

COATS GROUP PLC (the 'Company')

TERMS OF REFERENCE FOR THE NOMINATION COMMITTEE

1. CONSTITUTION

The Committee has been established by resolution of the board of directors of the Company (the '**Board**') and is to be known as the Nomination Committee (the '**Committee**').

2. MEMBERSHIP

2.1 The Board shall appoint the Chairman of the Committee (the '**Chairman**'). Subject to paragraph 7.5 below, the Chairman shall be Chairman of the Company. In the absence of the Chairman, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board.

2.2 The members of the Committee shall comprise all the non-executive directors of the Board and the Group Chief Executive.

3. QUORUM

A quorum shall be two members both of whom must be independent non-executive directors.

4. ATTENDANCE AT MEETINGS

4.1 No one other than the Chairman, and members, of the Committee is entitled to be present or vote at a meeting of the Committee.

4.2 However, other individuals may, with the permission of the Chairman, be invited by the Committee to attend for all or part of any meeting as and when appropriate.

5. SECRETARY

5.1 The Company Secretary or his or her nominee shall act as the Secretary of the Committee (the '**Secretary**').

5.2 The Secretary shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

5.3 The Secretary shall keep a record of:

5.3.1 the membership of, and the dates of any changes to the membership of, the Committee;

5.3.2 any person who, or firm which, provides search consultancy services to or otherwise materially assists the Committee.

6. FREQUENCY OF MEETINGS

Meetings shall normally be held not less than once a year and at such times as the Committee deems appropriate.

7. PROCEEDINGS

- 7.1 Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the provisions of the Company's Articles of Association regulating the meetings and proceedings of directors.
- 7.2 Meetings of the Committee shall be called by the Secretary at the request of the Chairman, or any member thereof.
- 7.3 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be sent to each member of the Committee and any other person required to attend prior to the date of the meeting.
- 7.4 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The Secretary shall record the proceedings and resolutions of meetings of the Committee, including the names of those present and in attendance. The Secretary shall circulate the draft minutes of such meetings to all members of the Committee promptly. Once agreed, the minutes shall be circulated by the Secretary to all members of the Board unless a conflict of interest exists or the Committee decides it would be inappropriate to do so.
- 7.5 The Chairman of the Company shall not chair the Committee when it is dealing with the matter of succession to the Chairmanship of the Company, in which case the Senior Independent Director shall act as Chairman in relation to that matter.

8. AUTHORITY

- 8.1 The Committee is authorised by the Board at the expense of the Company to investigate any matter within its terms of reference. It is authorised to seek any information it requires from any employee in order to perform its duties, and all employees are directed to co-operate with any requests made by the Committee.
- 8.2 The Committee is authorised by the Board to obtain external legal or other professional advice at the expense of the Company, but within any budgetary restraints imposed by the Board and to secure the attendance of third parties with relevant experience and expertise at meetings of the Committee if it considers this necessary.
- 8.3 These terms of reference may be amended from time to time by the Board.

9. ROLE OF THE COMMITTEE

The role of the Committee is to:

- 9.1 Ensure that there is a formal, rigorous and transparent procedure for appointments to the Board.
- 9.2 Lead the process for appointments and make recommendations to the Board.
- 9.3 Assist the Board in ensuring its composition is regularly reviewed and refreshed, taking into account the length of service of the Board as a whole, so that it is effective and able to operate in the best interests of shareholders.
- 9.4 Ensure plans are in place for orderly succession to positions on the Board and as regards the group executive team (senior management).
- 9.5 Oversee the development of a diverse pipeline for succession.

- 9.6 Work and liaise with other Board committees, as appropriate, including the remuneration committee in respect of any remuneration package to be offered to any new appointee of the Board.

10. DUTIES

The Committee shall carry out the following duties for the Company and its subsidiaries (Group) and advise the Board appropriately:

10.1 Composition of the Board and senior management

10.1.1 regularly review the structure, size and composition (including the skills, experience, independence, knowledge and diversity) of the Board and its committees, taking account of the Company's strategic priorities and the other commercial and market related matters affecting the Company and any relevant feedback from the most recent Board and Committee effectiveness reviews, and make recommendations to the Board with regard to any changes that are deemed necessary;

10.1.2 keep under review the leadership needs of the organisation, relating both to the Board and senior management, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace; and

10.2 Succession planning

10.2.1 in the course of its work, give full consideration to succession planning for directors and senior management, based on merit and objective criteria and taking into account the challenges and opportunities facing the Company, the skills, experience, independence, knowledge and diversity needed on the Board in the future, the length of service of the Board as a whole and the need for its membership to be regularly refreshed;

10.2.2 satisfy itself that plans are in place for orderly succession for appointments to the Board and senior management; and

10.3 Appointments to the Board

10.3.1 be responsible for identifying and nominating for the Board's approval, candidates from diverse backgrounds to fill Board vacancies as and when they arise;

10.3.2 before the Board makes any appointment, evaluate the balance of skills, experience, independence, knowledge and diversity on the Board, and the future challenges affecting the Company, and, in light of this evaluation, oversees the preparation a description of the role and capabilities required for a particular appointment and set the process to identify, sift and interview suitable candidates. In identifying suitable candidates, the Committee shall:

10.3.2.1 use such methods as it deems appropriate, including the use of open advertising or the services of external advisers, to facilitate the search;

10.3.2.2 consider candidates on merit, against objective criteria and with due regard for promoting the benefits of diversity on the Board, including of gender, social and ethnic backgrounds, and cognitive and personal strengths, taking care that appointees have enough time available to devote to the position;

- 10.3.3 for the appointment of a chair, oversee the preparation of a job specification, including the time commitment expected;
 - 10.3.4 before appointment, require proposed appointees, including the chair, to disclose other significant commitments to the Board indicating the time involved; and
 - 10.3.5 ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service, involvement outside Board meetings and the induction process.
- 10.4 Conflicts of interest
- 10.4.1 before appointment of a director, require the proposed appointee to disclose any other business interests that may result in a conflict of interest and to report any future business interests that could result in a conflict of interest;
- 10.6 Evaluation
- 10.6.1 review the results of the performance evaluation of the Committee.

11. BOARD RECOMMENDATIONS

The Committee shall make recommendations to the Board, as appropriate, on the following:

- 11.1 Nominations and succession planning
- 11.1.1 the appointment of any director to executive or other office;
 - 11.1.2 suitable candidates/non-executive directors for the role of senior independent director;
 - 11.1.3 membership and chairship of the audit and risk and remuneration committees, and any other Board committees, as appropriate, in consultation with the chair of those committees; and
 - 11.1.4 formulating succession plans for both executive and non-executive directors and in particular for the key roles of chair and chief executive.
- 11.2 The re-appointment of any non-executive director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board and the Company's long-term sustainable success, in the light of the knowledge, skills and experience required and the length of service of the Board as a whole and its membership being regularly refreshed.
- 11.3 Any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company, subject to the provisions of the law and their service contract.

12. REPORTING TO SHAREHOLDERS

- 12.1 A section of the Annual Report shall describe the work of the Committee, which shall include:

- 12.1.1 a description of the process used by the Committee in relation to Board appointments;
- 12.1.2 a description of the Board's policy on diversity, including gender diversity, any measurable objectives the Committee has set for implementing the policy and progress on achieving the objectives;
- 12.1.3 a description of the process used by the Committee for the appointment of the Chairman of the Board or a non-executive director; and
- 12.1.4 where an external search consultancy has been used, the consultancy should be identified in the annual report and a statement made regarding any other connections the consultancy has with the Company.

13. OTHER MATTERS

13.1 The Committee shall:

- 13.1.1 report to the Board on how it has discharged its responsibilities;
- 13.1.2 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval;
- 13.1.3 have access to sufficient resources and annual training in order to carry out its duties, including access to the Company Secretary for assistance as required, and shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 13.1.4 give due consideration to applicable laws, regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Financial Conduct Authority, Listing and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate; and
- 13.1.5 work and liaise as necessary with all other Board committees.

14. ANNUAL GENERAL MEETING

The Chairman of the Committee shall be available at the Annual General Meeting to answer questions on the Committee's activities and procedures.

Approved by the Board of Coats Group plc, April 2019.