

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. DUTIES

The Committee shall be responsible for all aspects of the appointment of directors of the Company and the duties of the Committee shall be:

- 9.1 to regularly review the structure, size and composition of the Board (including the balance of skills, experience, independence and knowledge on the Board) taking into account the Company's current requirements, the results of the Board performance evaluation process that relate to the composition of the Board, and the future development of the Company, and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- 9.2 to identify, nominate and recommend for the approval of the Board, candidates to fill Board vacancies as and when they arise, including in relation to executive directors and their appointment to an executive position with the Company;
- 9.3 to make recommendations to the Board regarding the Board's policy on boardroom diversity;

- 9.4 to review, and make recommendations to the Board on, the implementation of the Board's policy on boardroom diversity and to report to the Board on progress made in achieving any objectives set out in the policy;
- 9.5 to consider candidates from a wide range of backgrounds and make recommendations for appointments on merit and against objective criteria, with due regard for the benefits of diversity on the Board;
- 9.6 before beginning to search for candidates for a particular appointment, to prepare a written description of the role and capabilities required, the time commitment expected for that appointment, and having evaluated the balance of skills, experience, independence and knowledge already on the Board;
- 9.7 to seek advice from external advisers, if appropriate, in relation to seeking and selecting candidates for any appointments;
- 9.8 to review a candidate's other commitments and ensure that, on appointment, a candidate has sufficient time to undertake the role;
- 9.9 prior to the appointment of any director, to obtain from the proposed appointee details regarding any other business interests which may result in a conflict of interest and to ensure that consideration is given to whether these need to be approved by the Board prior to appointment;
- 9.10 to satisfy itself with regard to succession planning, that processes and plans are in place for orderly succession for appointments to both the Board and senior management so as to maintain an appropriate balance of skills and experience within the Company and on the Board and to ensure progressive refreshing of the Board and to recommend processes and plans for successions to the extent necessary;
- 9.11 to ensure that the Company maintains a dialogue with shareholders about succession planning, the appointment of directors and the work of the Committee;
- 9.12 to make recommendations to the Board regarding the membership of other Board Committees as appropriate, in consultation with the Chairmen of those committees;
- 9.13 to make recommendations to the Board regarding suitable candidates for the role of Senior Independent Director. The Chairman of the Committee shall not be the Senior Independent Director when it is dealing with the matters in connection with the performance or succession of the Senior Independent Director, in which case the members of the Committee shall appoint a Chairman;
- 9.14 to keep under review the leadership needs of the Company and the Group, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- 9.15 to ensure that on appointment, all executive directors receive a formal service contract setting out clearly what is expected of them;
- 9.16 to ensure that on appointment, all non-executive directors receive formal written terms of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;
- 9.17 to liaise with the Remuneration Committee in relation to the remuneration of newly-appointed executive directors (within the scope of the directors' remuneration policy approved by shareholders) and senior management;

- 9.18 to make recommendations to the Board regarding the appointment of any director to executive or other office, except for the positions of Chairman and Group Chief Executive, which shall be matters for the Board;
- 9.19 to review annually the time needed to fulfil the role of Chairman, Senior Independent Director and each non-executive director (taking into account committee memberships) and, with reference to the annual performance evaluation, to review whether all members of the Board have devoted sufficient time to their duties;
- 9.20 to investigate and make recommendations to the Board concerning any matters relating to the continuation in office as a director, of any director, at any time;
- 9.21 to make recommendations to the Board on the proposal for the re-election by shareholders of any director under the retirement and re-election provisions in the Company's Articles of Association and the UK Corporate Governance Code (the '**Governance Code**') having due regard to their performance, the results of any formal performance evaluation, and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board;
- 9.22 as regards the re-appointment of any non-executive director, to review performance of the non-executive director, taking into account the results of the performance evaluation conducted by the Board, to assist the Board in making the disclosures required under the Governance Code;
- 9.23 to make recommendations to the Board regarding (i) the procedures for the authorisation of conflict matters falling within section 175 of the Companies Act 2006 (the '**2006 Act**'), (ii) the authorisation of any conflict matter arising for any director of the Company, and (iii) the terms and conditions which should attach to such authorisation.
- 9.24 to assist in the drafting of the section in the Company's Annual Report relating to the activities of the Committee in accordance with the Governance Code and to liaise with the Board in relation to the same;
- 9.25 to ensure that it is in a position to justify all of its actions and proposed courses of action;
- 9.26 in exercising its powers, to take into account the duties of directors, which requires a director to act in a way he considers, in good faith, most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard, amongst other matters, to:
- 9.26.1 the likely consequences of any decision in the long term,
- 9.26.2 the interests of the Company's employees,
- 9.26.3 the need to foster the Company's business relationships with suppliers, customers and others,
- 9.26.4 the impact of the Company's operations on the community and the environment,
- 9.26.5 the desirability of the Company maintaining a reputation for high standards of business conduct, and
- 9.26.6 the need to act fairly as between members of the Company;

- 9.27 to promptly provide the Board with such information as may be necessary or desirable in the opinion of the Board to enable the Board to monitor its conduct in order that each member of the Board may fulfil his duties and responsibilities as a director;
- 9.28 to have regard, in the performance of the duties set out in this clause, to any applicable laws and regulations including, to the Governance Code, the Listing Rules, the Disclosure and Transparency Rules, and any published guidelines or recommendations on corporate performance on environmental, social and governance issues which the Committee considers relevant or appropriate;
- 9.29 at least once a year to 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;
- 9.30 to ensure that these terms of reference are made available on the Company's website in accordance with the Governance Code;
- 9.31 to make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed; and
- 9.32 to ensure that the Company maintains a dialogue with shareholders about the work of the Committee.

10. **REPORTING TO SHAREHOLDERS**

- 10.1 A section of the Annual Report shall describe the work of the Committee, which shall include:
 - 10.1.1 a description of the process used by the Committee in relation to Board appointments;
 - 10.1.2 a description of the Board's policy on diversity, including gender diversity, any measureable objectives the Committee has set for implementing the policy and progress on achieving the objectives;
 - 10.1.3 a description of the process used by the Committee for the appointment of the Chairman of the Board or a non-executive director; and
 - 10.1.4 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.

11. **OTHER MATTERS**

- 11.1 The Committee shall:
 - 11.1.1 report to the Board on how it has discharged its responsibilities;
 - 11.1.2 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;
 - 11.1.3 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;

11.1.4 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 and Transparency Rules and any other applicable rules, as appropriate; and

11.1.5 work and liaise as necessary with all other Board committees.

12. 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.