

Section 172 statement

Section 172 of the Companies Act 2006 requires the Directors to promote the success of the Company for the benefit of the members as a whole, having regard to the interests of stakeholders in their decision making (S172 Factors). The Directors understand the importance of taking into account our stakeholder expectations and needs, to achieve our strategy and accordingly our long-term sustainable success. On pages 20-23 we outline the ways that the Board has engaged with our six groups of stakeholders, what was learnt and how their input has shaped our decisions and what we will do as a result of this engagement.

The Board has had regard to S172 Factors in all of its key decisions and you can read more about these in the disclosures set out below. Further examples of Board engagement are set out on page 68.

A summary of our procedures for ensuring the correct balance of inputs into the decision making process and providing the correct conditions to enable the Board, in good faith, to make decisions that balance the S172 Factors include:

Board information

Leadership and management receive training on Directors' duties and best practice tips for preparing and presenting Board papers to ensure awareness of the Board's responsibilities. Our Board papers identify the key stakeholders for the matters under consideration and provide relevant information relating to them. The Board also continues to engage with stakeholders to understand their views. The Board considers relevant metrics in its decision making including employee engagement and customer NPS scores.

Strategic discussions and decision making

S172 factors are considered in the Board's discussions on strategy, including how they underpin long-term value creation and the risk implications for business resilience. The Group's culture helps ensure that there is proper consideration of the potential impacts of decisions in the long-term. See more on page 47. The Chair ensures decision making is sufficiently informed by S172 Factors and appropriately balances the interests of the various stakeholders. Additionally, the Board reviews and probes the information presented and receives assurance where appropriate.

Long-term consequences and high standards of business conduct

The Board's intent is always to maintain high standards of business conduct and governance in all of the Company's operations, which is critical in maintaining our reputation for doing the right thing. On pages 46-59, read about the ways we considered our stakeholders, the long-term impact of our decisions and our determination to maintain our high standards of business when considering our Principal and Emerging risks.

S172 factor	Relevant disclosures
(a) The likely consequences of any decision in the long-term.	<ul style="list-style-type: none"> Market trends (page 14) TCFD and Sustainability strategy (Working responsibly (page 38) and Sustainability strategy (page 12)) Principal risks and uncertainties (page 46)
(b) The interests of the Company's employees.	<ul style="list-style-type: none"> Employee engagement (Key performance indicators (page 18)) Stakeholder engagement (page 20) Culture, DE&I, and employee health and wellbeing (Working responsibly and Sustainability Report (coats.com/sustainability (page 26))
(c) The need to foster the Company's business relationships with suppliers, customers and others.	<ul style="list-style-type: none"> Our strategic goals (page 10) Stakeholder engagement (page 20) Principal risks and uncertainties (page 46) Operating review (page 60)
(d) The impact of the Company's operations on the community and the environment.	<ul style="list-style-type: none"> Stakeholder engagement (page 20) Working responsibly (page 26) Sustainability Report (coats.com/sustainability (page 26)) Principal risks and uncertainties (page 46)
(e) The desirability of the Company maintaining a reputation for high standards of business conduct.	<ul style="list-style-type: none"> Culture and values (Working responsibly (page 26) and Sustainability strategy (page 12)) Principal risks and uncertainties (page 46) Whistleblowing and Group Policies (page 36) Audit and Risk Committee Report (page 83)
(f) The need to act fairly as between members of the Company.	<ul style="list-style-type: none"> Business model (page 16) Investment case (page 4) Stakeholder engagement (page 20) Investor information and AGM (page 68)



EMPLOYEES



CUSTOMERS



SHAREHOLDERS



ENVIRONMENT



COMMUNITIES



SUPPLIERS

Board discussions during the year

Regional deep dives case study

During the course of 2021, the leadership team for each of the seven geographical regions presented an overview of the end-to-end business activities and risks for their area of the business.

Using this bottom-up lens to review the components of the business and understand how they contributed to the success, including the profitability, of the whole Group allowed the Directors to understand the culture and range of stakeholders' inputs and impacts in each region. This information fed into further discussion and decisions during the course of the year.

Detailed pre-read was circulated in advance which set out how the region contributed to the Group strategy, including the ambitions for A&F and PM, and how the Group purpose was evident locally. There was an overview of the market growth opportunities with consideration of the different needs of key customers that were identified by management, including a review of NPS survey insights where appropriate. Being able to contrast the case studies of customer and supplier experience across regions enabled insights, such as the impact on speed and agility of supply chain complexity, that were then appropriately shared across the Group. Through their review of people information, including feedback from the workforce, and relevant data from employee engagement survey, relating to each region, as well as interacting

directly with the regional management teams, the Board gained further insights into culture, inclusivity and diversity and succession planning as well as providing further context for long-term planning.

Local risk reviews provided a fresh perspective and included an overview of the risks (including in relation to reputation and business conduct), mitigation strategies and the impact of those strategies, and consideration of how this affected the Group.

Each region also provided an overview of sustainability, environmental and community initiatives and impacts. This pre-read was discussed in detail with the regional management teams and best practice from other areas was shared appropriately.

Board decision making during the year

Board decision	Examples of Board decision making during the year	Stakeholders considered	Board decision/outcome
Change to Group Executive Team (GET) and management structure to move from seven geographic regions to three	The Board considered the changes in ways of working as a result of the pandemic, the operational impacts of supply chain disruption and changes to demand from customers. The long-term consequences of realigning reporting structures and the impact of ensuring practicality of workforce collaboration across time zones were noted, and the opportunity was taken to align the reporting lines for health and safety and sustainability. Consideration of the employee impact of these changes also informed the final decision on structure.	 <p>See what we have learnt from Customer and Suppliers through our Stakeholder Engagement on pages 20-23.</p>	Noting the advantages of increasing the speed and agility of decision making to allow more effective supply chain management and quicker responsiveness to customers' requirements, it was agreed to change the reporting lines for the markets into three regions. The Board recognised the need to ensure the appropriate leadership for this new model for employees and the execution of the 2022 priorities, and it was agreed that the role of Chief Supply Chain Officer would be reinstated to the GET together with the addition of three new chief operating officer roles for Asia, Americas and EMEA.
Sustainability – increasing the Group's ambition	The Board considered the long-term consequences of increasing the Group's sustainability ambitions, when reviewing the inputs from each of the perspectives of brands, consumers, regulators, investors, current and future employees and competitors. The important link to the Group purpose was recognised as were the challenges in the supply chain.	 <p>See what we have learnt from the Environment and Suppliers through our Stakeholder Engagement on pages 20-23.</p>	It was agreed to increase the Group's sustainability ambitions as set out on page 12. The Directors further agreed to set up a Sustainability Committee to oversee the sustainability agenda for the Group. When making these decisions, the Board recognised the expectations of investors to see ESG matters embedded in strategy and the need to continue to minimise impact on the environment. You can read more about the Sustainability Committee on page 78.