFRIC 14), or deficit, is recognised in full in the consolidated balance sheet.

On plan settlement, a gain or loss on settlement is calculated as the difference between the present value of the defined benefit obligation being settled as determined on the date of the settlement and the settlement price including any plan assets transferred, and any payments made directly by the Group in connection with the settlement. This gain or loss is recognised in the income statement or other comprehensive income at the time of settlement, depending on the nature of how the gain or loss arises.

Inventories

Inventories are stated at the lower of cost and net realisable value and are accounted for on a first in, first out basis or, in some cases, a weighted-average basis if it is deemed more appropriate for the respective business. For finished goods and work-in-progress the cost comprises of direct materials and where applicable, direct labour costs and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet based on their fair value when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or they expire. With the exception of the Group's borrowings, and certain tax provisions, financial liabilities are not generally interest-bearing.

Trade Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Trade receivables are measured at original invoice amount (which is considered fair value) and subsequently held at amortised cost using the effective interest method, less any impairment allowances for estimated irrevocable amounts. Trade receivables do not carry any interest and are therefore stated at their nominal value less allowances for expected credit losses (ECL) and estimated irrecoverable amounts.

A simplified lifetime (ECL) model is used to assess trade receivables for impairment where the ECL is the present value of all cash shortfalls over the expected life of a trade receivable. Expected credit losses are based on historical loss experience on trade receivables, adjusted to reflect information about current economic conditions and reasonable and supportable forecasts of future economic conditions. At the date of initial recognition, the credit losses expected to arise over the lifetime of a trade receivable are recognised as an impairment within costs of sales and overheads in the consolidated income statement.

Cash and bank balances

Cash and bank balances comprise cash in hand and 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. Overdrafts are presented as gross or offset against cash and bank balances depending on whether the Group has the right and intention to settle the balances as net.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at fair value, net of transaction costs. Finance charges, including premiums payable on settlement or redemption, and direct issue costs, are accounted for on an accruals basis to the consolidated income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derivative financial instruments

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles for the use of derivative financial instruments. The Group uses derivative financial instruments, in particular foreign currency swaps, forward exchange contracts and cross-currency interest rate swaps to manage the financial risks arising from the business activities and the financing of those activities. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recognised as assets and liabilities measured at their fair value on the balance sheet date. Changes in the fair value of any derivative instruments that do not fulfil the criteria for hedge accounting contained in IFRS 9 Financial Instruments are recognised immediately in the consolidated income statement. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Group accounting policies continued

Year ended 31 December 2024

Net investment hedge

The Group uses foreign currency denominated borrowings to hedge its exposure to changes in the underlying value of net assets (translation exposure) in certain of its overseas operations arising from foreign exchange rate movements. The Group maintains documentation of the relationship between the hedged item and the hedging instrument at the inception of a hedging transaction together with the risk management objective and the strategy underlying the designated hedge. The Group also documents its assessment, both at the inception of the hedging relationship and subsequently on an ongoing basis, of the effectiveness of the hedge in offsetting movements in the nominal value of the hedged items.

To the extent the hedge is effective, changes in the fair value of the hedging instrument arising from the hedged risk are recognised in the consolidated statement of comprehensive income and accumulated in other reserves. The gain or loss relating to any ineffective portion is recognised immediately in the consolidated income statement and is included in other operating income or expenses.

Cash flow hedge

The Group maintains documentation of the relationship between the hedged item and the hedging instrument at the inception of a hedging transaction together with the risk management objective and the strategy underlying the designated hedge.

The Group also documents its assessment, both at the inception of the hedging relationship and subsequently on an ongoing basis, of the effectiveness of the hedge in offsetting movements in the fair values of the cash flows of the hedged items.

To the extent the hedge is effective, changes in the fair value of the hedging instrument arising from the hedged risk are recognised in the consolidated statement of comprehensive income and accumulated in other reserves. Any gain or loss relating to any ineffective portion is recognised immediately in the consolidated income statement and is included in other operating income or expenses. If the hedged item results in the recognition of a non-financial asset, the accumulated gains or losses are included within the initial cost of the asset at the time that the asset is recognised.

Hedge accounting is discontinued when the instrument expires or is sold, exercised or if it no longer meets the criteria for hedge accounting. If a forecasted transaction subject to hedge accounting is no longer expected to occur, the accumulated gain or loss in the hedging and translation reserve is recognised immediately in the consolidated income statement.

Trade and other payables

Trade and other payables are recognised at fair value which is the amounts expected to be paid to counterparties. They are subsequently held at amortised cost.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year or tax assessment adjustments made to prior years. Taxable profit differs from net profit as reported in the consolidated income statement 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. The Group's asset and liability for current tax is calculated using tax rates 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 balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 realised, based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group is able to, and intends to, settle its current tax assets and liabilities on a net basis.

Group accounting policies continued

Year ended 31 December 2024

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. If the obligation is expected to be settled within 12 months of the reporting date the provisions are included within current liabilities and if expected to be settled after 12 months are included in non-current liabilities.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, and the difference between the carrying amount and the present value of those cash flows is material to the financial statements, the carrying amount is the present value of those cash flows.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement such that the cumulative expense reflects the revised estimates with a corresponding adjustment to the equity-settled share-based payments reserve.

Critical accounting judgements and significant accounting estimates

Preparing the consolidated financial statements and applying the Group's accounting policies requires management to make estimates and judgements that affect the amounts recognised in the financial statements. Although the estimates and judgements are based on management's best information about current circumstances and future events and actions, actual results may differ and result in material variances.

Critical accounting judgements

The critical accounting judgements made in applying the Group's accounting policies are set out below:

- The Group operates in a number of countries and is subject to taxes in numerous jurisdictions. The recognition of a provision for taxes is a significant judgement that is based upon the interpretation of applicable tax legislation on a country-by-country basis and an assessment of the likely outcome of any open tax assessments. There can also be estimation involved in determining the quantum of any provision recognised in respect of uncertain tax positions. In the event that future assessments differ to the amounts provided, a subsequent tax charge or credit may arise. Further detail is included in notes 5, 17 and 27.

- In line with previous years the Group has not recognised an asset in relation to the surplus on the UK defined benefit pension scheme on the basis that the Group has concluded that it does not have an unconditional right to a refund from the scheme. Determining whether the Group has a right to a refund is a legal matter that requires significant judgement. Further detail on the Group's pensions is included, in note 26.
- During 2024 the Group recognised an impairment of £28.4m in relation to the operations module of the Group's ERP following a decision to cease its development and deployment. Management performed an analysis of the amounts capitalised in respect of the wider ERP programme to determine how much of the costs related to the operations module and how much related to the finance and procurement modules which continue to be deployed across the business. Undertaking that analysis required significant judgement, particularly in respect of certain items of historical cost that support both modules.
- The Group has separately disclosed exceptional costs of £78.3m in the consolidated income statement during the year relating to the impairments of the Group's ERP operations module, the impairment of goodwill in our North American AGI CGU and the costs of the Group's strategic restructuring programme announced in December 2024. Determining which costs meet the definition of exceptional items involves significant judgement. Further detail of the amounts reported as exceptional items is included in note 3.

Significant accounting estimates

The critical estimates made in applying the Group's policies are summarised below:

- During the year the Group has recognised an impairment of £18.0m in respect of the goodwill contained within the NA AGI CGU. Determining the recoverable amount of a CGU involves significant estimation including estimates of future revenue and profit growth, discount rates and long term growth rates. In the event that those estimates are not reflected in future trading, further impairments could arise. Further detail of the estimates taken and the sensitivity of the goodwill balance to changes in those estimates is included in note 7.

Other areas of judgement and accounting estimates

- The economy in Turkey is subject to high inflation and has qualified as a hyperinflationary economy since 2022. The Group has concluded that applying IAS 29 (Financial Reporting in Hyperinflationary Economies) would not have a material effect on the Group's financial statements and on that basis has not applied IAS 29. The Group will continue to assess this judgement in future years.
- The valuation of intangible assets arising on the acquisition of Lake City Heat Treating requires an assessment of the fair value of those assets. Refer to note 22 for further information. That assessment requires the business to determine the future benefits that a market participant would expect to obtain from those assets as well as a discount rate and so is subject to significant estimation. If different estimates were used, the valuation of goodwill and intangible assets arising on the acquisition would change with no effect on profit.

Group accounting policies continued

Year ended 31 December 2024

- The Group recognises climate change as a principal risk. In preparing the consolidated financial statements, the Directors have considered the impact of climate change as summarised in the disclosures included in the Sustainability section on pages 48 to 56 of the Strategic report. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the conclusion that climate change is not expected to have a significant impact on the Group's cash flows, including those considered in the going concern and viability assessments. The Group's view is that climate change does not create any further key source of estimation uncertainty at this time and that growing awareness of climate change and customer sustainability targets will provide opportunities for growth as we provide services and solutions that increase efficiency and reduce energy use.

Adoption of new, revised standards and interpretations applied in the current year

The following amendments to standards became effective for annual reporting periods commencing on or after 1 January 2024. The amendments did not have a material effect on the Group's financial statements and the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

- Non-current Liabilities with Covenants (amendments to IAS 1). The amendments modify the requirements for the classification of debt and other financial liabilities as current or non-current in particular circumstances.
- Amendments to IFRS 16 (leases). The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use that it retains.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7). The amendments details what constitutes a supplier finance arrangement and introduces disclosure requirements in respect of such arrangements.

New standards and interpretations not yet applied

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards and amendments that have been issued by the International Accounting Standards Board (IASB) but which but are not yet effective. With the exception of the amendments to IAS 21 in respect of a "lack of exchangeability" they have not yet been endorsed for use in the UK. Other than the potential disclosure and presentation changes required by IFRS 18, the amendments are not expected to have a material impact on the Group.

- **IFRS 18 Presentation and disclosure in Financial Statements:** On 9 April 2024 the IASB issued IFRS 18 to replace IAS 1 Presentation of Financial Statements with an effective date of 1 January 2027. IFRS 18 sets out the requirements for the presentation and disclosure of information in financial statements. This standard introduces a number of new mandatory categories, subtotals and totals to the income statement, gives further guidance on aggregation and disaggregation of items, and introduces further requirements in respect of Management-defined Performance measures. The Group is reviewing its potential effect on the presentation of the financial statements.

- **Amendments to IFRS 9 and IFRS 7: Contracts referencing nature-dependent electricity arrangements.** These amendments introduce requirements for the treatment of certain contracts that expose an entity to variability in the underlying amount of electricity because the source of electricity generation depends on uncontrollable natural conditions (for example, the weather). They are not expected to have a material effect on the Group.
- **Amendments to the Classification and Measurement of Financial Instruments.** These amendments make various changes to the treatment of certain financial instruments but are not expected to have a material effect on the Group.
- **Annual Improvements to IFRS Accounting Standards – Vol. 11.** Volume 11 of the IASB's annual improvements includes a number of changes that affect hedge accounting on first time adoption, disclosures about financial instruments, the derecognition of lease liabilities, de-facto agents, and the use of the cost method. They are not expected to have a material effect on the Group.
- **Amendments to IAS 21: Lack of exchangeability.** These amendments set out how an entity determines whether a currency is exchangeable and how to determine an appropriate exchange rate when there is a lack of exchangeability. It is effective for reporting periods beginning on or after 1 January 2025. The Group has reviewed the currencies of the countries in which it operates and does not believe that any are subject to a lack of exchangeability. On that basis, the amendments are not expected to have a material effect on the Group.

In addition the International Sustainability Standards Board (ISSB) has issued amendments to the Sustainability Accounting Standards Board (SASB) standards effective for annual reporting periods beginning on or after 1 January 2025:

- IFRS S1 (General requirements for disclosure of sustainability-related financial disclosure)
- IFRS S2 (Climate related disclosures)

Throughout 2024 Bodycote has undertaken changes to its sustainability reporting and processes. A gap analysis will be undertaken through 2025 to highlight any improvements needed and actions undertaken to address all the requirements of the new sustainability disclosure standards.

Notes to the consolidated financial statements

Year ended 31 December 2024

General information

Bodycote plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 83.

The nature of the Group's operations and its principal activities, and information on the Group's objectives, are included within the Group's Strategic report on page 17.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in pounds sterling, which is the functional and presentation currency of the Parent Company. Foreign operations are included in accordance with the policies set out in the Foreign Currencies accounting policy set out on page 134.

1. Business and geographical segments

The Group has 153 operational locations across the world providing a range of market sectors with thermal processing services. After the completion of a strategic review during 2024, the Group has reorganised its plants into three divisions:

- **Specialist Technologies:** This division includes the Group's Hot Isostatic Pressing ('HIP') business; its Speciality Stainless Steel Processes (S3P) business and its Surface Technology business.
- **Precision Heat Treatment:** This division includes the Group's business centred on the controlled heating and cooling of metals to obtain the desired mechanical, chemical and metallurgical properties for the end process. It also includes the Group's Low Pressure Carburising and Corr-I-Dur processes.
- **Non-core:** As a result of its strategic review carried out in 2024, the business identified a number of plants that form part of its strategic optimisation programme and are considered non-core. These plants typically provide heat treatments services using older, less efficient and more carbon intensive technologies. The Group is managing these sites with a view to merging them with other plants in the portfolio, closing plants, or selling them over the coming 24 months.

The Group's Chief Executive Officer is considered to be the Chief Operating Decision Maker ('CODM') of the Group and reviews the results of each of the divisions on a monthly basis focusing on adjusted operating profit which is defined as operating profit before acquisition costs, amortisation of acquired intangibles and exceptional items. Accordingly, the three divisions outlined above are considered to be the Group's Operating and Reportable segments as defined in IFRS 8 Operating Segments.

In determining the segments' adjusted operating profit, the Group makes certain allocations of costs that are incurred centrally to benefit each of the segments. To the extent that these costs are of a nature that will continue to be incurred after the Group's optimisation programme has been completed, they have not been allocated to the non-core segment.

Prior to the strategic review in 2024, the business presented its results split into six Operating Segments which were determined based on the geography of its plants and the preponderance of markets that they served. The prior year segmental analysis has been restated to present it on a consistent basis with the current year.

	Specialist Technologies 2024 £m	Precision Heat Treatment 2024 £m	Central costs and elimination 2024 £m	Total core 2024 £m	Non-core 2024 £m	Total Group 2024 £m
Revenue	224.2	488.3	–	712.5	44.6	757.1
Result						
Adjusted operating profit/(loss)	65.0	83.0	(20.4)	127.6	1.4	129.0
Amortisation of acquired intangible assets	(8.7)	(1.3)	–	(10.0)	(0.4)	(10.4)
Acquisition costs	(2.4)	–	–	(2.4)	–	(2.4)
Operating profit/(loss) before exceptional items	53.9	81.7	(20.4)	115.2	1.0	116.2
Exceptional items	(2.1)	(21.7)	(30.7)	(54.5)	(23.8)	(78.3)
Operating profit/(loss)	51.8	60.0	(51.1)	60.7	(22.8)	37.9
Finance income						0.8
Finance charges						(10.3)
Profit before taxation						28.4
Taxation						(7.7)
Profit for the year						20.7

Notes to the consolidated financial statements continued

Year ended 31 December 2024

1. Business and geographical segments continued

	Specialist Technologies 2023 £m	Precision Heat Treatment 2023 £m	Central costs and elimination 2023 £m	Total core 2023 £m	Non-core 2023 £m	Total Group 2023 £m
Revenue	212.4	534.9	–	747.3	55.2	802.5
Result				–		
Adjusted operating profit/(loss)	55.2	94.4	(24.8)	124.8	2.8	127.6
Amortisation of acquired intangible assets	(6.4)	(1.3)	–	(7.7)	(0.4)	(8.1)
Acquisition costs	–	–	(0.3)	(0.3)	–	(0.3)
Operating profit/(loss)	48.8	93.1	(25.1)	116.8	2.4	119.2
Finance income						0.8
Finance charges						(8.3)
Profit before taxation						111.7
Taxation						(24.9)
Profit for the year						86.8

Inter-segment revenues are not material in either year.

The Group does not have any one customer that contributes more than 10% of revenue in either year.

	Specialist Technologies 2024 £m	Precision Heat Treatment 2024 £m	Total core 2024 £m	Non-core 2024 £m	Total Group 2024 £m
Revenue					
Western Europe	121.0	239.3	360.3	20.8	381.1
North America	95.7	165.0	260.7	23.8	284.5
Emerging Markets	7.5	84.0	91.5	–	91.5
Group	224.2	488.3	712.5	44.6	757.1

	Specialist Technologies 2023 £m	Precision Heat Treatment 2023 £m	Total core 2023 £m	Non-core 2023 £m	Total Group 2023 £m
Revenue					
Western Europe	120.9	271.7	392.6	24.9	417.5
North America	83.9	173.2	257.1	30.3	287.4
Emerging Markets	7.6	90.0	97.6	–	97.6
Group	212.4	534.9	747.3	55.2	802.5

Other information

	Specialist Technologies 2024 £m	Precision Heat Treatment 2024 £m	Central costs and eliminations 2024 £m	Total core 2024 £m	Non-core 2024 £m	Total Group 2024 £m
Gross capital additions	18.9	61.4	5.2	85.5	4.5	90.0
Depreciation and amortisation	24.2	51.3	3.8	79.3	6.4	85.7
Impairments	1.5	20.7	28.4	50.6	14.7	65.3

	Specialist Technologies 2023 £m	Precision Heat Treatment 2023 £m	Central costs and eliminations 2023 £m	Total core 2023 £m	Non-core 2023 £m	Total Group 2023 £m
Gross capital additions	19.9	59.9	10.0	89.8	4.7	94.5
Depreciation and amortisation	21.5	50.7	3.1	75.3	6.8	82.1
Impairments	0.3	0.5	–	0.8	0.1	0.9

Geographical information

The Group's revenue from external customers analysed by country in which the service is delivered is detailed below:

	2024 £m	2023 £m
USA	271.2	271.7
France	104.2	116.9
Germany	72.3	82.3
UK	68.5	66.3
Sweden	50.3	50.9
Netherlands	29.5	34.9
Others	161.1	179.5
Group	757.1	802.5

Notes to the consolidated financial statements continued

Year ended 31 December 2024

2. Operating profit

	2024 £m	2023 £m
Revenue	757.1	802.5
Cost of sales	(460.4)	(500.6)
Gross profit	296.7	301.9
Selling costs	(22.3)	(21.8)
Administration expenses	(165.1)	(172.0)
Other operating income	9.7	12.6
Other operating expenses	(0.4)	(1.3)
Net impairment losses on financial assets	(2.4)	(0.2)
Operating profit prior to exceptional items	116.2	119.2
Exceptional items (see note 3)	(78.3)	–
Operating profit	37.9	119.2

Operating profit for the year has been arrived at after charging/(crediting):

	2024 £m	2023 £m
Net foreign exchange (gain)/loss	(0.4)	0.2
Employee costs ¹ (see note 24)	297.3	307.5
Pension scheme administration expenses (see note 26)	0.6	0.5
Inventory expensed	70.5	76.8
Utility costs	68.8	98.3
Consumables and gases	52.6	55.3
Transport and carriage costs	12.4	12.8
Depreciation of property, plant and equipment	59.7	59.4
Depreciation of right-of-use assets	13.6	12.9
Amortisation of other intangible assets	12.4	9.8
Gain on disposal of property, plant and equipment recognised in operating profit (see note 9)	(5.5)	(3.4)
Loss on disposal of property, plant and equipment recognised in exceptional items (see notes 3 & 9)	0.1	–
Gain on disposal of right-of-use assets	(0.2)	(0.2)
Impairment loss on trade receivables (see note 12)	2.4	0.2
Impairment of other intangible assets recognised in exceptional items (see notes 3 & 8)	29.2	–
Impairment of goodwill recognised in exceptional items (see notes 3 & 7)	18.0	–
Impairment of property, plant and equipment recognised in exceptional items (see notes 3 & 9)	16.9	–
Impairment of property, plant and equipment – recognised in operating profit (see note 9)	0.1	0.9
Impairment of right-of-use assets recognised in exceptional items (see notes 3 & 10)	1.1	–
Repairs and maintenance	25.5	27.2
Government assistance support received ²	(1.0)	(6.4)
Acquisition costs	2.4	0.3

¹ Employee cost include costs of temporary agency contractors of £16.7m (2023: £17.3m).

² Government assistance consists of support towards R&D of £0.4m (2023: £0.2m); local regional economic support of £0.4m (2023: £nil); energy support programmes £0.1m (2023: £6.1m); and £0.1m in respect of other support programmes.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

3. Exceptional items

The following items were charged to exceptional items:

	2024 £m	2023 £m
Impairment of ERP intangible asset	28.4	–
Impairment of goodwill	18.0	–
Strategic optimisation programme	31.9	–
Impairment of assets	18.8	–
Severance and redundancy cost	4.1	–
Site closure and associated closure costs	5.2	–
Losses on sale of business and property, plant and equipment	2.8	–
Other	1.0	–
Total exceptional items	78.3	–

Impairment of ERP intangible asset

Included within intangible assets at 31 December 2023 were £32.2m of internally developed software costs relating to the development of an ERP solution that had been in development since 2020 and was not yet available for use. Development of the ERP solution progressed through H1 2024 with a further £3.1m capitalised. During this period, as part of the development process, a pilot programme continued at a small number of sites across the Group. The ERP solution includes two components: an Operations module and a Finance and Procurement module.

During the first half of 2024 the Directors were regularly updated on the programme, including the initial results of the pilot programme. Having considered these results, management ultimately concluded that the future benefits of the Operations module of the system did not outweigh the likely future costs. Consideration was also given to the business interruption challenges of rolling out the Operations module across the Group's multiple sites. As a result, the decision was reached to cease further development and roll-out of the Operations module and abandon its use, resulting in an exceptional impairment charge of £28.4m being booked in June 2024.

The roll-out of the Finance and Procurement module across the Group continues and is expected to complete in the first half of 2026. The remaining intangible asset of £7.0m relating to the Finance and Procurement modules is being amortised over its useful life of 15 years beginning 1 July 2024.

Impairment of goodwill

The Group recognised a goodwill impairment charge of £18.0m within exceptional costs in the year in relation to the Group's North American Automotive and General Industrial CGU ('NA AGI'). The impairment follows a prolonged period in which the CGU has faced challenging market conditions which meant that it was no longer able to support its high level of goodwill related to historic acquisitions. Further details are set out in note 7.

Strategic optimisation programme

During 2024, the Group undertook a strategic review as a result of which it announced its intention to undertake a number of optimisation actions to drive step changes and improvements across the business, primarily centered on sites utilising older, more commoditised technologies, with higher carbon footprints. Implementation of the programme commenced in 2024 and the Group announced a number of site closures during the year as a result of which it has recognised an exceptional charge of £31.9m.

Impairments of £18.8m have been charged to exceptional items relating to the planned site closures and operational lines that will no longer be used. These impairments comprise of £16.9m for property, plant and equipment, £1.1m for right-of-use assets, and £0.8m of acquired intangibles for customer relationships.

Provisions of £5.2m have been charged for site closure and associated environmental costs where the closures have been announced before 31 December 2024 and £3.3m for redundancy and severance costs, of which £0.3m was utilised in 2024, related to employees impacted by the announced closures and related reductions in overhead positions. An additional £0.8m of redundancy and severance costs were charged directly to the consolidated income statement in the year.

In December 2024 the business sold its Metz Tessy business for cash proceeds of £0.8m less costs of disposal of £0.4m. The business consisted of a single plant and was not considered a core part of the business. As part of the agreement of the sale a loan was issued to the purchaser for £0.6m against which an expected credit loss provision of £0.3m has been recognised. Net assets disposed were £1.8m with other costs associated with the closure of £1.0m. The total net loss on disposal of the business was £2.7m. A loss of £0.1m was charged to exceptional costs related to the sale of property, plant and equipment from affected sites.

See also the strategic review on pages 14 to 15 for further details of the optimisation programme.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

4. Finance income and charges

	2024 £m	2023 £m
Interest on bank loans and overdrafts	3.9	2.7
Interest on lease liabilities	2.6	2.3
Total interest expense	6.5	5.0
Net interest on the defined benefit pension liability	0.4	0.4
Other finance charges	3.4	2.9
Total finance charge	10.3	8.3
Less:		
Interest received on bank deposits	(0.7)	(0.5)
Other interest receivable	(0.1)	(0.3)
Total finance income	(0.8)	(0.8)
Net finance charge	9.5	7.5

5. Taxation charge

	2024 £m	2023 £m
Current taxation – charge for the year	20.7	26.0
Current taxation – adjustments in respect of previous years	1.5	(2.7)
Deferred tax – charge for the year (see note 17)	(13.2)	1.5
Deferred tax – adjustments in respect of previous years (see note 17)	(1.3)	0.1
Total taxation charge	7.7	24.9

The Group uses a weighted average country tax rate, rather than the UK tax rate, for the reconciliation of the charge for the year to the profit before taxation per the consolidated income statement. The Group operates in several jurisdictions, many of which have a tax rate in excess of the UK tax rate. As such, a weighted average country tax rate is believed to provide the most meaningful information to the users of the financial statements. This is therefore the appropriate tax rate for comparison being 25.1% in 2024 (2023: 25.4%).

With effect from 1 January 2024 the Group was subject to the OECD Pillar II GloBE Rules. The Group has performed an overall assessment of the impact and determined that the adoption of the Pillar II GloBE Rules by jurisdictions where Bodycote operates does not have a material impact on the Group's current tax charge. The Group has applied the exception provided for by the Pillar II GloBE Rules (amendments to IAS 12) and has not recognised, or disclosed, information about deferred tax assets and liabilities related to these Pillar II GloBE rules.

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2024 £m	2023 £m
Profit before taxation	28.4	111.7
Tax at the weighted average country tax rate of 25.1% (2023: 25.4%)	7.2	28.4
Tax effect of expenses not deductible in determining taxable profit ¹	1.6	1.1
Impact of recognition or derecognition of deferred tax balances	0.8	0.5
Tax effect of other adjustments in respect of previous years:		
Current tax ²	1.5	(2.7)
Deferred tax ²	(1.3)	0.1
Effect of financing activities between jurisdictions ³	(2.5)	0.3
Impact of trade and minimum corporate taxes	0.2	0.3
Effect of changes in statutory tax rates on deferred tax assets and liabilities	(0.2)	0.3
Other tax risk provision movements ⁴	0.4	(3.4)
Tax expense for the year	7.7	24.9

¹ Those costs in various jurisdictions that are not deductible in calculating taxable profits.

² 2024 and 2023 adjustments in current and deferred tax in respect of previous years relate mainly to changes in assumptions and outcomes in UK and overseas tax positions.

³ The Group is externally financed by a mix of cash flows from operations and short-term borrowings. Internally, operating subsidiaries are predominantly financed via intercompany loans. The effect is net of provisions including a credit relating to a provision release of £2.5m (2023: £nil) based on management's estimation of the tax risk relating to the potential disallowance of interest.

⁴ Includes provisions for local tax risks and cross-border transactions. 2024 includes a credit of £2.2m (2023: £4.3m) for the release of provisions for tax risks which are no longer within an audit period.

Tax on retirement benefit obligations taken directly to equity was a charge of £0.1m (2023: credit of £0.1m).

As part of the calculation of the tax charge, the Group recognises a number of tax risk provisions in respect of ongoing tax enquiries and in recognition of the multinational tax environment in which Bodycote operates where the nature of the tax positions that are taken is often complex and subject to change. Included within current tax liabilities of £32.2m (2023: £46.0m) on the consolidated balance sheet as at 31 December 2024 are tax provisions totalling £24.9m (2023: £26.4m), £4.2m (2023: £4.2m) of which are out of the period of tax audit within 2025. The provisions are based on an assessment of a range of possible outcomes to determine reasonable estimates of the consequences of tax authority audits in the various tax jurisdictions in which the Group operates. The material provisions relate to the financing of the Group's operations where management's judgement is exercised to determine the quantum of the tax risk provisions based on an understanding of the appropriate local tax legislation, taking into consideration the differences of interpretation that can arise on a wide variety of issues including the nature of ongoing tax audits and the experience from earlier enquiries, and determining whether any possible liability is probable. The Group's individual provisions by country vary in quantum from £1.9m to £8.8m.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

6. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2024 £m	2023 £m
Earnings		
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	20.0	85.6
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	186,012,493	189,877,099
Effect of dilutive potential ordinary shares:		
Shares subject to performance conditions	418,728	661,721
Shares subject to vesting conditions	448,614	344,050
Weighted average number of ordinary shares for the purpose of diluted earnings per share	186,879,835	190,882,870
	Pence	Pence
Earnings per share:		
Basic	10.8	45.1
Diluted	10.7	44.8
	2024 £m	2023 £m
Adjusted earnings		
Net profit attributable to equity holders of the parent	20.0	85.6
Add back:		
Amortisation of acquired intangible assets (net of tax)	8.3	6.1
Acquisition costs (net of tax)	1.8	0.2
Exceptional items (net of tax)	60.3	–
Adjusted earnings	90.4	91.9
	Pence	Pence
Adjusted earnings per share:		
Basic	48.6	48.4
Diluted	48.4	48.1

As at 31 December 2024, the performance conditions for a number of open plans have been met resulting in a 0.1p dilution of earnings per share (2023: 0.3p) and 0.2p dilution of adjusted earnings per share (2023: 0.3p).

7. Goodwill

	2024 £m	2023 £m
Cost		
At 1 January	282.3	288.9
Exchange differences	(0.2)	(6.6)
Recognised on acquisition of businesses	3.8	–
Total cost	285.9	282.3
Accumulated impairment		
At 1 January	60.8	61.1
Impairment	18.0	–
Exchange differences	0.1	(0.3)
Total accumulated impairment	78.9	60.8
Carrying amount	207.0	221.5

Goodwill acquired through a business combination is allocated to the cash generating units (CGUs) that are expected to benefit from the synergies of the combination. Goodwill is tested for impairment at least annually or more frequently if there are indications that its carrying value may not be recoverable. To test the goodwill for impairment, the carrying value of the CGUs containing goodwill are compared to their recoverable amounts, calculated as the higher of their fair value less costs to dispose and value-in-use.

The Group has determined its CGUs based on geography, customer groupings, and processes. The CGUs reflect the lowest level at which the Group's operations generate cash inflows that are largely separate to each other. They are also the lowest level at which the Group has monitored goodwill during the year. The Group continues to review its CGUs in the light of the changes to the Group's strategy, operational structure and internal reporting that were introduced during the second half of 2024. To the extent that these future changes affect how CGUs are identified in the Group, they will be reflected in future years. Consistent with the change to the Group's reporting structure in 2024, the Group's North America Surface Technology (NA ST) business that previously formed part of the North America Aerospace, Defence and Energy (NA ADE) CGU has been separated out and now forms a separate CGU. All other CGUs are consistent with the prior year.

In assessing value-in-use, estimated post-tax future cash flows for each CGU are discounted to their present value using a post-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the CGU, including country risk premium.

Fair value less costs to dispose is determined in a similar manner but takes into account the benefits of actions that a rational buyer would take during the forecast period. Those actions include those that form part of the Group's strategic optimisation programme that the business had not announced to the affected plants as at 31 December 2024 as well as other capital expenditure and growth initiatives as planned. Such actions are not permitted to be reflected in the value in use calculations as at 31 December 2024. Because the majority of the inputs into the fair value calculations are not observable, they are categorised as level 3 in the fair value hierarchy.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

7. Goodwill continued

In 2024, the recoverable amounts of all of the Group's CGUs were determined using value in use with the exception of the North American Automotive and General Industrial CGU (NA AGI) and NA ST, for which the recoverable amount has been determined using fair value less costs to dispose. The fair value less costs to dispose of NA AGI and NA ST are in excess of their value in use since most of the benefits referred to above had not been announced prior to the year end.

The cash flows of each CGU have been based on the 2025 budget, and the five-year financial plan up to and including 2029, both of which have been approved by the Board. A long-term growth rate has been applied into perpetuity from 2030 onwards.

The key assumptions applied in determining the recoverable amount of each CGU were as follows:

- **Revenue:** Revenue for 2025–2029 was projected based on management's growth expectations of the underlying market sectors served by each CGU. These were benchmarked against external projections for each market. Pricing expectations were based on recent experience in the market and forecast inflation expectations.
- **Operational margin:** Operational margin represents the CGU's operating profit as a percentage of revenue. The margin levels assumed reflect management's expectations of future business performance and are informed by past performance.
- **Capital expenditure:** The future cash flows include estimates of capital expenditure required to maintain the existing asset base of each CGU and are based on historical experience. In determining the estimates of capital expenditure, management has assumed that capital expenditure will at least equal depreciation in the long term.
- **Long-term growth rate:** Long-term growth rates have been applied into perpetuity based on the long-term average GDP growth projections of the geographies relevant to each CGU. Growth rates are in the range of 2.0% to 2.2% (2023: 2.0% to 2.2%).
- **Discount rate:** The discount rates have been derived from a weighted average cost of capital, adjusted for the geographies in which each CGU operates. The post-tax discount rates range from 9.4% to 10.1% (2023: 9.6% to 10.4%). The pre-tax discount rates are the rates which, when applied to the pre-tax cash flows, result in the same NPV as calculated by the post-tax discount rate applied to the post-tax cash flows. The pre-tax discount rates range from 11.6% to 12.7% (2023: 11.9% to 13.0%).

Goodwill is allocated to the Group's operating segments as set out below:

	2024 £m	2023 £m
Specialist Technologies	47.2	66.3
Precision Heat Treatment	159.8	155.2
	207.0	221.5

No goodwill was allocated to the Group's non-core segment on the basis that the value of that segment was minimal compared to the Group's core segments.

A summary of the goodwill allocated to each of the Group's CGUs with goodwill in excess of 10% of the Group's total goodwill, along with the long term growth rates and discount rates used to determine their recoverable amount, is set out below:

	Goodwill carrying value 2024 £m	Long-term growth rate 2024 %	Post-tax discount rate 2024 %	Pre-tax discount rate 2024 %
Cash generating units				
Specialist Technology:				
North American Surface Technology	28.5	2.2	9.4	11.7
European Surface Technology	12.6	2.0	9.6	12.2
Other smaller Specialist Technology CGUs	6.1	2.0–2.2	9.4–9.6	11.8–12.3
Precision Heat Treatment:				
North America Aerospace, Defence and Energy	69.7	2.2	9.4	11.7
North America Automotive and General Industrial	39.4	2.2	9.4	11.6
European Automotive and General Industrial	26.9	2.0	9.6	12.3
Other smaller Precision Heat Treatment CGUs	23.8	2.0–2.2	9.6–10.1	12.3–12.7

With the exception of NA AGI, recoverable amount was higher than book value for all CGUs. Accordingly, the Directors have concluded that no impairment charge is required as at 31 December 2024, except as described below with respect to NA AGI.

Expected future cash flows are inherently uncertain and could change materially over time. They are affected by several factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, operational costs, and future capital expenditure.

The Group has conducted sensitivity analysis by considering reasonably possible changes to the key assumptions applied in the recoverable amount calculations for each CGU. The sensitivity analysis considered downside scenarios including an increase in discount rates, a reduction in sales growth throughout the forecast period, and a persistent reduction in operating margin. In respect of NA ST, the sensitivity analysis indicated that in the unlikely event that operating margins in the forecast period fell to a level equivalent to that achieved in 2023 (which is below that achieved in 2024), an immaterial impairment of goodwill could arise. With the exception of NA AGI and NA ST, no reasonably possible downside reductions to any of the assumptions resulted in an impairment for any of the Group's CGUs.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

7. Goodwill continued

During the year, the Group recognised an impairment of £18.0m in respect of NA AGI. The impairment arose following a prolonged and extended period of challenging trading conditions in the North American Industrial markets that continued through 2024 and is expected to persist. As a result the CGU is no longer able to support its elevated level of goodwill arising from historic acquisitions. In response to the downturn, management has taken a number of actions, including those announced as part of the strategic optimisation programme, to improve the CGU's profitability. However, even after considering the actions taken and the further actions that the Group intends to implement, its recoverable amount has fallen below its carrying value.

Further impairments of NA AGI may arise in subsequent years if the CGU does not perform in line with its forecasts. Management have modelled downside scenarios to illustrate the effect of a reasonably possible downside variation in each of the key assumptions. A summary of the potential effects of these reasonably possible downside scenarios is set out below:

Key Assumption	Value assigned to assumption 2024 %	Sensitivity 2024 bps change	Additional impairment 2024 £m
Post-tax discount rate	9.4	100	19.0
Terminal growth rate	2.1	(50)	5.9

The forecasts include assumptions about revenue and profit growth, both from ongoing activities and the effects of initiatives that the Group has implemented as part of its optimisation programme which, by 2029, result in a cumulative increase in the level of adjusted operating profit before non-cash depreciation of 62% over 2024. If this profit growth was reduced by 10% over the five year period then the impairment would be increased by £6.5m. The forecasts also include capital expenditure of circa £63m over the course of the 5 year forecast period. A 10% increase in capital expenditure in the forecast period would result in an increase to the impairment of £4.7m.

The sensitivities modelled are intended to reflect an unlikely but reasonably possible downturn in key assumptions that persists in the long term. None of the potential additional impairments reflect mitigating actions that management would take in the event that such a situation developed.

In determining the sensitivities to apply, consideration was given to the impact that climate change risks and opportunities may have on the Group's businesses. Specific scenarios relating to the potential risks of climate change, as set out in the TCFD section of the Annual Report, were considered to determine if these should be included in the modelling performed and it was determined that none of these scenarios would have a material impact on the outcome. Furthermore, the impact of the above sensitivities was deemed sufficiently severe to cover a range of potential risks, some of which could relate to these potential climate change risks.

8. Other intangible assets

	Software £m	Customer relationships £m	Non-compete agreements £m	Total £m
Cost				
At 1 January 2023	53.6	154.5	3.8	211.9
Exchange differences	(0.3)	(7.6)	–	(7.9)
Additions	8.3	–	–	8.3
Eliminated on disposals	(0.7)	–	–	(0.7)
At 1 January 2024	60.9	146.9	3.8	211.6
Exchange differences	(0.3)	1.3	–	1.0
Additions	4.1	–	–	4.1
Acquired on acquisition of businesses (see note 22)	–	39.6	0.3	39.9
Impairment of cost	(28.4)	–	–	(28.4)
Eliminated on disposals	(0.6)	–	–	(0.6)
At 31 December 2024	35.7	187.8	4.1	227.6
Amortisation				
At 1 January 2023	24.2	67.6	3.2	95.0
Exchange differences	(0.1)	(3.6)	–	(3.7)
Charge for the year	1.7	7.8	0.3	9.8
Eliminated on disposals	(0.7)	–	–	(0.7)
At 1 January 2024	25.1	71.8	3.5	100.4
Exchange differences	(0.1)	0.3	–	0.2
Charge for the year	2.0	10.2	0.2	12.4
Impairment losses incurred	–	0.8	–	0.8
Eliminated on disposals	(0.6)	–	–	(0.6)
At 31 December 2024	26.4	83.1	3.7	113.2
Carrying amount				
At 31 December 2024	9.3	104.7	0.4	114.4
At 31 December 2023	35.8	75.1	0.3	111.2

As described in note 3, a decision was made to stop development of the ERP Operations module during the year resulting in an exceptional impairment charge of £28.4m. The Group is continuing the roll out of the ERP Finance and Procurement module and during the year £1.0m was capitalised in respect of this module.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

9. Property, plant and equipment

	Land and buildings			Plant and machinery	Fixtures and fittings	Assets under construction	Total
	Freehold £m	Long leasehold improvements £m	Short leasehold improvements £m				
Cost or valuation							
At 1 January 2023	272.5	9.4	21.4	1,087.8	30.0	59.1	1,480.2
Additions ¹	0.1	1.3	0.3	3.3	0.6	66.1	71.7
Exchange differences	(7.4)	(0.3)	(0.9)	(31.3)	(0.9)	(2.4)	(43.2)
Transfer to assets held for sale	(1.4)	–	–	–	–	–	(1.4)
Recategorisation	(1.6)	7.0	0.3	52.1	(5.7)	(52.1)	–
Eliminated on disposal within operating business	(10.4)	(0.6)	(0.1)	(29.8)	(2.8)	(0.2)	(43.9)
At 1 January 2024	251.8	16.8	21.0	1,082.1	21.2	70.5	1,463.4
Additions ¹	0.1	–	0.4	6.3	1.2	60.0	68.0
Acquired on acquisition of businesses (see note 22)	1.3	–	–	6.4	–	–	7.7
Exchange differences	(7.1)	(0.6)	(0.7)	(30.0)	(0.5)	(1.2)	(40.1)
Recategorisation	5.2	0.1	0.5	38.7	1.4	(45.9)	–
Eliminated on disposal on sale of business (see note 3)	(2.9)	–	–	(5.2)	(0.2)	–	(8.3)
Eliminated on disposal within operating business	(4.7)	–	–	(20.8)	(1.1)	(0.2)	(26.8)
At 31 December 2024	243.7	16.3	21.2	1,077.5	22.0	83.2	1,463.9
Accumulated depreciation and impairment							
At 1 January 2023	133.3	6.9	11.4	788.2	24.0	0.1	963.9
Charge for the year	6.8	0.9	1.4	48.6	1.7	–	59.4
Impairment losses incurred	0.1	–	–	0.8	–	–	0.9
Exchange differences	(3.4)	(0.3)	(0.4)	(22.5)	(0.7)	(0.1)	(27.4)
Transfer to assets held for sale	(0.9)	–	–	–	–	–	(0.9)
Recategorisation	(5.7)	5.9	(1.2)	6.3	(5.3)	–	–
Eliminated on disposal within operating business	(4.1)	(0.6)	(0.1)	(29.9)	(2.7)	–	(37.4)
At 1 January 2024	126.1	12.8	11.1	791.5	17.0	–	958.5
Charge for the year	7.2	0.9	1.3	48.3	2.0	–	59.7
Impairment losses incurred (see notes 2 and 3)	1.8	–	0.5	14.6	0.1	–	17.0
Exchange differences	(3.9)	(0.5)	(0.4)	(21.3)	(0.4)	–	(26.5)
Recategorisation	–	–	–	(0.1)	0.1	–	–
Eliminated on disposal on sale of business (see note 3)	(2.4)	–	–	(4.2)	(0.1)	–	(6.7)
Eliminated on disposal within operating business	(2.0)	–	–	(16.2)	(1.1)	–	(19.3)
At 31 December 2024	126.8	13.2	12.5	812.6	17.6	–	982.7
Carrying amount							
At 31 December 2024	116.9	3.1	8.7	264.9	4.4	83.2	481.2
At 31 December 2023	125.7	4.0	9.9	290.6	4.2	70.5	504.9

¹ For further information on capital payables and accruals see note 18.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

9. Property, plant and equipment continued

At 31 December 2024 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £24.2m (2023: £21.1m).

Gains on sale of property, plant and equipment of £5.5m (2023: £3.4m) were recorded within operating profit in the consolidated income statement. These related to £4.7m (2023: £3.6m) of gains on sale of property assets and £0.8m gains (2023: loss of £0.2m) on sale of plant and equipment. Losses on plant and equipment of £0.1m (2023: £nil) have been charged to exceptional costs relating to the strategic optimisation programme. Cash proceeds from property sales amounted to £12.4m (2023: £9.4m).

Property, plant and equipment impairments of £17.0m (2023: £0.9m) were incurred in the year of which £16.9m related to the strategic optimisation programme and were charged to exceptional costs in the consolidated income statement for the year ended 31 December 2024. See note 3 for further details. The value of impairments is analysed by business segment below:

	2024 £m	2023 £m
Specialist Technologies	1.5	0.3
Precision Heat Treatment	2.7	0.5
Non-core	12.8	0.1
Group	17.0	0.9

10. Right-of-use assets

	Land, buildings, fixtures and fittings £m	Plant and machinery £m	Vehicles £m	Total £m
Cost or valuation				
At 1 January 2023	142.4	22.6	19.1	184.1
Additions	9.2	1.9	3.4	14.5
Eliminated on disposal within operating business	(10.0)	(2.7)	(3.4)	(16.1)
Exchange differences	(3.7)	(0.7)	(0.8)	(5.2)
At 1 January 2024	137.9	21.1	18.3	177.3
Additions	12.7	2.3	2.9	17.9
Eliminated on disposal on sale of business (see note 3)	(0.8)	(0.1)	–	(0.9)
Eliminated on disposal within operating business	(12.1)	(1.5)	(3.7)	(17.3)
Exchange differences	(4.9)	(0.7)	(0.5)	(6.1)
At 31 December 2024	132.8	21.1	17.0	170.9
Accumulated depreciation and impairment				
At 1 January 2023	89.8	18.9	15.8	124.5
Charge for the year	9.0	1.7	2.2	12.9
Eliminated on disposal within operating business	(9.4)	(2.7)	(3.2)	(15.3)
Exchange differences	(2.2)	(0.5)	(0.6)	(3.3)
At 1 January 2024	87.2	17.4	14.2	118.8
Charge for the year	9.5	1.7	2.4	13.6
Impairment losses incurred (see notes 2 and 3)	1.1	–	–	1.1
Eliminated on disposal on sale of business (see note 3)	(0.8)	(0.1)	–	(0.9)
Eliminated on disposal within operating business	(8.8)	(1.5)	(3.5)	(13.8)
Exchange differences	(3.6)	(0.5)	(0.2)	(4.3)
At 31 December 2024	84.6	17.0	12.9	114.5
Carrying amount				
At 31 December 2024	48.2	4.1	4.1	56.4
At 31 December 2023	50.7	3.7	4.1	58.5

Notes to the consolidated financial statements continued

Year ended 31 December 2024

10. Right-of-use assets continued

Lease liabilities

	2024 £m	2023 £m
At 1 January	64.3	66.0
Additions	17.8	14.6
Disposals	(3.7)	(0.8)
Principal and interest repayments	(13.5)	(13.1)
Exchange differences	(1.4)	(2.4)
At 31 December	63.5	64.3
Current	13.1	11.8
Non-current	50.4	52.5
	2024 £m	2023 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	15.5	12.3
One to five years	38.0	33.4
More than five years	21.6	53.4
Total undiscounted cash flows	75.1	99.1
	2024 £m	2023 £m
Amounts recognised in the consolidated income statement		
Depreciation charge	13.6	12.9
Interest on lease liabilities	2.6	2.3
Expenses relating to short-term leases	0.9	0.9
Expenses relating to leases of low value assets	0.8	0.8
Gain on disposal of right-of-use assets	(0.2)	(0.2)
Right-of-use asset impairment charge	1.1	–

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests over the leased assets that are held by the lessor.

As a lessor

The Group occasionally sub-leases property which it no longer uses. Rental income for leased property in the year ended 31 December 2024 was £0.1m (2023: £nil).

11. Inventories

	2024 £m	2023 £m
Raw materials	25.6	26.7
Work-in-progress	2.9	2.6
Finished goods and goods for resale	0.9	0.9
Less: obsolescence provision	(1.3)	(0.7)
	28.1	29.5

Inventory expensed in the years ended 31 December 2024 and 2023 is disclosed in note 2.

12. Trade and other receivables

	2024 £m	2023 £m
Amounts falling due within one year:		
Amounts receivable for the supply of services	125.2	130.8
Allowance for expected credit loss	(3.3)	(2.8)
Net trade receivables	121.9	128.0
Other receivables	8.1	10.3
Prepayments	11.3	10.1
	141.3	148.4
Amounts falling due after more than one year:		
Trade and other receivables	3.1	1.3
Allowance for expected credit loss	(0.3)	–
Net trade receivables	2.8	1.3

The average credit period of customers for the supply of services as at 31 December 2024 was 64 days (2023: 63 days). An allowance has been made for estimated irrecoverable amounts determined by reference to expected credit losses as set out in the Group's accounting policies. The carrying amount of trade and other receivables approximates their fair value.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

12. Trade and other receivables continued

Ageing analysis of net trade receivables:

	2024 £m	2023 £m
Trade receivables within terms	90.1	97.9
Ageing of past due but not impaired receivables:		
31–60 days	15.2	15.1
61–90 days	11.9	11.5
91–120 days	2.4	2.3
Greater than 120 days	2.3	1.2
	121.9	128.0

Movement in the allowance for expected credit loss:

	2024 £m	2023 £m
At 1 January	2.8	2.9
Impairment losses recognised	3.0	1.0
Allowance eliminated on disposal	(0.1)	–
Amounts written off as uncollectable	(1.6)	(0.2)
Impairment losses reversed	(0.6)	(0.8)
Allowance for expected credit loss on loans issued ¹	0.3	–
Exchange differences	(0.2)	(0.1)
At 31 December	3.6	2.8

¹ The allowance for expected credit loss of £0.3m (2023: £nil) on loans issued forms part of the loss on the sale of the Metz Tessy business and has been charged to exceptional costs. See note 3 for further details.

In determining the recoverability of a trade receivable the Group considers any change in the quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's recent history and existing market conditions, as well as forward-looking estimates at the end of each reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for expected credit loss.

Included in the allowance for expected credit loss are impaired trade receivables with a gross balance of £5.4m (2023: £5.8m). Impairments recognised represent the difference between the carrying amount of the trade receivables and the present value of the expected proceeds.

The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables:

	2024 £m	2023 £m
Less than 3 months	0.3	0.2
3–12 months	3.4	1.8
Over 12 months	1.7	3.8
	5.4	5.8

13. Cash and bank balances

Cash and bank balances comprise cash held by the Group. A breakdown of significant cash and bank balances by currency is as follows:

	2024 £m	2023 £m
US dollar	–	24.4
Euro	1.6	3.5
Sterling	3.5	3.7
Chinese yuan	11.5	11.0
Other	2.5	2.6
Total cash and bank balances¹	19.1	45.2

¹ An analysis of overdrafts by currency is included in note 15.

14. Assets held for sale

There were no assets for sale as at 31 December 2024. During the year assets of £0.5m that were classified as held for sale as at 31 December 2023 were sold. Assets classified as held for sale are recorded at the lower of their carrying amount at the date at which they are classified as held for sale and fair value less costs to sell.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

15. Borrowings

	2024 £m	2023 £m
Revolving Credit Facility	84.3	32.1
Bank overdrafts	3.1	0.5
Total borrowings	87.4	32.6
Weighted average interest rate paid	3.9%	5.3%
Analysis of Revolving Credit Facility drawdowns by currency:		
Euro	84.3	32.1
	84.3	32.1
Analysis of bank overdrafts by currency:		
US dollar	1.5	–
Euro	1.3	0.2
Canadian dollar	0.2	–
Swiss Franc	–	0.3
Other	0.1	–
	3.1	0.5

The majority of bank overdrafts are repayable on demand. No overdrafts are secured.

During the year the Group has completed an amend and extend of its Revolving Credit Facility of £251.0m (2023: £250.9m). The maturity of the facility has been extended to 19 September 2029 with two options to extend by a further one year respectively, executable by the first and second anniversary of the renewal date. As at 31 December 2024 the Group had total drawings on the revolving credit facility of £84.3m (2023: £32.1m) which was drawn in euros only.

Other borrowings comprise bank loans and overdrafts of which £3.1m (2023: £0.5m) was drawn as at 31 December 2024. The overdrafts are predominantly repayable on demand and some are part of pooling arrangements, which also include offsetting cash balances.

All borrowings are classified as financial liabilities measured at amortised cost. Given their short-term nature, the carrying amount of bank overdrafts approximate their fair value.

Other financial liabilities

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay or has the intention to pay. The table includes both interest and principal cash flows.

	Less than 1 year 2024 £m	1–2 years 2024 £m	2–5 years 2024 £m	5+ years 2024 £m	Total 2024 £m
Non-interest bearing financial liabilities ¹	97.1	–	–	–	97.1
Bank loans and overdrafts	87.4	–	–	–	87.4
Lease liabilities	15.5	12.8	25.2	21.6	75.1
	200.0	12.8	25.2	21.6	259.6

	Less than 1 year 2023 £m	1–2 years 2023 £m	2–5 years 2023 £m	5+ years 2023 £m	Total 2023 £m
Non-interest-bearing financial liabilities ¹	65.8	0.1	–	–	65.9
Bank loans and overdrafts	32.6	–	–	–	32.6
Lease liabilities	12.3	10.6	22.8	53.4	99.1
	110.7	10.7	22.8	53.4	197.6

¹ Excludes payroll related accruals of £30.5m (2023: £37.0m) which are financial instruments held at amortised cost but are paid immediately after year end.

16. Financial instruments

(a) Financial instruments by category

In accordance with IFRS 9, the Group categorises its financial instruments into those measured at 'amortised cost', 'fair value through profit or loss' and 'fair value through other comprehensive Income'.

Financial assets at amortised cost	2024 £m	2023 £m
Trade and other receivables	126.5	133.9
Loan receivable	0.8	–
Cash and bank balances	19.1	45.2
	146.4	179.1

Financial liabilities at amortised cost	2024 £m	2023 £m
Borrowings – loans and overdrafts	87.4	32.6
Lease liabilities	63.5	64.3
Trade and other payables ¹	61.2	62.2
	212.1	159.1

¹ Excludes payroll related accruals of £30.5m (2023: £37.0m) which are financial instruments held at amortised cost but are paid immediately after year end.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

16. Financial instruments continued

(b) Fair value measurement

There have been no transfers of assets or liabilities between levels of the fair value hierarchy during the year. The carrying values of financial instruments at amortised cost as presented in the consolidated financial statements approximate their fair values.

(c) Financial risk management

The Group's multinational operations expose it to a variety of financial risks. In the course of its business, the Group may be exposed to foreign currency risk, interest rate risk, liquidity risk and credit risk. Financial risk management and treasury policies are set by the Board. The Group's treasury function provides a centralised service to the Group for funding, foreign exchange, interest rate management and counterparty risk. Treasury activities have the objective of minimising risk and are conducted within a framework of policies and guidelines reviewed and authorised by the Board.

In accordance with its treasury policy, the Group does not use or hold derivative financial instruments for trading or speculative purposes. The Group may however use derivative instruments, for risk management purposes only, transacted by specialist treasury personnel. The use of financial instruments, including derivatives, is permitted when approved according to treasury policy, where the effect is to minimise risk for the Group. There has been no significant change during the financial year, or since the end of the year, to the types or scope of financial risks faced by the Group.

Liquidity risk

Liquidity risk is defined as the risk that the Group might not be able to settle or meet its obligations on time or at a reasonable price. Liquidity risk arises as a result of mismatches between cash inflows and outflows from the business. This risk is monitored on a centralised basis through regular cash flow forecasting, strategic planning and through the annual budget process agreed by the Board each year including re-forecasts undertaken during the financial year. To mitigate the risk, the resulting forecast net (debt)/cash is measured against the liquidity headroom policy which requires a minimum liquidity headroom of £75m.

As at 31 December 2024, the Group had £166.7m (2023: £218.8m) available on the committed Revolving Credit Facility of £251.0m which together with cash and cash equivalents of £19.1m (2023: £45.2m), and available committed overdraft facilities of £8.7m (2023: £9.5m), resulted in available liquidity headroom of £194.5m (2023: £273.5m). The Group also has available uncommitted short-term bank facilities to manage short-term liquidity but these facilities are excluded from the liquidity headroom policy. The Group manages longer-term liquidity through its committed bank facilities and will, if appropriate, raise funds on capital markets.

During 2024 the facility was extended to 19 September 2029, with two options to extend by a further one year respectively, executable by the first and second anniversary of the date of extension. As at 31 December 2024 the Group's principal committed bank facility of £251.0m had drawings of £84.3m (2023: £32.1m). Cash management pooling, netting and concentration techniques are used to minimise borrowings.

Credit risk

Credit risk primarily arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial assets such as cash balances, derivative financial instruments and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of appropriate allowances for expected credit losses based on a simplified lifetime Expected Credit Loss (ECL) model to assess trade receivables for impairment where ECL is the present value of all cash shortfalls over the expected life of a trade receivable. An allowance for impairment is made when one or more events have occurred that have a significant impact on the expected future cash flows of the financial asset such that there is sufficient evidence of a reduction in the recoverability of the asset. The quantitative analysis of credit risk relating to receivables is included in note 12.

Counterparty risk encompasses settlement risk on derivative financial instruments and credit risk on cash and term deposits. The Group monitors its credit exposure to its counterparties via their credit ratings (where applicable) and through its policy, thereby limiting its exposure to any one party to ensure there is no significant concentration of credit risk. The credit risk on liquid funds (cash balances) and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and Group policy is to enter into such transactions with a preference for counterparties with an investment grade rating. However, acquired businesses occasionally have dealings with banks with lower credit ratings. Business with such banks is moved as soon as practicable.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Interest rate risk

Interest rate risk arises on borrowings and cash balances (and derivative liabilities and assets) which are at floating interest rates. Changes in interest rates could have the effect of either increasing or decreasing the Group's net profit. Under the Group's interest rate management policy, the interest rates on each of the Group's major currency monetary assets and liabilities are managed to achieve the desired mix of fixed and variable rates for each major net currency exposure. As at 31 December 2024 the major interest rate risk is in Europe as borrowings were predominantly in euros (£85.6m out of £87.4m).

Interest rate sensitivity

To represent management's best estimate of a reasonable range of potential outcomes, the Group has measured the estimated change to the income statement and equity of either an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, which did not indicate any material impact on the financial statements. This analysis was for illustrative purposes only. The sensitivity analysis excludes the impact of market risks on net post-employment benefit obligations.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

16. Financial instruments continued

The interest rate sensitivity analysis is based on the following assumptions:

- changes in market interest rates affect the interest income or charges of variable interest financial instruments; and
- changes in market interest rates affect the fair value of derivative financial instruments designated as hedging instruments.

Under these assumptions, a one percentage point fall or rise in market interest rates for all currencies in which the Group has variable net cash or net borrowings at 31 December 2024 would increase or reduce profit before tax by approximately £0.7m (2023: £0.1m). There is no significant impact on equity in the current or previous year.

Currency risk

Bodycote has operations in 22 countries and is therefore exposed to foreign exchange translation risk when the profits/losses and net assets of these entities are consolidated into the Group's financial statements.

Ninety-one per cent of the Group's revenues are in currencies other than sterling (EUR 34%, USD 36% and SEK 7%, and others at or below 3% individually, total 14%). Cumulatively over the year, sterling rates moved such that the revenue for the year was £24.3m lower than it would have been had the revenue been translated at the rates prevailing in 2023.

It is Group policy not to hedge exposure for the translation of reported profits. Refer to section (e) for further disclosure of the Group's financial instrument risk management activities.

The Group's balance sheet translation policy is not to actively hedge currency net assets but where appropriate the Group will still match centrally held currency borrowings to the net assets. The Group generally borrows in sterling, US dollars and euros, consistent with the locations where the majority of the Group's investments are held. The Group recognises foreign exchange movements in equity for the translation of net investment hedging instruments and balances (see section (e)).

Transactional foreign exchange exposures arise when entities within the Group enter into contracts to pay or receive funds in a currency different from the functional currency of the entity concerned. It is Group policy to hedge material exposure to cash transactions in foreign currencies when a commitment arises, usually through the use of vanilla foreign exchange forward contracts.

Currency sensitivity

Taking the 2024 revenue by currency, a 10% weakening/strengthening in the 2024 cumulative average rates for all currencies versus sterling would have given rise to a +£62.6m/-£76.5m movement in revenue respectively. The impact on adjusted operating profit is affected by the mix of losses and profits in the various currencies. However, taking the 2024 operating profit mix, a 10% weakening/strengthening in 2024 cumulative average rates for all currencies would have given rise to a +8.3m/-£12.2m movement in adjusted operating profit.

(d) Derivative financial instruments

The Group's derivative financial instruments were considered to be classified as level 2 instruments with fair value measurements derived from inputs that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

In accordance with IFRS 7 Financial Instruments, fair value is determined using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The Group's interest rate risk is primarily in relation to its floating rate borrowings (cash flow risk). From time to time the Group will use interest rate derivative contracts to manage its exposure to interest rate movements within Group policy. At the balance sheet date, the Group has no outstanding interest rate derivatives.

(e) Net investment hedge

During the year the Group's outstanding Revolving Credit Facility drawings were denominated in EUR and USD. Certain EUR and USD amounts were designated as a net investment hedge through the year to the Group's subsidiaries with a matching functional currency on a 1:1 ratio. As at 31 December 2024 the Revolving Credit Facility was drawn in EUR. The effects and performance of the EUR net investment hedge as at 31 December 2024 are set out as follows:

EUR Net investment hedge	2024 £m	2024 €m	2023 £m	2023 €m
Carrying amount of the hedging instruments	90.1	109.0	32.1	37.0
Carrying amount of the hedged items (net assets of subsidiaries) and denominations	90.1	109.0	32.1	37.0
Hedge Ratio	1:1	–	1:1	–
Change in hedging instruments carrying amount as a result of foreign currency movements from 1 January 2024	4.1	–	0.9	–
Change in value of hedged item used to determine hedge effectiveness	(4.1)	–	(0.9)	–

The gain on net investment hedges of £4.1m (2023: £1.5m) has been recognised in other comprehensive income and accumulated in other reserves in shareholders' equity. There was no material ineffectiveness to be recorded from the net investment hedges.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

17. Deferred tax

The following are the major deferred tax liabilities and (assets) recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation £m	Tax losses £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 January 2023	57.5	(3.7)	(3.0)	(1.3)	49.5
Charge/(credit) to the consolidated income statement	5.9	0.3	0.2	(5.1)	1.3
Credit to equity	–	–	–	(0.1)	(0.1)
Exchange differences	(2.3)	0.1	–	0.4	(1.8)
Effect of change in tax rate in the income statement	0.3	–	–	–	0.3
At 1 January 2024	61.4	(3.3)	(2.8)	(6.1)	49.2
Credit to the consolidated income statement	(11.1)	(2.0)	(0.2)	(1.0)	(14.3)
Debit to equity	–	–	0.1	–	0.1
Transfers	0.3	–	–	(0.3)	–
Disposal of business	–	–	–	0.1	0.1
Exchange differences	(0.7)	–	0.1	(0.1)	(0.7)
Effect of change in tax rate in the income statement	–	–	–	(0.2)	(0.2)
At 31 December 2024	49.9	(5.3)	(2.8)	(7.6)	34.2

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2024 £m	2023 £m
Deferred tax liabilities	41.2	51.8
Deferred tax assets	(7.0)	(2.6)
	34.2	49.2

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Other deferred tax assets relate to provisions recognised in the financial statements that are not yet deductible for tax purposes, in particular in relation to restructuring charges, share-based payments and local profit differences that are expected to reverse over time.

At the balance sheet date, the Group has unused tax losses of £40.9m (2023: £33.1m) available for offset against future profits. A deferred tax asset of £5.3m has been recognised in respect of £21.2m (2023: £13.6m) of such losses, based on existing taxable temporary differences generating future taxable profits against which the assets can be recovered in the relevant jurisdictions. No deferred tax asset has been recognised in respect of the remaining £19.7m (2023: £19.5m) of the losses where the likelihood that sufficient taxable profits of the appropriate type is not probable. The majority of losses may be carried forward indefinitely.

The Group has capital losses of £53.3m (2023: £53.3m) which are not recognised for deferred tax as future suitable profits against which the losses could be utilised are not probable. A deferred tax liability of £4.7m (2023: £3.9m) relating to the temporary differences on unremitted earnings of overseas subsidiaries has been recognised as the Group believes it is probable that these temporary differences will reverse in the foreseeable future. Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

The majority of the deferred tax liability, and deferred tax asset, are expected to reverse in over 12 months.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

18. Trade and other payables

	2024 £m	2023 £m
Working capital amounts falling due within one year:		
Trade payables	19.4	20.8
Other taxes and social security	17.1	19.8
Other payables	8.0	6.1
Trade accruals ¹	57.1	64.6
	101.6	111.3
Other amounts falling due within one year:		
Share buyback accrual	32.9	–
Interest payable	3.7	2.7
Deferred income	2.0	0.1
Capital payables	2.3	4.6
Capital accruals	4.2	4.0
	45.1	11.4
Total amounts falling due within one year:	146.7	122.7
Working capital amounts falling due after more than one year:		
Other payables	0.8	0.9

¹ Trade accruals include £30.5m (2023: £37.0m) of payroll-related accruals.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases as at 31 December 2024 is 24 days (2023: 22 days). The Directors consider the carrying value of trade payables to approximate to their fair value.

The share buyback accrual of £32.9m (2023: £nil) is a non-cash financing liability.

19. Provisions

	Restructuring 2024 £m	Environmental 2024 £m	Legal 2024 £m	Total 2024 £m
At 1 January 2024	0.5	9.2	5.3	15.0
Additions	9.0	1.4	1.7	12.1
Released	–	(0.1)	(0.9)	(1.0)
Utilisation	(1.1)	(6.5)	(3.9)	(11.5)
Exchange difference	–	(0.1)	(0.1)	(0.2)
At 31 December 2024	8.4	3.9	2.1	14.4
Included in current liabilities				11.9
Included in non-current liabilities				2.5
				14.4

During 2024, the Group undertook a strategic review as a result of which it announced its intention to undertake a number of optimisation actions to drive step changes and improvements across the business, primarily centred on sites utilising older, more commoditised technologies with higher carbon footprints. Refer to the strategic review on pages 13 to 15 and note 3 for further information.

Restructuring

Included in restructuring provision additions in the year are £8.5m (2023: £nil) which have been charged to exceptional items in the consolidated income statement in respect of provisions made as a result of the strategic optimisation programme. These changes related to redundancy and severance of employees at affected sites at which announcements of closure have been made, along with site closure costs and consequential reductions in management overheads announced in the year. The majority of cash outflows in respect of these provisions are expected to occur within 2 years.

Environmental Provisions

The Group provides for the costs of environmental remediation if there is a probable outflow of economic resources that has been identified at the time of plant closure, as part of acquisition due diligence or in other circumstances where remediation by the Group is required. This provision is reviewed annually to determine the best estimate of expenditure required to settle the identified obligations and where applicable, external confirmations are obtained to determine the best estimate of future liabilities. During the year, environmental provisions of £1.0m were created as part of the Group's strategic optimisation programme (see note 3 for details).

The Group remains exposed to contingent liabilities in respect of environmental remediation liabilities. In particular, the Group could be subjected to regulatory or legislative requirements to remediate sites in the future. However, it is not possible at this time to determine whether, and to what extent, any liabilities exist, other than for those recognised above. Therefore no provision is recognised in relation to these items.

Legal and operational provisions

Legal provisions include, but are not limited to, alleged breach of contract and alleged breach of environmental legislation. While the Group cannot predict the outcome of individual legal actions, where the exposure can be reliably measured and an outflow of economic benefits is considered probable, provisions are recognised following legal advice. There were no individually material provisions as at 31 December 2024.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

20. Share capital

	Ordinary Shares		Share Capital ¹	
	2024 Number	2023 Number	2024 £m	2023 £m
At 1 January	191,456,172	191,456,172	33.1	33.1
Share buyback programmes	(8,558,676)	–	(1.5)	–
Total	182,897,496	191,456,172	31.6	33.1

1 Nominal value of shares held is 17³/₁₁ p each.

In the year the Group announced share buyback programmes totalling £90.0m. The first programme commenced on 15 March 2024 and the second, announced on 12 December 2024, commenced on 15 January 2025 and is due to complete by no later than the 14 July 2025.

As at 31 December 2024, a total of 8,558,676 shares have been repurchased for a total price, including transactional costs, of £60.4m, of which £57.7m was paid in cash in the year. The nominal value of the shares purchased is £1.5m, which was transferred to the capital redemption reserve and the difference between the nominal value and the purchase price was recorded within retained earnings.

As at 31 December 2024 a liability of £32.7m, plus £0.2m transactional costs, remained for shares contracted to be repurchased but for which the repurchases were still outstanding.

21. Dividends

	2024 Per share	2023 Per share	2024 £m	2023 £m
Interim dividend for the year ended 31 December	6.9	6.7	12.7	12.7
Proposed final/Final dividend for the year ended 31 December	16.1	16.0	29.2	30.1
Total dividend	23.0	22.7	41.9	42.8

The 2023 final dividend of 16.0p per share was paid on 6 June 2024. The 2024 interim dividend of 6.9p per share was paid on 7 November 2024. The proposed final dividend for 2024 of 16.1p to be paid on 5 June 2025 to shareholders on the register at close of business on 25 April 2025, is subject to approval at the AGM on 21 May 2025 and therefore is not included as a liability in these consolidated financial statements.

For the year ended 31 December 2024 unclaimed dividends which are fortified after a period of 6 years from the date for payment and reverted back to the Group amounted to £nil (2023: £0.6m).

22. Acquisition of business

Acquisition of Lake City Heat Treating LLC

On 19 January 2024 the Group acquired 100% of the ordinary share capital of Lake City Heat Treating ('Lake City') in North America for a total gross consideration of £52.2m (\$66.5m) on a cash and debt free basis which was settled through the Group's existing cash and borrowing facilities.

Lake City is a leading hot isostatic pressing (HIP) and vacuum heat treatment business primarily supplying the orthopaedic medical implant market as well as civil aerospace. The acquisition was made to strengthen the Group's network and service offering in the medical market, complementing the Specialist Technologies divisions strategy in North America. The business has been integrated into the Group's Specialist Technology division.

The transaction has been accounted for as a business combination under IFRS 3. The assets and liabilities recognised as a result of the acquisition are as follows:

	2024 £m
Fair value of net assets acquired:	
Goodwill	3.8
Other intangible assets	39.9
Property, plant and equipment	7.7
Trade and other receivables	1.2
Trade and other payables	(0.4)
Fair value of net assets acquired	52.2
Total consideration transferred	52.2
Net cash outflow arising on acquisition:	
Cash consideration	52.2

The goodwill arising on the acquisition is expected to be deductible for tax purposes and is attributable to the assembled workforce and anticipated synergies that can be achieved in the business. Intangible assets recognised on acquisition relate to customer relationships of £39.4m, non-compete agreements of £0.3m and trade names of £0.2m and will be amortised in line with the Group accounting policies which can be found on page 135.

Related acquisition costs totalling £2.7m were included in the consolidated cash flow statement within net cash from operating activities of £2.4m in 2024 and £0.3m in 2023. The gross contractual value of the trade and other receivables was £1.2m and the best estimate at the acquisition date of the contractual cash flows not expected to be collected was £nil. Net deferred tax recognised on the acquisition is £nil.

The business has contributed £9.5m to revenue and £3.5m to operating profit, for the period between the date of acquisition and 31 December 2024. There would be no significant difference if the acquisition had been completed on the first day of the financial year due to the proximity of the acquisition date to the start of the year.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

23. Notes to the cash flow statement

	2024 £m	2023 £m
Profit for the year	20.7	86.8
Adjustments for:		
Finance income	(0.8)	(0.8)
Finance charges	10.3	8.3
Taxation charge	7.7	24.9
Operating profit	37.9	119.2
Adjustments for:		
Depreciation of property, plant and equipment	59.7	59.4
Depreciation of right-of-use assets	13.6	12.9
Amortisation of other intangible assets	12.4	9.8
Profit on disposal of property, plant and equipment	(5.5)	(3.4)
Loss on disposal of property, plant and equipment recognised in exceptional items	0.1	–
Profit on disposal of right-of-use assets	(0.2)	(0.2)
Disposal of business	2.6	–
Impairment of goodwill – recognised in exceptional items	18.0	–
Impairment of acquired intangibles – recognised in exceptional items	0.8	–
Impairment of fixed assets – recognised in exceptional items	46.4	–
Impairment of property, plant and equipment and other assets recognised in operating profit	0.1	0.9
EBITDA	185.9	198.6
Share-based payments	0.6	5.1
Decrease/(increase) in inventories	1.3	(1.7)
Decrease in receivables	7.2	6.2
Decrease in payables	(7.6)	(1.0)
Decrease in provisions	(0.6)	(3.1)
Cash generated by operations	186.8	204.1
Net income taxes paid	(32.1)	(9.0)
Settlement of derivatives	–	(0.3)
Net exchange differences	(2.1)	(3.2)
Net cash from operating activities	152.6	191.6
	2024 £m	2023 £m
Cash and cash equivalents comprise:		
Cash and bank balances	19.1	45.2
Bank overdrafts (included in borrowings)	(3.1)	(0.5)
	16.0	44.7

Cash and cash equivalents include £1.1m (2023: £1.3m) held in the USA relating to the refund of a pension surplus which the Group intends to use to fund future pension contributions for its USA employees to avoid the full amount becoming subject to regulatory restrictions in the USA. Restricted cash of £0.8m that was held in escrow as at 31 December 2023 related to environmental provisions has been used to settle the related liability in the year.

24. Employees

The average number of employees (including Executive Directors) is shown below.

	2024 Number	2023 ¹ Number
Total average employees	4,439	4,525
	2024 £m	2023 ¹ £m
Their aggregate remuneration comprised:		
Wages and salaries	235.6	245.5
Social security costs	36.0	36.1
Pension costs	9.0	8.6
	280.6	290.2

1 2023 average employee numbers have been restated to exclude 419 temporary contractors and the related wages and salaries of £17.3m.

Included in pension costs are £8.7m (2023: £8.3m) relating to defined contribution schemes and a £0.3m (2023: £0.3m) charge relating to defined benefit schemes. Pension costs not included of £1.0m (2023: £0.9m) relate to administrative costs of £0.6m (2023: £0.5m) and net interest costs of £0.4m (2023: £0.4m). Refer also to notes 2 and 26.

Disclosure of individual Directors' remuneration, share interests, share awards, long-term incentive schemes, pension contributions and pension entitlements are shown in the tables in the Directors remuneration report on pages 94 to 117.

See note 25 for information on share-based payments and note 26 for information on retirement benefit schemes.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

25. Share-based payments

The Company operates the Bodycote Incentive Plan (BIP) under which Executive Directors and Senior Executives receive a conditional award of Bodycote shares up to a maximum of 175% of base salary. Vesting of awards are based upon two performance measures, over a three-year period.

	BIP 2024	BIP 2023	Other Plans 2024	Other Plans 2023
At 1 January	6,001,991	5,337,784	624,905	484,211
Granted during the year	2,923,641	2,867,954	373,275	298,682
Exercised during the year	(390,579)	(206,935)	(273,882)	(139,947)
Expired during the year	(2,294,425)	(1,996,812)	(77,354)	(18,041)
At 31 December	6,240,628	6,001,991	646,944	624,905
Average fair value of share awards granted during the year at date of grant (pence)	544.7	555.1	608.2	608.3
Fair value of awards granted during the year (£)	15,925,445	15,919,411	2,270,119	1,816,981

Fifty percent of the award is subject to a return on capital employed (ROCE) performance condition and 50% of the award is subject to adjusted operating profit or adjusted earnings per share (EPS) performance conditions assigned to the individual. In the event that the adjusted EPS underpin is not achieved, no awards will vest.

Other plans include buy-out awards, a targeted employee retention share programme and a deferred bonus plan whereby 35% of any bonus earned is deferred into shares. Buy-out award shares issued vest between 12 and 36 months from the grant date, with the remaining vesting after three years from the grant date. All plans are conditional on continued employment.

More information on the BIP and the buy-out awards for Executive Directors can be found in the Directors report on remuneration on pages 94 to 117.

The exercise price of shares exercised was £nil. As at 31 December 2024 of 174,212 exercisable shares outstanding 48,983 were related to BIP and 125,229 related to other plans. The inputs to the Black-Scholes simulation model, used to determine the charge to the income statement for BIP, are as follows:

	BIP 2024	BIP 2023	Other Plans 2024	Other Plans 2023
Weighted average share price (pence)	604.1	608.3	646.4	634.3
Weighted average exercise price (pence)	nil	nil	nil	nil
Expected life (years)	3.0	3.0	1.0-3.0	0.1-3.0
Expected dividend yields (%)	3.4	3.0	3.4	3.0
Weighted average remaining contractual life of shares outstanding (years)	1.1	1.2	0.9	1.1
Average fair value of share awards granted during the year at date of grant (pence)	544.7	555.1	608.2	608.3
Fair value of awards granted during the year (£)	15,925,445	15,919,411	2,270,119	1,816,981

The Group recognised a total charge to the consolidated income statement of £0.6m (2023: £5.1m) related to equity-settled share-based payment transactions, excluding social charges.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

26. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for employees in the UK, US, France, Belgium and Canada. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where employees leave the schemes prior to the contributions vesting fully, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The Group's employees in Denmark, Finland, Sweden, Italy, Mexico, Slovakia, Switzerland and the Netherlands are members of state-managed retirement benefit schemes operated by the governments of each country.

The relevant subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefit schemes is to make the specified contributions.

The Group also contributes to private pension schemes of the employees as part of employee benefits in the Czech Republic.

The total cost charged to the consolidated income statement of £8.7m (2023: £8.3m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2024 contributions of £0.5m (2023: £0.3m) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

The Group operated a number of pension schemes and provided leaving service benefits to certain employees during the year. The defined benefit obligation less fair value of assets at the end of the year and total expense recognised in the income statement are summarised below:

Defined benefit obligation less fair value of assets

	2024 £m	2023 £m
UK Scheme	–	–
Non-UK Schemes	11.3	11.1
	11.3	11.1

Total expense recognised in the income statement

	2024 £m	2023 £m
UK Scheme ¹	0.6	0.4
Non-UK Schemes ¹	0.7	0.8
	1.3	1.2

¹ The UK Scheme is closed to new members and the accrual of benefits and the costs represent administrative and past service credits and costs. Costs associated with the non-UK schemes relate to employee service and related costs (see note 24) and administrative costs (see note 2).

UK Scheme

The Group sponsors the Bodycote UK Pension Scheme ('the Scheme') which is a funded defined benefit arrangement for certain former UK employees, and pays out pensions at retirement based on service, final pensionable pay and price inflation. The Scheme is funded by the Group.

The Scheme operates under UK trust law and the trust is a separate legal entity from the Group. The Scheme is governed by a board of trustees, comprised of two member representatives, two employer representatives and one independent trustee. The trustees are required by law to act in the best interests of scheme members and are responsible for setting certain policies (e.g. investment, funding) together with the Group.

Funding of the Scheme is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions below. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and agreed between the Trustees and the Group in respect of the 6 April 2023 valuation, which was completed by a qualified actuary. The next actuarial valuation is due with an effective date of 6 April 2026.

The Scheme's current strategic target is to allocate 19% of the investment to non-matching asset classes, predominantly longer-term credit based investments and 81% to a liability-matching portfolio, comprising Liability Driven Investment ('LDI'), money market and shorter-term credit based investments. The LDI portion of the strategy has been put in place to reduce interest and inflation risk. LDIs are held in pooled investment vehicles and include over the counter derivatives and quoted equities designated to move in line with the defined benefit liability.

The key assumptions used in determining the values of the UK Scheme assets and liabilities are set out below.

Assumptions for 2024 (UK Scheme)

	2024 % per annum	2023 % per annum
RPI inflation	3.35	3.20
CPI inflation	3.05	2.90
Salary increases	n/a	n/a
Rate of discount	5.35	4.50
Allowance for pension in payment increases of RPI or 3% p.a. if less	2.30	2.18
Allowance for revaluation of deferred pensions	3.05	2.90

Mortality – current pensioners (UK Scheme)

	2024 S ³ PxA YoB CMI 2023 1.0% long-term trend	2023 S ³ PxA YoB CMI 2022 1.5% long-term trend
Life expectancy for members currently aged 65	19.8	19.8

Actuarial tables used

Notes to the consolidated financial statements continued

Year ended 31 December 2024

26. Retirement benefit schemes continued

Mortality – future pensioners (UK Scheme)

Actuarial tables used	2024 S ³ PxA YoB CMI 2023 1.0% long-term trend	2023 S ³ PxA YoB CMI 2022 1.5% long-term trend
Life expectancy at age 65 for members currently aged 45	20.7	20.7

The weighted average duration of the defined benefit obligation at 31 December 2024 is approximately 12 years (2023: 12 years).

The maximum permitted cash commutation is 75% (2023: 75%).

The scheme asset values are sensitive to market conditions and the scheme liabilities are sensitive to actuarial assumptions used to determine the scheme obligations, the main assumptions of which are the discount rate, the rate of price inflation and the life expectancy rate. The following table provides an estimate of the potential impact on the pension scheme of changing these assumptions.

	2024		2023	
	Increase £m	Decrease £m	Increase £m	Decrease £m
0.5% change in discount rate	(3.0)	3.3	(3.6)	4.0
0.5% change in price inflation (and associated assumptions)	1.1	1.1	1.4	(1.3)
One year change in life expectancy at age 65	2.1	(2.1)	2.6	(2.6)

The sensitivity analysis was performed by recalculating the defined benefit obligation with the relevant assumptions modified as disclosed. The sensitivity table is based on an illustrative 0.5% change, although the assumptions may vary by greater amounts.

It is the policy of the Group to recognise all actuarial gains and losses in the year in which they occur outside of the consolidated income statement and in the consolidated statement of comprehensive income. The UK Scheme was closed to new entrants and future accrual in 2019.

In June 2023, the High Court judged that amendments made to the Virgin Media scheme were invalid because the scheme's actuary did not provide the associated S37 certificate necessary. The case was subsequently reviewed by the Court of Appeal in July 2024 which upheld the High Court's decision.

The High Court's decision has wide ranging implications, affecting other schemes (such as the Bodycote UK Pension Scheme) that were contracted-out on a salary-related basis, and made amendments between April 1997 and April 2016. Historic scheme amendments without the appropriate certification might now be considered invalid, leading to additional, unforeseen liabilities.

The Scheme was contracted out during this period, and the Company's legal advisors are carrying out a detailed investigation into historic Scheme amendments. This remains ongoing and is at an early stage and as such the Company and the Trustee of the Bodycote UK Pension Scheme are not in a position to assess if there are any potential implications.

The Company and the Trustee of the Scheme will continue to seek legal advice on the matter and act accordingly.

The Group acknowledges that the recognition of a pension scheme surplus is an area of accounting judgement, which depends on the interpretation of the wording of the Scheme Rules and the relevant accounting standard, IFRIC 14. In the Group's view there is uncertainty over whether the wording of the Scheme Rules provides the Group with an unconditional right to a refund of any surplus from the Scheme either on an ongoing basis or assuming the full settlement of Scheme liabilities. The Group's interpretation of the Scheme Rules is that there is material uncertainty over whether the power to wind up the Scheme is wholly within the Group's control as would be required under the terms of IFRIC 14 in order to recognise a surplus on the balance sheet. Consistent with previous years, given this uncertainty, the Group has adopted the provisions of IFRIC 14 and the associated additional reporting requirements. As the Scheme is in surplus as at 31 December 2024 a restriction has been applied to the balance sheet, and the net surplus recognised on the balance sheet has been restricted to £nil.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation (UK Scheme)

	2024 £m	2023 £m
Defined benefit obligation at start of year	62.7	64.4
Interest expense	2.8	2.9
Actuarial gains arising from changes in demographic assumptions	(1.2)	(3.2)
Actuarial (gains)/losses arising from changes in financial assumptions	(5.5)	1.5
Experience (gains)/losses	(0.3)	0.3
Benefits paid, death in service insurance premiums and expenses	(3.7)	(3.1)
Past service credit	–	(0.1)
Defined benefit obligation at end of year	54.8	62.7

Reconciliation of opening and closing balances of the fair value of the assets (UK Scheme)

	2024 £m	2023 £m
Fair value of assets at start of year	67.6	67.4
Interest income	3.0	3.1
Return on scheme assets excluding interest income	(6.1)	0.3
Scheme administration expenses	(0.6)	(0.5)
Contributions by employer	0.4	0.4
Benefits paid, death in service insurance premiums and expenses	(3.7)	(3.1)
Fair value of assets at end of year	60.6	67.6

Notes to the consolidated financial statements continued

Year ended 31 December 2024

26. Retirement benefit schemes continued

Total expense recognised in the income statement (UK Scheme)

	2024 £m	2023 £m
Past service credit	–	(0.1)
Scheme administration expenses	0.6	0.5
	0.6	0.4

Assets (UK Scheme)

	2024 Quoted ¹ £m	2024 Unquoted £m	2023 Quoted ¹ £m	2023 Unquoted £m
Bonds	12.8	2.2	13.6	2.9
Liability Driven Investment	16.2	–	21.9	–
Diversified credit funds	16.6	3.8	15.4	3.7
Cash and cash equivalents	9.0	–	10.1	–
	54.6	6.0	61.0	6.6

1 The quoted category includes funds which invest primarily in quoted securities and bonds however the funds themselves do not have a quoted price on an active market.

None of the fair value of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

The defined benefit obligation at 31 December 2024 can be approximately attributed to the scheme members as follows:

- Active members: 0% (2023: 0%)
- Deferred members: 40% (2023: 41%)
- Pensioner members: 60% (2023: 59%)

All benefits are vested at 31 December 2024 (unchanged from 2023).

Present value of defined benefit obligations, fair value of assets and deficit (UK Scheme)

	2024 £m	2023 £m
Present value of defined benefit obligation	54.8	62.7
Fair value of plan assets	(60.6)	(67.6)
Scheme surplus	(5.8)	(4.9)
Adjustment relating to asset ceilings and minimum funding requirements	5.8	4.9
Net defined benefit asset before deferred tax	–	–

Reconciliation of asset ceiling (UK Scheme)

	2024 £m	2023 £m
Restriction due to asset ceiling at beginning of period	4.9	3.0
Interest on asset restriction	0.2	0.2
Other changes in asset restriction	0.7	1.7
Restriction due to asset ceiling at end of period	5.8	4.9

The best estimate of contributions to be paid into the plan for the year ending 31 December 2025 is £0.4m.

Amounts recognised in other comprehensive income (UK Scheme)

	2024 £m	2023 £m
Return on scheme assets excluding interest income	(6.1)	0.3
Actuarial gains/(losses) arising from changes in financial assumptions	5.5	(1.5)
Actuarial gains arising from changes in demographic assumptions	1.2	3.2
Experience gains/(losses) on liabilities	0.3	(0.3)
Gain due to change in asset restriction	(0.7)	(1.7)
Total gain recognised in other comprehensive income	0.2	–

Notes to the consolidated financial statements continued

Year ended 31 December 2024

26. Retirement benefit schemes continued

Combined non-UK disclosures

The Group operates defined benefit schemes in continental Europe.

In Europe the Group operates defined benefit pension, post-retirement and long-service arrangements for certain employees in France, Germany, Italy, Turkey, Switzerland and Liechtenstein.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation (non-UK schemes)

	2024 £m	2023 £m
Defined benefit obligation at start of year	17.3	16.2
Current service cost	0.3	0.4
Interest expense	0.5	0.5
Actuarial losses arising from changes in financial assumptions	0.7	0.1
Experience (gains)/losses on liabilities	(0.1)	0.4
Benefits paid, death in service insurance premiums and expenses	(1.1)	(0.6)
Employee contributions	0.2	0.1
Exchange rate (gain)/loss	(0.8)	0.2
Defined benefit obligation at end of year	17.0	17.3

Reconciliation of opening and closing balances of the fair value of plan assets (non-UK schemes)

	2024 £m	2023 £m
Fair value of assets at start of year	6.2	5.3
Interest income	0.1	0.1
Return on scheme assets excluding interest income	0.1	0.4
Contributions by employer	0.1	0.2
Contributions by employees	0.2	0.1
Benefits paid, death in service insurance premiums and expenses	(0.6)	–
Exchange rate (loss)/gain	(0.4)	0.1
Fair value of assets at end of year	5.7	6.2

Total expense recognised in the income statement (non-UK schemes)

	2024 £m	2023 £m
Current service cost	0.3	0.4
Net interest on the defined benefit liability	0.4	0.4
Total expense	0.7	0.8

Assets (non-UK schemes)

	2024 Unquoted £m	2023 Unquoted £m
Collective Foundation receivables	5.7	6.2

No assets held are quoted assets or assets which have a quoted market price in active markets held within investment trusts. None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

Assumptions for 2024 (non-UK schemes)

	Salary increases % per annum	Rate of discount % per annum	Inflation % per annum	Pension increases % per annum
USA	n/a	n/a	n/a	n/a
France	3.0	3.3	2.0	1.0
Germany	2.5	3.5	n/a	2.0
Italy	2.5	3.3	1.8-2.0	n/a
Turkey	25.3	29.0	25.3	n/a
Liechtenstein	2.5	1.0	n/a	n/a
Switzerland	n/a	2.3	n/a	n/a

There were no significant movements compared to the prior year with the exception of Turkey where the discount rate per annum was increased by 4.5 ppts to 29.0% compared with 2023 and inflation changed by 4.3 ppts to 25.3%, both due to the country's current and forecasted high inflation period.

The assumption for the inflation rate % per annum for Italy increases by 0.1 ppts from 1.8% in 2024 to 2027, rising 0.1 ppts in 2028 to 1.9% and a further 0.1 ppts to 2.0% from the year 2029 onwards.

Duration

The weighted average durations of the defined benefit obligations of the overseas schemes at 31 December 2024 range from 9 years to 19 years (2023: 9 years to 18 years).

Present value of defined benefit obligations, fair value of assets and deficit (non-UK schemes)

	2024 £m	2023 £m
Present value of defined benefit obligation	17.0	17.3
Fair value of plan assets	(5.7)	(6.2)
Net defined benefit liability, before deferred tax	11.3	11.1

As all actuarial gains and losses are recognised, the deficit shown above at 31 December 2024 is that recognised in the balance sheet.

Notes to the consolidated financial statements continued

Year ended 31 December 2024

26. Retirement benefit schemes continued

Amounts recognised in other comprehensive income (non-UK schemes)

	2024 £m	2023 £m
Return on scheme assets excluding interest income	0.1	0.4
Actuarial losses arising from changes in financial assumptions	(0.7)	(0.1)
Experience gains/(losses) on liabilities	0.1	(0.4)
Total gain recognised in other comprehensive income	(0.5)	(0.1)

The only funded plans are those operated in France, Switzerland and Liechtenstein. The best estimate of contributions to be paid into the plans for the year ending 31 December 2025 is £0.1m.

Sensitivities (changes to total defined benefit obligations) (non-UK schemes)

	2024		2023	
	Increase £m	Decrease £m	Increase £m	Decrease £m
0.25% change in discount rate	(0.5)	0.5	(0.5)	0.6
0.25% change in price inflation (and associated assumptions)	0.3	(0.3)	0.3	(0.3)

The sensitivity table is based on an illustrative 0.25% change, although the assumptions may vary by greater amounts. Therefore, the Group considers the retirement benefit obligations a key source of estimation uncertainty.

27. Contingent liabilities

The Group is subject to certain legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. Legal proceedings may include, but are not limited to, alleged breach of contract and alleged breach of environmental, competition, securities and health and safety laws. The Group may not be insured fully, or at all, in respect of such risks. The Group cannot predict the outcome of individual legal actions, claims, complaints or investigations. The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. The Group may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when it considers it has valid defences to liability. The Group considers that no material loss is expected to result from these legal proceedings, claims, complaints and investigations. Provision is made for all liabilities that are expected to materialise through legal and tax claims against the Group.

28. Statutory and other information

Auditors remuneration

	2024 £m	2023 £m
Fees payable to the auditor for the audit of the annual accounts	1.3	1.2
Fees payable to the auditor and its associates for other services:		
The audit of the Group's subsidiaries	1.1	1.2
Total audit fees	2.4	2.4
Audit related assurance services ¹	0.1	0.1
Total fees payable to the auditor	2.5	2.5

1 This includes £0.1m (2023: £0.1m) for the interim review of the half year report and a nominal fee for a statutory liquidation filing in Belgium. Non-audit fees in both years also include a nominal amount for a subscription to a generic accounting and reporting website.

The audit fees disclosed for 2024 include £0.1m of fees in connection with the 2023 audit.

Certain subsidiaries in the UK have taken an exemption to be audited. Refer to page 171 for further information.

Related party transactions

Transactions between subsidiaries of the Group, which are related parties to each other, have been eliminated on consolidation and are not disclosed in this note. For information on defined benefit retirement pension schemes that the Group operates see note 26.

Key management personnel compensation

The remuneration of the Board of Directors, who are considered key management personnel of the Group, was as follows:

	2024 £m	2023 £m
Short-term employee benefits	2.8	3.5
Share based payments	1.8	1.8
Pensions	0.2	0.2
	4.8	5.5

Further information about the remuneration of the individual Directors is provided in the Director's remuneration report on pages 94 to 117.

Company balance sheet

At 31 December 2024

	Note	2024 £m	2023 £m
Non-current assets			
Intangible assets	3	8.5	34.1
Property, plant and equipment		0.2	0.2
Right-of-use assets		1.1	1.3
Investments in subsidiaries	4	388.9	388.9
Deferred tax assets	7	3.9	–
Trade and other receivables	5	295.8	6.2
		698.4	430.7
Current assets			
Trade and other receivables	5	10.4	5.1
		10.4	5.1
Total assets		708.8	435.8
Current liabilities			
Trade and other payables	6	41.6	10.4
Lease liabilities		0.2	0.2
		41.8	10.6
Net current liabilities		(31.4)	(5.5)
Non-current liabilities			
Trade and other payables	6	–	6.5
Deferred tax liabilities	7	–	2.3
Lease liabilities		1.0	1.3
		1.0	10.1
Total liabilities		42.8	20.7
Net assets		666.0	415.1

	Note	2024 £m	2023 £m
Equity			
Share capital	8	31.6	33.1
Share premium account		177.1	177.1
Own shares		(11.1)	(15.7)
Capital redemption reserve		131.3	129.8
Other reserves		6.2	10.0
Profit for year		383.6	3.8
Retained earnings		(52.7)	77.0
Total equity		666.0	415.1

The notes to the Company financial statements on pages 170 to 172 form an integral part of the Company financial statements.

The financial statements of Bodycote plc, registered number 519057, were approved by the Board of Directors and authorised for issue on 13 March 2025.

They were signed on its behalf by:

Jim Fairbairn
Director

Ben Fidler
Director

Company statement of changes in equity

Year ended 31 December 2024

	Share capital £m	Share premium account £m	Own shares £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total £m
1 January 2023	33.1	177.1	(5.2)	129.8	6.8	117.9	459.5
Profit for the year	–	–	–	–	–	3.8	3.8
Exchange differences on translation of overseas operations	–	–	–	–	0.2	–	0.2
Actuarial gain on defined benefit pension schemes net of deferred tax	–	–	–	–	–	0.1	0.1
Total comprehensive (expense)/income for the year	–	–	–	–	0.2	3.9	4.1
Dividends paid	–	–	–	–	–	(40.6)	(40.6)
Shares acquired	–	–	(13.2)	–	–	–	(13.2)
Share-based payments	–	–	–	–	5.1	–	5.1
Settlement of share awards	–	–	2.7	–	(2.1)	(0.4)	0.2
31 December 2023	33.1	177.1	(15.7)	129.8	10.0	80.8	415.1
Profit for the year	–	–	–	–	–	383.6	383.6
Exchange differences on translation of overseas operations	–	–	–	–	0.3	–	0.3
Total comprehensive income for the year	–	–	–	–	0.3	383.6	383.9
Dividends paid	–	–	–	–	–	(42.8)	(42.8)
Shares acquired	(1.5)	–	–	1.5	–	(90.6)	(90.6)
Share-based payments	–	–	–	–	0.6	–	0.6
Settlement of share awards	–	–	4.6	–	(4.7)	(0.1)	(0.2)
31 December 2024	31.6	177.1	(11.1)	131.3	6.2	330.9	666.0

The notes to the Company financial statements on pages 170 to 172 form an integral part of the Company financial statements.

As at 31 December 2024 8,558,676 shares with a nominal value of 17³/₁₁p had been repurchased under the share buyback programmes which were announced in January 2024 (commenced March 2024) and December 2024 (to commence in 2025), for a total consideration of £57.7m (including costs £0.4m). A contractual obligation has been recognised of £32.9m relating to the contractual commitment to repurchase the remainder of these share buyback programmes.

Own shares comprise Bodycote Plc shares held in the Bodycote International Employee Benefit Trust (the 'Trust'). The Trust buys Bodycote plc shares and uses them to satisfy awards made under various employee incentive schemes when the issuance of new shares is not appropriate.

At 31 December 2024, 1,627,781 (2023: 2,292,243) ordinary shares of 17³/₁₁p each were held by the Trust. The market value of these shares was £10.3m (2023: £13.6m).

The capital redemption reserve of £131.3m (2023: £129.8m) comprises £129.8m which was transferred from retained earnings on the conversion of B shares into deferred shares in 2008 and 2009, and £1.5m arising on the repurchase of 8,558,676 shares during 2024 at a nominal value of 17³/₁₁p for a total costs of £57.7m. Refer to note 20 of the Group consolidated financial statements for further information.

Included in other reserves is £5.5m (2023: £9.6m) relating to a share-based payments reserve.

Details of share-based payment transactions are set out in note 25 of the Group consolidated financial statements.

Details of dividends paid are set out in note 21 of the Group consolidated financial statements.

Company accounting policies

Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The financial statements have been prepared under the historical cost convention and in accordance with applicable law. The principal accounting policies are summarised below, and have been applied consistently. In accordance with Section 408 of the Companies Act 2006, a separate profit and loss account dealing with the results of the Company has not been presented.

The Company has taken advantage of the disclosure exemptions available in FRS 101 in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, standards not yet effective and related party transactions.

Where required, equivalent disclosures are provided in the Group consolidated financial statements, which are publicly available.

Interim accounts for the period ending 31 May 2024, signed on 24 July, were filed with Companies House on 25 July 2024.

The accounting policies have been applied consistently throughout the current and preceding year.

Dividends

Interim dividend distributions (ordinary and special) to Bodycote plc's ordinary shareholders are recognised when paid and final dividends are accrued when approved by the ordinary shareholders at the Group's Annual General Meeting. Further detail is contained in note 21 of the Group consolidated financial statements.

Going concern

Having made appropriate enquiries, the Directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months. For that reason they have continued to adopt the going concern basis of accounting in preparing the Company's financial statements. Further detail is contained in the Group going concern statement in the Group's accounting policies in the Group consolidated financial statements.

Investments

Investments are held at cost less provision for impairment. An impairment review is carried out when an indication of impairment is identified in respect of any of the investments and impairment recognised to the extent that the carrying value of the investment is not supported by the net assets of the investment or discounted future cash flows that it is expected to generate in the form of dividend income.

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items are not retranslated. Gains and losses arising on retranslation are included in net profit or loss for the year.

Pension costs

The Company is the sponsoring entity of a final salary defined benefit pension scheme in the United Kingdom which is funded by the payment of contributions to a separately administered trust fund. Whilst the scheme shares risks between the Group's subsidiaries, there is no contractual arrangement or policy for charging the net benefit cost between the entities who participate in this scheme. The Company therefore recognises the net defined benefit cost of the scheme as described in the accounting policies applied in the Group consolidated financial statements.

The Company also participates in a number of defined contribution schemes. The amount charged to the profit and loss account in respect of these schemes reflects the contributions payable in the year.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided on a straight-line basis, to reduce the carrying value to the estimated residual value, at the following annual rates:

Fixtures and fittings 10% to 20%.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any provision for impairment. Amortisation is provided to reduce their carrying value to nil on a straight-line basis over their estimated useful lives, at the following annual rates:

Software 7% to 33%.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists or the asset is not in use and therefore requires an annual test, the recoverable amount of the asset is estimated as the higher of fair value less costs to dispose and value in use.

If the recoverable amount of an asset is less than its carrying amount, then its carrying amount is reduced to its recoverable amount.

Impairment losses are reversed to the extent that a subsequent event results in the recoverable amount of the asset becoming more than its carrying value provided that the carrying value of the asset does not exceed the value as it would have been if no impairment loss had been previously.

Impairment losses and gains on reversal of impairments are recognised in the income statement.

Company accounting policies continued

Receivables

Receivables are initially recognised at fair value. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

In accordance with IFRS 9, a simplified 12-month Expected Credit Loss (ECL) model is used to assess receivables for impairment.

Amounts that the Group does not expect to receive within 12 months based on the agreements in date at the balance sheet date are classified as falling due after more than one year.

Payables

Trade and other payables are initially recognised at their fair value. Subsequent to initial recognition, they are held at their amortised cost using the effective interest rate method.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Amounts which are contractually not required to be paid in the coming 12 months are classified as falling due after more than one year.

Taxation

Current UK corporation tax and foreign 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 recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date. Temporary differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Share-based payments

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The grant date fair value determined is expensed on a straight-line basis over the vesting period with a corresponding adjustment recorded in the share-based payments reserve. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates.

The Company recognises the share-based payment reserve for all eligible Group employees. The cost of share-based payments of non-Company employees are passed on to other Group companies at the weighted average cost to purchase shares exercised. The difference between the grant date fair value of shares exercised by non-Company employees and the weighted average cost to purchase shares exercised is recognised within retained earnings.

Critical judgements in applying the Company's accounting policies and key sources of estimation uncertainty

Preparing the Company's financial statements requires an assessment of the future benefits payable under the Group's UK defined benefit pension plan in accordance with actuarial assumptions. The discount rate and the mortality rates applied in the calculation of scheme liabilities are a key source of estimation uncertainty for the Company. Details of the accounting policies applied in respect of retirement benefit schemes are set out in note 26 of the Group consolidated financial statements.

In line with previous years, the Company does not recognise an asset in relation to the surplus on the defined benefit pension scheme. The recognition of the pension scheme surplus is an area of accounting judgement, which depends on the wording of the scheme rules and IFRIC 14. The pension surplus not recognised at 31 December 2024 was £5.7m (2023: £4.9m). Full disclosures concerning the scheme as required by IAS 19 are set out in note 26 of the Group consolidated financial statements and full disclosure concerning IFRIC 14 is set out in note 26 of the Group consolidated financial statements.

During 2024 the Company recognised an impairment in relation to the Operations module of the Group's ERP following a decision to cease its development and deployment. Management performed an analysis of the amounts capitalised in respect of the wider ERP programme to determine how much of the costs related to the Operations module and how much related to the development of the Finance and Procurement modules which continue to be deployed across the business. Undertaking that analysis required significant judgement, particularly in respect of certain items of historical cost that support both modules.

Notes to the company financial statements

Year ended 31 December 2024

1. Profit for the year

The Company has made use of the exemption from presenting a profit and loss account, in accordance with Section 408 of the Companies Act 2006.

Bodycote plc reported a profit for the financial year ended 31 December 2024 of £383.6m (2023: £3.8m) reflecting the receipt of £400m (2023: £7.3m) of dividends from subsidiaries in the year.

The auditors' remuneration for audit and other services is disclosed in note 28 of the Group consolidated financial statements.

2. Employees

	2024 Number	2023 Number
Average monthly number of employees	47	46
	£m	£m
Their aggregate remuneration comprised:		
Wages and salaries	10.2	10.3
Social security costs	1.6	1.1
Pension costs	0.4	0.5
	12.2	11.9

Included in wages and salaries are share-based payment charges (excluding social charges) of £2.4m (2023: £0.7m).

All Directors of the Group are remunerated through the Company. Disclosure of individual Directors' remuneration, share interests, share awards, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 are disclosed in the tables in the Directors' report on remuneration on pages 94 to 117.

3. Intangible assets

	Software £m
Cost	
At 1 January 2024	53.5
Additions	4.6
Impairment of ERP costs	(28.4)
At 31 December 2024	29.7
Amortisation	
At 1 January 2024	19.4
Charge for the year	1.8
At 31 December 2024	21.2
Net book value	
At 31 December 2024	8.5
At 31 December 2023	34.1

Included in software assets are ongoing development costs related to the Group's ERP solution that was partially impaired during the year. The retained asset was put in use on 1 July 2024 and is being amortised over 15 years in accordance with the Group's accounting policy. As at 31 December 2023, £31.4m of costs had been capitalised in respect of the ERP solution and were not being amortised because the asset was not available for use at that time. Information on the impairment recognised by the Company are set out in note 3 of the Group consolidated financial statements.

Additions are for the ongoing ERP development which include £3.1m (2023: £4.3m) charged from other Group companies.

Notes to the company financial statements continued

Year ended 31 December 2024

4. Investments in subsidiaries

	£m
Cost	
At 1 January 2024 and 31 December 2024	395.5
Provision for impairment	
At 1 January 2024 and 31 December 2024	6.6
Net book value	
At 1 January 2024 and 31 December 2024	388.9

The following subsidiaries in the UK have taken advantage of an exemption from audit under section 479A of the Companies Act 2006, as the ultimate parent company Bodycote plc, has provided a statutory guarantee for any outstanding liabilities of these businesses. These subsidiaries have been included in the Group consolidated financial statements of Bodycote plc as at 31 December 2024.

Bodycote America Capital Limited	Bodycote HIP Germany Limited
Bodycote America Finance Limited	Bodycote International Limited
Bodycote America Treasury Limited	Bodycote Investments
Bodycote Finance Limited	Bodycote Nominees No. 1 Limited
Bodycote Finance UK Limited	Bodycote Pension Trustees Limited
Bodycote Heat Treatments Limited	Bodycote Surface Technology Limited
Bodycote H.I.P. Limited	Bodycote Thermal Processing Mexico Limited

A full list of directly and indirectly owned subsidiary undertakings can be found on pages 179 to 180.

5. Trade and other receivables

	2024 £m	2023 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings ¹	6.0	3.5
Corporation tax	2.4	0.5
Other receivables and prepayments	2.0	1.1
	10.4	5.1
Amounts falling due after more than one year:		
Amounts owed by subsidiary undertakings ¹	294.8	5.8
Other receivables	1.0	0.4
	295.8	6.2
	306.2	11.3

¹ Amounts due to subsidiary undertakings have been classified as falling due within a year based on the Company's expectations of collections based on the terms and conditions of the loan agreement that is in place until 19 September 2029. Loans owed from subsidiaries have a defined maturity date which is broadly in line with the Group's Revolving Credit Facility, however parties have the ability to repay earlier. The interest rate for such loans was SONIA plus 1.95% in 2024 (2023: SONIA plus 1.95%). Expected credit losses (ECL) from these amounts have been assessed and no allowance recognised on the basis that the loans do not exceed the borrower's liquid assets and there is no history of default or forward-looking indication of future default.

6. Trade and other payables

	2024 £m	2023 £m
Amounts falling due within one year:		
Trade payables	0.7	0.3
Amounts owed to subsidiary undertakings ¹	0.3	0.2
Other taxes and social security	1.2	0.7
Other payables ²	36.1	4.9
Accruals	3.3	4.3
	41.6	10.4
Amounts falling due after more than one year:		
Amounts owed to subsidiary undertakings ¹	–	6.5
	–	6.5

¹ The portion of the 'Amounts owed to subsidiary undertakings' balance that is due to be settled within 12 months according to the loan agreement in place until 19 September 2029 is classified as current. The interest rate on those loans was SONIA plus 1.2% margin in 2024 (2023: SONIA plus 1.2%). Loans owed to subsidiaries have a defined maturity date being predominantly in line with the Group's Revolving Credit Facility, however the Company has the ability to repay earlier.

² 2024 Other payables balance includes £32.9m related to the Company's share repurchase programme.

Notes to the company financial statements continued

Year ended 31 December 2024

7. Deferred tax

The following are the deferred tax assets and liabilities recognised by the Company and movements thereon during the current and prior year.

	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other timing differences £m	Total £m
At 1 January 2023	(1.5)	–	0.2	(1.3)
Credit/(Charge) to profit or loss	(1.0)	–	–	(1.0)
At 1 January 2024	(2.5)	–	0.2	(2.3)
Credit/(Charge) to profit or loss	5.7	0.1	0.5	6.3
Charge to other comprehensive income	–	(0.1)	–	(0.1)
At 31 December 2024	3.2	–	0.7	3.9

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

8. Share capital

	Number of shares	£m
At 1 January 2024	191,456,172	33.1
Share buyback programmes	(8,558,676)	(1.5)
At 31 December 2024	182,897,496	31.6

Details of share awards in issue on the Company's share capital and share-based payments are set out in notes 20 and note 25 respectively of the Group consolidated financial statements.

9. Contingent liabilities

The Company has guaranteed bank overdrafts, loans and letters of credit of certain subsidiary undertakings amounting to £91.1m (2023: £37.0m). It is considered unlikely that these guarantees will be called and therefore no liability has been recorded in respect of them (2023: £nil).

10. Pension commitments

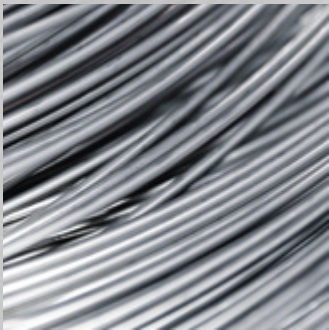
The Company is the sponsoring entity of a final salary defined benefit pension scheme in the United Kingdom which is funded by the payment of contributions to a separately administered trust fund (see note 26 to the Group consolidated financial statements). Whilst the scheme shares risks between the Group's subsidiaries, there is no contractual arrangement or policy for charging the net benefit cost between the entities who participate in this scheme. The Company therefore recognises the net defined benefit cost of the scheme as described in the accounting policies applied in the Group consolidated financial statements. As at 31 December 2024, a net pension asset of £nil (2023: £nil) was reflected on the Company's balance sheet. See note 26 of the Group consolidated financial statements for further details.

The Company also participates in a number of defined contribution schemes. The contributions made by the Company over the financial year to the defined contribution scheme amounted to £0.4m (2023: £0.5m). As at 31 December 2024, contributions of £nil (2023: £nil) were due in respect of the current year had not been paid over to the scheme.

11. Related party transactions

Information on the retirement benefit schemes operated by the Company are set out in note 26 of the Group consolidated financial statements. The remuneration of the Directors is set out in note 28 of the Group consolidated financial statements and in the Directors' report on remuneration on pages 94 to 117. The Company has taken the exemption available under FRS 101 not to disclose transactions with wholly-owned subsidiary companies.

ADDITIONAL INFORMATION.



IN THIS SECTION

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05



Five-year summary (unaudited)

	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Revenue	757.1	802.5	743.6	615.8	598.0
Profit:					
Adjusted operating profit	129.0	127.6	112.2	94.8	75.3
Amortisation of acquired intangible assets	(10.4)	(8.1)	(9.3)	(10.3)	(9.8)
Acquisition costs	(2.4)	(0.3)	(0.9)	(0.7)	(2.1)
Operating profit before exceptional items	116.2	119.2	102.0	83.8	63.4
Exceptional items	(78.3)	–	–	–	(58.4)
Operating profit	37.9	119.2	102.0	83.8	5.0
Net finance charge	(9.5)	(7.5)	(6.7)	(6.3)	(6.5)
Profit/(loss) before taxation	28.4	111.7	95.3	77.5	(1.5)
Taxation	(7.7)	(24.9)	(21.0)	(17.5)	2.3
Profit after taxation	20.7	86.8	74.3	60.0	0.8
Non-controlling interests	(0.7)	(1.2)	(0.6)	(0.5)	(0.4)
Profit attributable to the equity holders of the parent	20.0	85.6	73.7	59.5	0.4
Adjusted earnings per share (pence)	48.6	48.4	42.7	35.8	27.8
Full year dividend per share (pence)	23.0	22.7	21.3	20.0	19.4
Assets employed					
Intangible assets	321.4	332.7	344.7	322.0	323.5
Property, plant and equipment	481.2	504.9	516.3	489.3	522.6
Other assets/(liabilities)	(0.9)	6.4	20.4	(9.5)	(66.6)
	801.7	844.0	881.4	801.8	779.5
Financed by					
Share capital	31.6	33.1	33.1	33.1	33.1
Reserves	636.5	757.7	747.8	651.6	647.4
Shareholders' funds	668.1	790.8	780.9	684.7	680.5
Non-controlling interests	1.8	1.5	1.1	0.7	0.9
Net debt	131.8	51.7	99.4	116.4	98.1
Capital employed	801.7	844.0	881.4	801.8	779.5
Net assets per share (pence)	365.3	413.0	407.9	357.6	355.4
Average capital employed¹	822.9	862.8	841.6	789.9	770.5
Return on capital employed¹ (%):	15.7	14.8	13.3	12.0	9.8

1 Adjusted operating profit divided by the average of opening and closing capital employed.

Alternative performance measures (APMs) (unaudited)

The Group's Financial Statements are prepared using the basis of preparation and accounting policies described on pages 133 to 140 of this annual report. To provide additional information and analysis and to enable a full understanding of the Group's results, management also makes use of a number of APMs in its internal management of the business and as part of its internal and external reporting. These APMs are prepared and presented as described below:

- **Revenue excluding surcharges** presents the revenue of the Group as it would be excluding the effect of energy surcharges that were introduced in 2022 to pass on increased fuel and energy costs to customers.
- **Adjusted results** (including adjusted operating profit; adjusted profit before tax; adjusted EBITDA; and adjusted tax charge) are defined as being the respective GAAP measure excluding the effect of exceptional items, acquisition costs and amortisation of acquired intangibles. These measures form the basis of the Group's internal reporting and are presented to give greater insight into the ongoing trading performance of the Group excluding the effects of acquisitions and one-off items.
- **Constant currency results** (including constant currency revenue and constant currency adjusted operating profit) present the 2024 results translated into GBP using the same exchange rates as were used in 2023. Constant currency results are intended to provide further insight into the trading performance of the business excluding the effects of foreign exchange movements that are beyond its control.
- **Organic results** (including organic revenue and organic adjusted operating profit) present the results of the business stated at constant currency excluding the results of any businesses acquired or disposed of in either the current or prior year. Organic results are provided to give greater insight into the trading performance of the Group excluding the effects of changes to the Group. In 2024, the only business excluded from the organic results is Lake City which was acquired in January 2024. No businesses have been excluded from 2023.
- **EBITDA (Earnings before interest, taxation, depreciation and amortisation)** is used by management to provide further information about the ability of its businesses to generate cash before working capital and other movements. EBITDA is stated before profits and losses on disposal of assets and impairment charges in respect of assets. A similar measure is used for the Group's covenant calculation. A reconciliation of EBITDA to operating profit and cash generated by activities is included in note 23 to the financial statements.
- **Core measures** reflect the results of the Group's two segments based on its technology based platforms. Those segments include the parts of the business that are expected to continue to exist once the Group's strategic optimisation programme is complete and so give an indication of performance of the ongoing part of the Group.

- **Net Debt** is defined as the Group's borrowings (including finance lease liabilities) net of the Group's cash and overdrafts balance. It is used to provide an overall picture of the net indebtedness of the Group.
- **Free cash flow** is defined as the movement in the Group's net debt excluding payments made to the Group's shareholders in respect of dividends and share purchases, spend in relation to acquisitions of businesses and movements in net debt due to lease liability additions and disposals. It is presented to give an indication of the businesses' ability to generate cash to support acquisitive growth and return to shareholders.
- **Adjusted operating cashflow** is defined as free cash flow adjusted to exclude the effects of payments in respect of exceptional items (typically restructuring payments), finance costs and net tax. Adjusted operating cashflow forms part of the basis of the Group's internal reporting and is presented to give greater insight into the ongoing cash generation of the Group before financing costs and excluding the effects of acquisitions and one-off items. The definition of adjusted operating cashflow is consistent with the definition of the equivalent adjusted profit measures.
- **Return on capital employed** is defined as adjusted operating profit divided by capital employed, which is defined as the average of opening and closing net assets adjusted for net (debt)/cash. Return on capital employed provides a measure of how well the business has deployed capital to generate profit.

During the year the Group has renamed a number of its APMs from headline to adjusted with no change to their definition other than where explained.

A reconciliation of each of the APMs to its nearest GAAP measure is set out below. Whilst broadly consistent with the treatment adopted by both the Group's business sector peers and by other businesses outside of the Group's business sector, these APMs are not necessarily directly comparable with those used by other companies.

Alternative performance measures (APMs) (unaudited) continued

Revenue excluding surcharges

	2024				
	Specialist Technologies £m	Precision Heat Treatment £m	Total core £m	Non-core £m	Consolidated £m
Total revenue	224.2	488.3	712.5	44.6	757.1
Less energy surcharges	(4.0)	(28.9)	(32.9)	(2.7)	(35.6)
Total revenue excluding surcharges	220.2	459.4	679.6	41.9	721.5

	2023				
	Specialist Technologies £m	Precision Heat Treatment £m	Total core £m	Non-core £m	Consolidated £m
Total revenue	212.4	534.9	747.3	55.2	802.5
Less energy surcharges	(7.4)	(54.4)	(61.8)	(5.0)	(66.8)
Total revenue excluding surcharges	205.0	480.5	685.5	50.2	735.7

Adjusted operating profit

Adjusted operating profit is reconciled to Operating Profit in note 1 to the financial statements.

Adjusted operating margin

	2024					
	Specialist Technologies £m	Precision Heat Treatment £m	Central cost and eliminations £m	Total core £m	Non-core £m	Consolidated £m
Adjusted Operating Profit	65.0	83.0	(20.4)	127.6	1.4	129.0
Revenue	224.2	488.3	–	712.5	44.6	757.1
Adjusted operating margin (%)	29.0%	17.0%	n/a	17.9%	3.1%	17.0%

	2023					
	Specialist Technologies £m	Precision Heat Treatment £m	Central cost and eliminations £m	Total core £m	Non-core £m	Consolidated £m
Adjusted Operating Profit	55.2	94.4	(24.8)	124.8	2.8	127.6
Revenue	212.4	534.9	–	747.3	55.2	802.5
Adjusted operating margin (%)	26.0%	17.6%	n/a	16.7%	5.1%	15.9%

Adjusted profit before taxation

	2024 £m	2023 £m
Profit before taxation	28.4	111.7
Add back:		
Amortisation of acquired intangibles	10.4	8.1
Acquisition costs	2.4	0.3
Exceptional items	78.3	–
Adjusted profit before taxation	119.5	120.1

Revenue, organic revenue and adjusted operating profit at constant currency

Reconciled to revenue and adjusted operating profit in the table below:

	2024					
	Specialist Technologies £m	Precision Heat Treatment £m	Central cost and eliminations £m	Total core £m	Non-core £m	Consolidated £m
Revenue	224.2	488.3	–	712.5	44.6	757.1
Constant exchange rates adjustment	5.0	18.1	–	23.1	1.2	24.3
Revenue at constant currency	229.2	506.4	–	735.6	45.8	781.4
Less adjustments for revenue from acquisitions completed in the current or prior year	(9.8)	–	–	(9.8)	–	(9.8)
Organic revenue at constant currency	219.4	506.4	–	725.8	45.8	771.6
Adjusted operating profit	65.0	83.0	(20.4)	127.6	1.4	129.0
Constant exchange rates adjustment	1.4	3.5	–	4.9	–	4.9
Adjusted operating profit at constant currency	66.4	86.5	(20.4)	132.5	1.4	133.9
Less adjustments for adjusted operating profit from acquisitions completed in the current or prior year	(4.1)	–	–	(4.1)	–	(4.1)
Adjusted operating profit at constant currency	62.3	86.5	(20.4)	128.4	1.4	129.8

Alternative performance measures (APMs) (unaudited) continued

Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation)

	2024 £m	2023 £m
EBITDA	185.9	198.6
Acquisition costs	2.4	0.3
Exceptional items, excluding impairments and disposal of business	10.4	–
Adjusted EBITDA	198.7	198.9
Adjusted EBITDA Margin	26.2%	24.8%

Adjusted operating cash flow¹

	2024 £m	2023 £m
Adjusted EBITDA	198.7	198.9
Less:		
Net capital expenditure	(60.5)	(72.0)
Principal elements of lease payments	(13.5)	(13.0)
Provisions movement	(7.3)	(0.9)
Working capital movement	(1.9)	(0.8)
Adjusted operating cash flow	115.5	112.2
Add back:		
Maintenance principal elements of lease payments	12.4	10.1
Expansionary capital expenditure including ROU additions/disposals	20.4	27.8
Lease additions and disposals relating to maintenance capital expenditure	(13.2)	(10.6)
Adjusted operating cash flow as previously stated¹	135.1	139.5

Free cash flow¹

	2024 £m	2023 £m
Adjusted operating cash flow	115.5	112.2
Less:		
Restructuring cash flows	(3.9)	(1.6)
Net income taxes paid	(32.1)	(9.0)
Net Interest paid	(8.9)	(6.4)
Free cash flow	70.6	95.2

Add back:

Maintenance principal elements of lease payments	12.4	10.1
Expansionary capital expenditure including ROU additions/disposals	20.4	27.8
Lease additions and disposals relating to maintenance capital expenditure	(13.2)	(10.6)
Free cash flow as previously stated¹	90.2	122.5

Adjusted operating cash conversion

	2024 £m	2023 £m
Adjusted operating cash flow	115.5	112.2
Adjusted operating profit	129.0	127.6
Adjusted operating cash conversion	89.5%	87.9%

Free cash flow conversion

	2024 £m	2023 £m
Free cash flow	70.6	95.2
Adjusted operating profit	129.0	127.6
Free cash flow conversion	54.7%	74.6%

¹ In 2024 the definition of adjusted operating cash flow and free cash flow has been updated to include expansionary capital expenditure, which was previously recorded outside of both adjusted operating cash flow and free cash flow. In addition, they have also both been restated to include the principal element of lease payments and exclude non-cash movements in net debt arising from lease liability asset additions and disposals. The restatement results in a net reduction of £19.6m (31 December 2023: £27.3m) in adjusted operating cash flow and free cash flow and the prior period comparatives have been changed to reflect this. The Group considers that the revised definition more appropriately reflects the cash flows of the business.

Alternative performance measures (APMs) (unaudited) continued

Adjusted tax charge

	2024 £m	2023 £m
Tax charge	7.7	24.9
Tax on amortisation of acquired intangibles	2.1	2.0
Tax on acquisition costs	0.6	0.1
Tax on exceptional items	18.0	–
Adjusted tax charge	28.4	27.0

Adjusted tax rate

	2024 £m	2023 £m
Adjusted tax charge	28.4	27.0
Adjusted profit before taxation	119.5	120.1
Adjusted tax rate	23.8%	22.5%

Adjusted earnings and adjusted earnings per share

A detailed reconciliation is provided in note 6 of the consolidated financial statements.

Net (debt)/cash excluding lease liabilities and net debt

	2024 £m	2023 £m
Cash and bank balances	19.1	45.2
Bank overdrafts (included in borrowings)	(3.1)	(0.5)
Bank loans (included in borrowings)	(84.3)	(32.1)
Net (debt)/cash excluding lease liabilities	(68.3)	12.6
Lease liabilities	(63.5)	(64.3)
Net debt	(131.8)	(51.7)

Return on capital employed (%)

	Year to 31 December 2024					
	Specialist Technologies £m	Precision Heat Treatment £m	Central cost and eliminations £m	Total core £m	Non-core £m	Consolidated £m
Adjusted operating profit	65.0	83.0	(20.4)	127.6	1.4	129.0
Average capital employed ¹	311.9	543.1	(57.0)	798.0	24.9	822.9
Return on capital employed (%)	20.8%	15.3%	n/a	16.0%	5.6%	15.7%

	Year to 31 December 2023					
	Specialist Technologies £m	Precision Heat Treatment £m	Central cost and eliminations £m	Total core £m	Non-core £m	Consolidated £m
Adjusted operating profit	55.2	94.4	(24.8)	124.8	2.8	127.6
Average capital employed ¹	310.5	545.8	(31.6)	824.7	38.1	862.8
Return on capital employed (%)	17.8%	17.3%	n/a	15.1%	7.3%	14.8%

¹ Average capital employed is defined as the average opening and closing net assets adjusted for net debt.

Subsidiary undertakings

Incorporated in the UK

Springwood Court, Springwood Close, Tytherington Business Park, Macclesfield SK10 2XF

Bodycote America Capital Limited⁶
 Bodycote America Finance Limited⁶
 Bodycote America Treasury Limited⁶
 Bodycote Developments Limited^{2,4}
 Bodycote Finance Limited⁶
 Bodycote Finance UK Limited⁶
 Bodycote Heat Treatments Limited¹
 Bodycote H.I.P. Limited¹
 Bodycote HIP Germany Limited³
 Bodycote International Limited³
 Bodycote Investments⁶
 Bodycote K-Tech Limited²
 Bodycote Nominees No. 1 Limited³
 Bodycote Nominees No. 2 Limited²
 Bodycote Pension Trustees Limited⁵
 Bodycote Processing (Skelmersdale) Limited^{2,4}
 Bodycote Surface Technology Limited¹
 Bodycote Thermal Processing Limited²
 Bodycote Thermal Processing Mexico Limited¹
 Expert Heat Treatments Limited^{2,4}
 Taylor & Hartley Fabrics Limited²

Incorporated in Belgium

Font Saint Landry 11, 1120 Brussels, Belgium
 Bodycote Belgium SA¹ – dissolved 17 December 2024

Industrie Park Noord 7, 9100 Sint-Niklaas, Belgium
 Bodycote Hot Isostatic Pressing NV¹

Incorporated in Canada

4211 Mainway, Burlington, Ontario, L7L 5N9, Canada
 Bodycote Heat Treatment Canada, Inc.¹
 Bodycote Thermal Processing Canada, Inc.¹

1100–1959 ST Upper Water Halifax Nova Scotia B3J 3N2, Canada
 Bodycote Surface Technology Canada Ltd.¹

30 de l'Aéroport Boulevard, Bromont Québec JSL 1S6, Canada
 Bodycote Surface Technology Canada Property, Inc.⁴

Incorporated in China

No.2 Factory Building of LeKai Industrial Park, No. 180 Meihua Road, Zhonglou District, Changzhou Jiangsu Province, China
 Bodycote (Changzhou) Heat Treatment Co., Ltd.¹

No. 68 Ningbo East Road, Taicang Economic Development Area, Taicang City, Jiangsu, China
 Bodycote Heat Treatments Technology (Taicang) Co., Limited¹

Building 4 in International Innovation Park Phase Two, No. 1188 Feng Hua Road, Jiaxing City, Zhejiang Province, China
 Bodycote (Jiaxing) Heat Treat Co., Ltd.¹

2012 Kehang Road, High Tech District, Jinan City, Shandong, China
 Bodycote (Jinan) Heat Treatments Technology Co., Ltd.¹

No. 12 Building, No. 78, Gu Cheng Zhong Road, Yu Shan Town, Kunshan City, Jiangsu Province, China
 Bodycote (Kunshan) Heat Treatments Technology Co., Ltd.¹

No.B2-A, Wuxi National Hi-New Tech Industrial Development Z, Wuxi City, Jiangsu Province, 214028, China
 Bodycote (Wuxi) Technology Co., Ltd.¹

Incorporated in Czech Republic

Liberec 30, Tanvaldska 345, PSC, 46311, Czech Republic
 Bodycote HT s.r.o.¹

Rohanske nabrezi 671/15, Karlín, 186 00, Praha 8, Czech Republic
 Bodycote SSC s.r.o.⁶

Incorporated in France

Parc Mail – Bâtiment A, 6 allée Irène Joliot-Curie, 69800 Saint Priest, France
 Bodycote SAS¹
 Bodycote Bourgogne SAS¹

Ilena Park – Bât. B2, Parc Technologique de Lyon, 117, allée des Parcs, 69800 Saint Priest, France
 Bodycote France Holdings SA³
 Bodycote Haute-Savoie SAS²
 Bodycote Lyon SNC⁶
 Bodycote Metz-Tessy SAS¹ – sold 17 December 2024
 Bodycote Sud-Ouest SAS¹
 HITEC SAS²
 Nitruvid SAS¹

Incorporated in Germany

Schießstraße 68, 40549 Düsseldorf, Germany
 Bodycote Deutschland GmbH⁶
 Bodycote European Holdings GmbH³
 Bodycote Hirzenhain GmbH¹
 Bodycote Schmerbach GmbH¹
 Bodycote Specialist Technologies GmbH¹
 Bodycote Specialist Technologies Deutschland GmbH¹
 Bodycote Wärmebehandlung GmbH¹

Incorporated in Ireland

12 Merrion Square North, Dublin 2, Ireland
 Bodycote Ireland Finance DAC⁶

Incorporated in Jersey

50 La Colomberie, St Helier, JE2 4QB, Jersey
 Bodycote Jersey Holdings Limited³

Incorporated in Mexico

Avenida Conquistadores, Exterior No.: 105 Interior No.: PA 07, Calle Rio Lys and Calle Rios Mosa, Col. Mirasierra, San Pedro Garza Garcia, Nuevo León 66240, México
 Bodycote de SLP, S. de R.L. de C.V.¹

Carretera Monterrey-Saltito #3279 B, Privada de Santa Catarina, Nuevo León 66367, México
 Bodycote Testing de Mexico, S. de R.L. de C.V.²

Avenida Olmo, No. 100, Parque Industrial y de Negocios Las Colinas, Silao, Guanajuato 36270, México
 Bodycote Thermal Processing de Mexico, S. de R.L. de C.V.¹

Avenida Industriales del Poniente Km. 19, Colonia Centro, Santa Catarina, Nuevo León 66350, México
 Bodycote Thermal Processing de Mexico Servicios, S. de R.L. de C.V.⁶

Subsidiary undertakings continued

Incorporated in Sweden

Box 209, 735 23, Surahammar, Sweden

Bodycote Hot Isostatic Pressing AB¹

Box 124, 424 23, Angered, Sweden

Bodycote Sweden AB³

Bodycote Thermotreat AB²

Bodycote Värmebehandling AB¹

Bodycote Ytbehandling AB¹

Incorporated in Switzerland

Chemin du Pavillon 2, 1218 Le Grand-Saconnex, Switzerland

Bodycote (Suisse) SA⁶

BDC Enterprises SA^{3,6}

Jurastraße 59, 2503 Biel, Canton de Berne, Switzerland

HTM Biel GmbH¹

Incorporated in USA

12750 Merit Drive, Suite 1400, Dallas, TX 75251, USA

Bodycote IMT, Inc.¹

Bodycote K-Tech, Inc.¹

Bodycote Syracuse Heat Treating Corporation¹

Bodycote Thermal Processing, Inc.¹

Bodycote USA, Inc.³

8118 Corporate Way Suite 201, Mason OH 45040, USA

Bodycote Surface Technology Property LLC⁴

Bodycote Surface Technology Mexico LLC¹

Bodycote Surface Technology, Inc.¹

Bodycote Surface Technology Group, Inc.⁶

1237 Knoxville Hwy, Wartburg TN 37887, USA

Bodycote Surface Technology Wartburg, Inc.¹

2427 N Boeing Road, Warsaw IN 46582, USA

Lake City Heat Treating LLC¹ – acquired 18 January 2024

Incorporated in other European countries

Böhlerdurplatz 1, 8605 Kapfenberg, Austria

Bodycote Austria GmbH¹

Groethofstraat 27, 5916PA Venlo, Netherlands

Bodycote Hardingscentrum BV¹

Bodycote Hardingscentrum No.2 BV³

ÁTI-Sziget Ipari Park, 23. Épület, 2310 Szigetszentmiklós, Hungary

Bodycote Hungary Hökezelő KFT¹

Kemalpasa OSB, Izmir Kemalpasa Asfalti No. 17/1, 35730

Kemalpasa-IZMIR, Turkey

Bodycote Istas Isil Islem Sanayi ve Ticaret AS (79.3% owned)¹

Gesällvägen 7, 01730 Vantaa, Finland

Bodycote Lämpökäsittely Oy¹

Wilgowa 65D, Czystochowa, 42-271, Poland

Bodycote Polska sp z.o.o.¹

Im alten Riet 123, 9494 Schaan, Liechtenstein

Bodycote Rheintal Wärmebehandlung AG¹

Matušková 48, Vlkánová, Banksá Bystrica, 976 31, Slovakia

Bodycote Slovakia s.r.o.¹

Via Moie 28, 25050, Rodengo Saiano, Italy

Bodycote Trattamenti Termici SpA¹

Brasov, str. Zizinului nr. 119, cod 500407, Romania

Bodycote Tratamente Termice SRL¹

Industribuen 16–18, 5592, Ejby, Denmark

Bodycote Varmebehandling A/S¹

Other

Incorporated in USA

13753 Otterson Court, Livonia, MI 48150, USA

Thixomat Technologies, LLC (13.9% Investment)

Classifications Key

1. Thermal processing company
2. Dormant
3. Holding company
4. Property holding company
5. Trustee
6. Provision of services to Group companies

Except where stated, these companies are wholly owned subsidiaries and have only one class of issued shares.

Shareholder enquiries

Registrar

The Company's Registrar is Equiniti Limited. Equiniti provide a range of services to shareholders. Extensive information, including answers to frequently answered questions can be found online at www.shareview.co.uk. Equiniti's registered address is: Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.



Use the QR code to register for FREE at www.shareview.co.uk

Telephone +44 (0)333 207 5951. Please note that lines are open 8:30am to 5:30pm (UK time) Monday to Friday excluding public holidays in England and Wales.

For deaf and speech impaired customers, Equiniti welcomes calls via Relay UK. Please see www.relayuk.bt.com for more information.

Share dealing service

For information on the share dealing service offered by Equiniti Limited, telephone +44 (0)345 603 7037. Please ensure the country code is used if calling from outside the UK. Lines open 8.00am to 4.30pm (UK time), Monday to Friday excluding public holidays in England and Wales. Please either telephone Equiniti or check online at www.shareview.co.uk for up-to-date commission rates.

Dividend reinvestment plan (DRIP)

Equiniti's DRIP offers a convenient way for shareholders to build up their shareholding by using dividend payments to purchase additional shares. The DRIP is provided by Equiniti Financial Services Limited, part of Equiniti Group, which is authorised and regulated by the Financial Conduct Authority. It is important to remember that the value of shares and dividend payments can fall as well as rise and you may not recover the amount of money that you invest. Past performance should not be seen as indicative of future performance.

For more information and an application pack, please go to shareview.co.uk/info/drip. Alternatively, call +44 (0)333 207 5951. Lines open 8.30am to 5.30pm (UK time), Monday to Friday excluding public holidays in England and Wales.

Overseas shareholders

Equiniti provides a service to overseas shareholders that will convert sterling dividends into local currency at a competitive rate. Dividend payments will then be made directly into your local bank account. For more information log on to www.shareview.co.uk/info/ops for answers to any queries you may have, as well as the full terms and conditions of the service. Alternatively, please call +44 (0)333 207 5951. Lines open 8.30am to 5.30pm (UK time), Monday to Friday excluding public holidays in England and Wales.

Duplicate share register accounts

If you are receiving more than one copy of our annual report, it may be that your shares are registered in two or more accounts on our register of members. If that was not your intention, you might consider merging your accounts into one single entry. Please contact Equiniti, who will be pleased to carry out your instructions.

Shareholder warning

Shareholders should be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports on the Company. Fraudsters use persuasive and high-pressure tactics to lure investors into scams and they may offer to sell shares that often turn out to be worthless, overpriced or even non-existent. Whilst high returns are promised, those who invest usually end up losing their money.

Please keep in mind that firms authorised by the Financial Conduct Authority (FCA) are unlikely to contact you out of the blue. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation and make a record of any other information they give you, e.g. telephone number, address, and ask for their 'firm reference number' (FRN)
- Check that they are properly authorised by the FCA before getting involved. You can check the FCA register at <https://register.fca.org.uk> or call +44 (0)800 111 6768
- Report approaches to the FCA – a list of unauthorised firms who are targeting, or have targeted, UK investors is maintained. Reporting such organisations means the list can be kept up to date and appropriate action be considered

- Inform Equiniti Limited, our Registrars. They are not able to investigate such incidents themselves, but will record the details and pass them on to the Company and liaise with the FCA on your behalf
- Consider that if you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. If you suspect you have been approached by fraudsters, please contact the FCA using the share fraud reporting form at fca.org.uk/scams

You can also call the FCA Helpline on: 0800 111 6768 (UK freephone) or 0300 500 8082 (UK), or +44 207 066 1000 (from outside UK).

If you have already paid money to share fraudsters, you should contact Action Fraud on 0300 123 2040 or online at actionfraud.police.uk.

Shareholder enquiries continued

Shareholder analysis

Analysis of share register as at 4 March 2025:

Holding range	Number of shareholders	%	Number of shares	%
1 to 1,000	612	42.38	246,848	0.14
1,001 to 10,000	508	35.18	1,634,782	0.90
10,001 to 100,000	188	13.02	6,654,012	3.68
100,001 to 500,000	76	5.26	18,268,546	10.09
500,001 and over	60	4.16	154,194,931	85.19
	1,444	100.00	180,999,119	100.00

Type of shareholders	% of shareholders	% of total shares
Directors' interests	0.3	0.1
Major institutional and corporate holdings	31.1	98.6
Other shareholdings	68.6	1.3
	100.0	100.0

As at 28 February 2025 the following voting rights in the Company had been notified in accordance with the Disclosure and Transparency Rules:

Name of shareholders	Number of shares	%
Goldman Sachs Asset Management	14,052,890	7.74
Artemis Investment Management	11,759,804	6.46
Blackrock Investment Management (UK) Ltd.	11,273,671	6.20
Fidelity Management & Research Company LLC	10,917,609	6.00
Martin Currie Investment Management Ltd.	10,244,521	5.64
The Vanguard Group, Inc.	9,492,770	5.23
Baillie Gifford & Co.	8,282,033	4.56
Columbia Threadneedle Investments (UK)	6,621,855	3.64

Company information

Advisers

Auditors

PricewaterhouseCoopers LLP

Principal bankers

HSBC UK Bank plc, National Westminster Bank plc, Handelsbanken plc, UniCredit Bank AG, Wells Fargo Bank, N.A. and KBC Bank N.V.

Brokers

HSBC Bank plc and Jefferies International Limited

Solicitors

Herbert Smith Freehills LLP and DLA Piper UK LLP

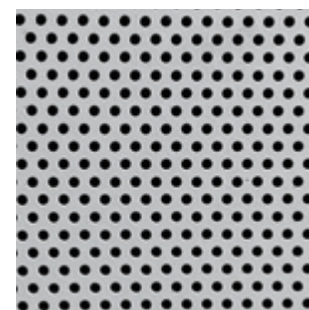
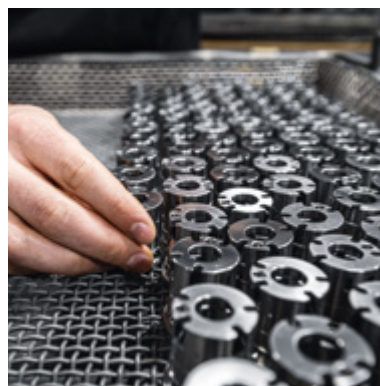
Financial calendar

Annual General Meeting	21 May 2025
Final dividend for 2024	5 June 2025
Half Year results for 2025	July 2025
Interim dividend for 2025	November 2025
Full Year Results for 2025	March 2026



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www.bodycote.com/investors

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