

Stakeholder engagement

Developing strong and constructive relationships with our stakeholders is part of our culture and is vital to achieve our purpose and our strategic ambitions.

Below we summarise who our key stakeholders are, how we engaged with them during 2022, what we learned and what we will do going forward. You can read our section 172 statement on pages 39 to 41, which sets out how the Board and management considered certain insights gained from our stakeholders in our decision making. Read more about why we consider these stakeholder groups to be important to the delivery of our strategy in our Business model section on page 14.



EMPLOYEES



Our 17,000+ workforce is at the heart of making our business

a success and we recognise that listening to and engaging with our employees is essential to our continued success.

How the Board engaged in 2022

The Board met with members of the workforce at all levels during its site visit to the Rhenoflex facilities in Germany in September. This included meeting employees from both of our recent acquisitions as well as members of the Performance Materials and Apparel and Footwear divisions. During the away week in October, the Board met various groups of employees at the Huamantla and Orizaba plants, as well as having sessions with members of the workforce during lunches and dinners throughout the week.

Fran Philip, Designated Non-Executive Director for Workforce Engagement, continued to engage through a combination of in-person and virtual sessions held with employees based in Europe, Asia and Mexico. Fran had discussions with the Chief Operating Officers, and she also continued to attend our DE&I Network calls to listen and speak to a wide range of people from across the Company.

The Board received regular people updates as part of discussions on the acquisitions, divestment and Strategic Projects agenda at Board meetings, as well as from the Group's Chief HR Officer. These sections also covered a review of the insights from employee surveys that were undertaken, including Great Place to Work and the Future of Work.

Steve Murray and Heather Lawrence met with employees from various parts of the business as part of their induction programmes and shared their impressions with the Board.

What we learned

Employees continue to value the Company's culture, the opportunities to learn and develop, and the Group's approach to health and safety. Common feedback for areas for continued focus included opportunities for women and more opportunities across teams globally.

What we are going to do in 2023

The Board will continue to seek opportunities to conduct site visits during its annual away week and to directly engage such as at the global leadership conference, as well as monitoring key metrics such as health and safety and engagement to continue to gain workforce insights. Fran's very important role will continue, with a focus on ensuring that the embedding of the new divisional structure and the ongoing implementation of our Strategic Projects are resulting in the desired cultural outcomes, noting the importance of the culture to employees. The 'Coats for All' programme will continue with appropriate updates on DE&I and opportunities from the Chief HR Officer, to allow monitoring of the items identified as important by employees. The insights from employee surveys will also be appropriately considered, as will other relevant metrics including in relation to employee engagement and health and safety.

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CUSTOMERS

 Our global footprint provides unrivalled access to markets and customers. We want to proactively work together with our customers to deliver additional value together.

How the Board engaged in 2022

The Board closely monitored customer insights provided by the Executive Directors and senior management as part of the discussions regarding the acquisitions of Texon and Rhenoflex. As part of the agenda at the Company's Strategy Day, emerging trends and behaviours were discussed in depth by the Board and management, relying on inputs sought directly from key customer meetings. During the Board visit to Mexico, a key customer in the region was invited to discuss trends in the region at the Board meeting.

Our global customer surveys programme continued using our dedicated commercial, sales and marketing teams to connect and partner with customers and brands, by listening and innovating to achieve jointly desired outcomes. The Audit and Risk Committee considered relevant feedback received through the customer audit review process.

What we learned


As global uncertainty continues, speed, agility and reliability continue to be critical to our customers. The acquisitions of Texon and Rhenoflex were well received with customers noting that they were excited to see the developments in the Footwear business.

An increasing number of consumers continue to focus on sustainability when making their purchase decisions and Coats' continued innovation and development in this area is a key differentiator.

What we are going to do in 2023

In 2023, the Board will continue to use existing two-way feedback structures to regularly review trends and insights identified by management across all parts of our business. Opportunities for direct engagement with the Board, either as a part of Board visits or in the boardroom, will be scheduled when appropriate. We will continue to focus on sustainability and innovation, in line with our business model, to appropriately respond to the appetite for further solutions expressed by customers during engagement sessions.

SHAREHOLDERS

 Coats maintains and values regular dialogue with shareholders throughout the year, so that they can more accurately assess our value and the opportunities and risks of investing in our business.



How the Board engaged during 2022

The Capital Markets Day held in October allowed a wide range of existing and prospective investors the opportunity to engage directly with the Group CEO, Chief Financial Officer, Chair and Senior Independent Director together with other key executives and managers, and share their views on integration and opportunities. The event showcased our expanded and enhanced Footwear business and included detailed presentations on Rhenoflex and Texon.

The Board was delighted to return to a physical AGM in 2022 whilst retaining the option for shareholders to listen to the business of the meeting remotely. The Group CEO and Chief Financial Officer, together with the Investor Relations function, are regularly in contact with investors through calls and roadshows throughout the year. In 2022, there was a focus on investors from the US. The Chair and Chair of the Remuneration Committee also joined investor calls where appropriate. The Board receives an update at every Board meeting from the Investor Relations function on feedback from investors and key trends, and these included feedback from the visits to certain US sites by some of our major shareholders. Additionally, the Board carefully considered the progressive dividend policy when deliberating in relation to the interim and final dividend levels, noting the importance of returns to shareholders.

What we learned

Regular conversations with both existing and prospective investors allow the Company to share timely information on key strategic and operational matters. The return to face-to-face engagement was positively received and investors were excited to see the opportunities arising from the new acquisitions.




Investors continue to seek long-term financial performance and shareholder returns as well as good ESG credentials.

What we are going to do in 2023

As well as continuing our programme of engagement on progress in our three divisions, the Chair of the Remuneration Committee has engaged on the new Remuneration Policy in 2023 (see the Remuneration Committee report for further details). We will continue to consider total returns to shareholders in our Board discussions. The Chair, Group CEO and Chief Financial Officer will continue to attend relevant investor meetings as will the Chairs of the Committees if required.

ENVIRONMENT

 Coats is working proactively with customers and suppliers to help them improve the sustainability of their products, and to minimise the environmental impact of our industry.

How the Board engaged in 2022

After consultation with a wide variety of stakeholders, the Board approved a new suite of

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sustainability policies, including a Climate Change policy, during 2022 and also agreed a range of new 2026 sustainability targets as recommended by the Board's Sustainability Committee. The Sustainability Committee met twice and considered the views of customers, suppliers and investors in determining how to continue to deliver ongoing sustainability progress in our business operations.

Environmental metrics are presented at every Board meeting and progress is tracked across key performance measures, including our sustainability targets programme. There are discussions as to what improvements are required to ensure we continue to deliver against our ambitions. The Board also considered several key supply contracts with providers of renewable energy. Our recent acquisitions offer new and exciting ways to progress the Group's zero waste to landfill ambitions.

What we learned


Our stakeholders have ever increasing expectations for how a responsible business should operate and reduce its impact to mitigate the climate emergency. Shareholders shared their views on living wage policies, as well as other ESG-related matters.

We need to continue to challenge ourselves to provide opportunities for growth while also protecting the environment and delivering for all of our stakeholders.

What we are going to do in 2023

In line with the insights received, the Board will review the detailed plans for and progress in achieving the 2030 Science Based Targets, including the transition to renewables. In 2023, the Board and its Committees will continue to monitor key environmental metrics and climate-related metrics, as well as the progress of our Audit and Assurance policy and activities.

COMMUNITIES

 We operate in fifty countries across six continents. By empowering people and championing inclusion and diversity, we can help build thriving communities and strengthen our business.

How the Board engaged in 2022

The Board visit to Mexico included attendance at the Asociación Orizaba Propone AC (AOPAC) Foundation event with Coats, where the Foundation received donations from the Company. The Directors were able to directly interact with people living in the areas in which we operate, as well as with local officials, to gain further insights. As part of the decisions taken in relation to acquisitions and divestments during the year, the Board considered the impact on the local communities, especially in relation to the changes made in our production footprint.

Communities were also considered as important stakeholders regarding our new suite of ESG policies, particularly in relation to the Living Wage and Climate Change policies.


What we learned

The impact of operations on local markets is especially important in the context of the current economic volatility and increased inflation. The skills and development opportunities, especially those with a DE&I focus, provided by the Group continues to be important and valued by the communities in which we operate. Building strong relationships with those close to our business helps us grow.

What we are going to do in 2023

The Board is strongly committed to proactive engagement with our communities and will continue to be mindful of the insights shared by stakeholders during engagement when considering ESG-related matters in 2023. We will continue to focus on our Coats for All initiative, including the focus on the Coats for Her element, to support our DE&I aspirations and respond to the insights received. The Board will monitor key metrics including those relating to DE&I. More details of our activities can be found in our Sustainability Report online (www.coats.com/sustainability).

SUPPLIERS

 Our suppliers do not just supply goods and services to us, but are true partners throughout our processes and aligned to our requirements on compliance, quality, sustainability and innovation ethos.

How the Board engaged in 2022

In 2022, members of the Group Executive Team provided Group-wide oversight of suppliers in the aftermath of the Covid pandemic, allowing increased visibility and ability to mitigate the impact of challenges. Management shared appropriate insights in Board updates. The Audit and Risk Committee continued to consider relevant findings from Supplier audits. The Board has reviewed our supply footprint as part of the considerations regarding acquisitions, divestments and the Strategic Projects and considered factors impacting our supply chain that were identified by suppliers

during engagement with management. In line with our Delegated Authorities Policy, the Board reviewed appropriate contracts with several suppliers and focused on the provision of renewables where possible.

What we learnt

Our well-established Code of Conduct and Supplier audits bring clear expectations of what we expect from our suppliers and what they can expect from us. This is appreciated throughout the supply chain. Our continued focus on sustainability creates opportunities for new relationships as do our new acquisitions.

What we are going to do in 2023

The Board will continue to use existing feedback structures to regularly review supply-related trends and insights identified by management across all parts of our business. Direct engagement as a part of Board visits or in the boardroom will be kept under review and scheduled when appropriate. The Supplier Code will be refreshed and this will be used as an engagement tool. Insights will be considered at the Audit and Risk Committee.

