



Gifts and Entertainment Policy

Policy owner/issued by	Approved by	Date issued/reviewed	Effective from	Next review
Chief Legal & Risk Officer and Group Company Secretary	Group Executive Team on behalf of the Board of Directors	December 2019	December 2019	December 2020

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1. Background

- 1.1. For the purposes of this gifts and entertainment policy (the “Policy”), all companies within the Coats Group plc group structure will be referred to as ‘Coats’.
- 1.2. Anti-bribery and anti-corruption laws have a significant impact on companies globally.
- 1.3. Coats recognises that the act of giving and accepting Gifts, Entertainment and Hospitality can be part of building normal business relationships. In different geographical locations this practice can vary significantly, often depending on local laws and specific customs. However, some Gifts, Entertainment and Hospitality can have the effect of improperly influencing the recipient or creating conflicts of interest. In some instances they can be viewed as bribes that could damage the reputation of Coats or even break the law.
- 1.4. This Policy sets forth the rules related to Employees accepting and offering Gifts, Entertainment, Hospitality and meals from and to current customers, suppliers, joint venture partners, brand representatives and others conducting (or proposing to conduct) business, directly or indirectly, with Coats.

2. Scope

- 2.1. The Policy applies to all Employees of Coats and all workers performing duties on behalf of Coats, whether or not employed directly by Coats and regardless of geographical location.
- 2.2. The purpose of this Policy is to set out Coats’ policy on the giving and receiving of Gifts, Entertainment, Hospitality and meals and our individual and collective responsibilities under this Policy. When considering whether to accept or offer a Gift, Entertainment, Hospitality or a meal, Employees should always use good judgment and ask questions if they are in doubt about how to behave. Employees should consider how a third party might interpret the offer or acceptance of a Gift, Entertainment or Hospitality. If disclosure of such an offer or acceptance would raise questions concerning the recipient’s impartiality or create the appearance of a conflict of interest, the Gift, Entertainment or Hospitality is likely to be inappropriate.
- 2.3. The Policy should be read in conjunction with the Anti-bribery and Anti-corruption Policy. Please refer to that policy for details of enforcement and penalties for bribery and corruption offences.

3. Consequences of breach

- 3.1. Coats will investigate fully any activity contravening this Policy and, where applicable, take disciplinary action up to and including termination of employment.
- 3.2. Legal penalties for receiving or dispensing inappropriate Gifts, Entertainment or Hospitality can be severe especially when construed as a bribe. This can include both civil and criminal penalties for Coats and any individuals involved. Please refer to the Anti-bribery and Anti-corruption Policy for more details.

4. Definitions

Throughout this Policy the following definitions apply:

Employee	Means employees of Coats and all workers performing duties on behalf of Coats, whether or not employed directly by Coats.
Entertainment	See Hospitality below.
Gifts	Means any item(s) intended to be used without the donor being present, and offered to a person or entity with whom Coats has a current or potential business relationship. For example, free tickets to any event where the donor is not present, will be classed as a gift.
Public Official	Means individuals who: <ul style="list-style-type: none">• are defined as public officials in the national law of a state;• hold a legislative, administrative or judicial position of any kind whether appointed or elected;• exercise a public function; or• are officials or agents of a public international organization. This includes employees and officers of state-owned companies (including companies with which Coats may have a joint venture or other commercial relationship).
Hospitality	Means all forms of entertainment where the donor is present, excluding meals. Entertainment and hospitality includes spectator events such as cricket, hockey, opera, theatre and participatory events such as golf, fishing and other leisure activities where the donor is present (if the donor is not present at the activity, it is deemed a Gift). Accommodation, conferences and seminars are included in this.

5. General principles

5.1. **Legitimate purpose:** all Gifts, Entertainment and Hospitality must have a legitimate purpose.

Always ask yourself whether there is a genuine business justification. For example:

5.1.1. Entertainment which promotes or educates customers, suppliers or others about our products is generally legitimate.

5.1.2. Hospitality which strengthens or builds cordial business relationships (such as with customers, suppliers, joint venture partners or brand representatives) is generally legitimate.

5.1.3. Small, token gifts (such as pens, mugs and items bearing the Coats logo) given as a goodwill gesture to customers are generally legitimate.

5.1.4. Where accommodation is strictly necessary for business reasons, reasonable accommodation expenses can be accepted or offered.

5.2. However, anything which creates, or might risk creating, an obligation on the recipient to give something in return is **never** legitimate. This can amount to bribery. In particular:

5.2.1. You must never ask for or solicit Gifts, Entertainment or Hospitality. This can create an impression of expecting something in return.

5.2.2. Gifts, Entertainment or Hospitality which might compromise the business judgment of you or anyone else must not be accepted or offered.

5.3. **Appropriateness:** all Gifts, Entertainment and Hospitality must be appropriate in all the circumstances. This is a matter of context – consider the recipient, the timing and always exercise careful judgment. Always ask yourself how it would look if reported in the press (the "red face" test). For example:

5.3.1. Large, high-profile, public events to which multiple customers and/or suppliers are invited are generally less likely to be seen as attempts to influence specific individuals.

5.3.2. Gifts, Entertainment or Hospitality offered in the context of the negotiation of a contract may be seen as an attempt to influence the recipient. This is not appropriate.

5.3.3. Gifts of cash or cash equivalent (e.g. holiday vouchers, retail vouchers, travellers' cheques, stocks) are not appropriate and must not be offered or accepted.

5.3.4. It is generally not appropriate to offer/ receive Gifts, Entertainment or Hospitality to or from spouses or other relatives of business contacts. Any such offer/ receipt requires prior approval in accordance with section 8.

5.3.5. Lavish and excessive Gifts, Entertainment and Hospitality are not appropriate to either give or receive. All Gifts, Entertainment and Hospitality given or received must be reasonable, customary and within local legal or regulatory restrictions.

5.4. **Always** take extra care when considering offering a Gift, Entertainment or Hospitality to a Public Official. Local laws and regulations often have specific requirements about this. You should always check the relevant local restrictions. **All** Gifts, Entertainment, Hospitality and meals offered to Public Officials require prior approval in accordance with section 6.1 and section 8 of this Policy and any local requirements.

5.5. **Before offering** a Gift, Entertainment, Hospitality or a meal you must consult the value table in section 6.

5.6. **Before accepting** a Gift, Entertainment, Hospitality or a meal you must consult the value table in section 7.

6. Values which Employees may give

6.1. Subject always to the general rules outlined in this Policy and any local policy, Employees are allowed to give or dispense Gifts, Hospitality, Entertainment and meals within the following amounts listed in the table below.

Maximum amount Employees are able to give or dispense (per person) up to a maximum of five times a year to the same recipient in US dollar equivalent*

	Public Official	Not a Public Official
Gift	US\$50 – but only with prior approval. See section 8.	US\$50
Entertainment/Hospitality	US\$200 – but only with prior approval. See section 8.	US\$200

Meals	US\$50 – but only with prior approval. See section 8.	US\$50
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**If a particular country or business unit's limit is lower than the limit above, then the lower limit will apply.*

- 6.2. The above limits apply per recipient, up to a maximum of five times a year to the same recipient. Employees must exercise careful judgment in each instance.
- 6.3. Gifts, Entertainment, Hospitality and meals received must be valued by reference to the price payable for the same or equivalent item if purchased in an open market.
- 6.4. If a particular country or business unit's limit is lower than the limit in the table above, then the lower limit will apply.
- 6.5. You must obtain prior approval from the President, Business Operations ("PBO") or in the case of Crafts, the President North America ("PNA") or equivalent, to dispense Gifts, Entertainment, Hospitality or meals with a value greater than the table above. Please see section 8 of this Policy for more information regarding the approval procedure.
- 6.6. Prior approval in accordance with section 8 is **always** required before offering Gifts, Entertainment, Hospitality or meals to a Public Official. This applies irrespective of the value.
- 6.7. If you are in any doubt you should consult your Cluster Managing Director (CMD) and/or Coats' Anti-corruption Officer.

7. Values which Employees may accept

- 7.1 The value of Gifts, Entertainment, Hospitality and meals received must be within the value threshold table noted below.

Maximum amount Employees are able to receive (per person) up to a maximum of five times a year from the same donor in US dollar equivalent*

Gift	US\$50
Entertainment/Hospitality	US\$200
Meals	US\$50

**If a particular country or business unit's limit is lower than the limit above, then the lower limit will apply.*

7.2 The above limits apply per recipient, up to a maximum of five times a year to the same recipient. Employees must exercise careful judgment in each instance.

7.3 Gifts, Entertainment, Hospitality and meals received must be valued by reference to the price payable for the same or equivalent item if purchased in an open market.

7.4 When you receive a Gift, Entertainment, Hospitality or meal you must treat the whole Gift, Entertainment, Hospitality or meal as having been received by you. You may not split the Gift, Entertainment, Hospitality or meal between others to reduce the value (e.g. a case of wine). Therefore, if the value of the Gift, Entertainment, Hospitality or meal is valued at more than US\$50 you will need to follow the approval process in section 8 if you wish to retain the Gift, Entertainment, Hospitality or meal.

7.5 Gifts, Entertainment and Hospitality not kept:

- (i) If you decide not to keep a Gift or refuse, Entertainment or Hospitality and conclude it is not appropriate to return the Gift to the donor, you should complete the Gifts and Entertainment Form ("Form"), a copy of which is included at the end of this Policy. You must send the completed Form to Coats' Anti-corruption Officer, or his locally designated representative, who will arrange for the Gift, Entertainment or Hospitality to be donated to charity or sold and the money raised to be donated to a Coats nominated charity. The Gift, Entertainment or Hospitality should nonetheless be noted in the local Gifts Register.
- (ii) If you decide to return the Gift to the donor you must notify the PBO or in the case of Crafts, the PNA or equivalent stating who provided the Gift, what the Gift was, its value and why you returned it. Returned Gifts must be recorded on the Gifts Register.

8. Record-keeping and the approval process

All Gifts, Entertainment, Hospitality and meals offered but rejected, received or given must be recorded on the Gifts Register or local equivalent. Any approvals must also be recorded in the Gifts Register or local equivalent.

8.1. If:

- (a) you offer or receive Gifts, Entertainment, Hospitality or meals to or from spouses or other relatives of business contacts; or
- (b) the value of any Gift, Entertainment, Hospitality or meal which you would like to offer, or have been offered, exceeds the limit in the relevant value table (either section 6 (giving) or section 7 (receiving));

you must seek prior approval from the PBO or in the case of Crafts, the PNA or equivalent before offering or accepting the Gift, Entertainment, Hospitality or meal. This is done using the Form. The Form must be completed by you and approved by the PBO or in the case of Crafts, the PNA or equivalent.

8.2. If you are offered a Gift, Entertainment, Hospitality or a meal, without any advance notice or time to consider the offer and if refusing the offer at that time would cause offence, you should seek approval after receiving such Gift, Entertainment, Hospitality or meal using the Form.

8.3. The Form must be completed and approved in advance by the PBO or in the case of Crafts, the PNA or equivalent in all cases where you would like to offer any Gift, Entertainment, Hospitality or meal to a Public Official. This applies regardless of the value.

8.4. Approvals must be notified to Coats' Anti-corruption Officer or his locally designated representative within a reasonable period of time after the approval.

8.5. If names of attendees or other information are not finalised when approval is sought/obtained (e.g. for an event), this information must be provided as soon as it is available and you must ensure that the original Form is updated and re-signed by all the signatories to confirm final approval.

9. Questions and information

9.1. If you have any questions or require further information on any aspect of this Policy, please contact one of the contacts listed below.

10. Contacts

10.1. For more information, contact:

- 10.1.1. Your CMD;
- 10.1.2. The PBO or in the case of Crafts, the PNA or equivalent; or
- 10.1.3. Coats' Anti-corruption Officer.

Annex

Gifts and Entertainment Form

This form is to be completed pursuant to Coats' Gifts and Entertainment Policy (the "Policy") with the intention of: (1) seeking approval for offering or accepting a Gift, Entertainment, Hospitality or meal above the relevant value threshold table in the Policy; or (2) seeking approval to offer any Gift, Entertainment, Hospitality or meal to a Public Official (whatever the value); or (3) reporting a Gift that an Employee decided not to accept but decided that it was not appropriate to return to the donor.

Where applicable, the form should be completed and approved **before** you intend to offer/ accept the Gift, Entertainment, Hospitality or meal. Failure to obtain **prior approval** (other than in the exceptional circumstances permitted in this Policy) will constitute a breach of the Policy.

Please complete:

I, _____ (name of Employee) am completing this form with the intention to:

(Please check the applicable box)

- Offer** to a third party a Gift/Entertainment/Hospitality/meal that exceeds the amount stipulated in the Policy;
- Offer** to a Public Official any Gift/Entertainment/Hospitality/meal;
- Receive** from a donor a Gift/Entertainment/Hospitality/meal that exceeds the amount stipulated in the Policy;
- Report** a Gift/Entertainment/Hospitality/meal received without any advance notice or time to consider the offer which would have caused offence if refused at the time;
- Report** a Gift/Entertainment/Hospitality that you do not wish to keep but decided that it was not appropriate to return to the donor; or
- Other:**

1. Title and business unit or functional department of Coats employee	
2. Management Reporting number and company name	
3. Name of third party and name of organisation	<p><i>If names of attendees or other information are not finalised when approval is sought/obtained for an event, this information must be provided as soon as it is available and the original form must be re-signed by all the signatories to confirm final approval.</i></p>

4. Position of third party			
5. Is this a new business relationship?	Yes	No	(please circle)
6. Are we currently negotiating a new contract or business arrangement with this individual or company?	Yes	No	(please circle)
7. Number of times gift, entertainment/hospitality and/or meal dispensed to or received from the third party this year	<i>Maximum frequency permitted is five times a calendar year</i>		
8. Public official: did you check the local legal requirements and threshold?	Yes	No	(please circle)
9. Description of gift, entertainment/hospitality and/or meal dispensed or received (e.g. meal, vouchers)			
10. Date gift, entertainment/hospitality and/or meal dispensed or received			
11. Value of gift, entertainment/hospitality and/or meal dispensed or received	\$ (USD)		
12. Reason for gift, entertainment/hospitality and/or meal being dispensed or received including why over threshold (e.g. associated person involved)			
13. Evidence of value of gift, entertainment/hospitality and/or meal attached?	Yes	No	(please circle)

14. If this is an entertainment/hospitality or meal situation, list other Coats employees involved	
Signed	
Date	

For use by the PBO or in the case of Crafts, the PNA or equivalent

Authorised by:^(a)	
Signed	
Date	

Note: (a) Approvals must be notified to the Anti-corruption Officer no later than the five business days preceding the month end.

Rejected by:	
Signed	
Date	

Gift that is not being kept reported to:^(b)	
Signed	
Date	
Date gift provided to Anti-corruption Officer	

Note: (b) Please note in these circumstances, the Anti-corruption Officer is responsible for disposing of the gift.