

# DIRECTORS' REMUNERATION REPORT

## CONTINUED

### Remuneration Policy Report

The Remuneration Policy was last approved by shareholders at the AGM on 17 May 2017. This updated policy will be subject to a binding shareholder Resolution at the AGM on 20 May 2020. If approved, the policy will apply for a period of three years from the date of approval.

### Directors' Remuneration Policy

The Remuneration Committee has responsibility for determining remuneration for the Company's Directors including the Chairman but excluding the Non-Executive Directors. The remuneration for Non-Executive Directors (excluding the Chairman) is determined by a Committee chaired by the Group Chairman and which also includes the Executive Directors. The Committees take into account the need to recruit and retain Directors who have the suitable skills and experience to perform in the interests of the Company and its shareholders, while paying no more than is necessary.

The Remuneration Committee will need to ensure that any incentive compensation for Executive Directors is suitably motivational and will encourage any such Executive Directors to meet stretching performance targets within an acceptable degree of risk.

The Committee's policy is that remuneration and benefit levels should be sufficiently competitive, having regard to remuneration practice in the industry and the countries in which the Group operates, to attract, incentivise, reward and retain Directors and senior executives.

The Remuneration Policy set out below applies to all Directors who are appointed to the Board during the life of this policy.

### Non-Executive Directors

The Chairman and Non-Executive Directors receive an annual fee (paid in monthly instalments). Non-Executive Directors (excluding the Chairman) may also receive an additional fee in respect of travel if over five hours of one-way flight time is required to attend a Board meeting, up to an annual cap. The fee for the Chairman is set by the Remuneration Committee and the fees for the Non-Executive Directors are approved by the Board, on the recommendation of the Chairman. In determining the appropriate level of fees the Committee and the Chairman consider advice from external sources and data on the fee levels in other similar companies. No individual is present when his or her own level of remuneration is discussed.

For Non-Executive Directors, the remuneration arrangements will be in line with those set out in the relevant Section below.

### Non-Executive Directors' Remuneration Policy table

Element	Purpose and link to strategy	Operation
<b>Fees</b>	To attract and retain a high-calibre Chairman and Non-Executive Directors by offering market competitive fee levels.	The Chairman is paid an all-inclusive fee for all Board responsibilities. The other Non-Executive Directors receive a basic Board fee, with supplementary fees payable for additional Board responsibilities and travel (if appropriate). The fee levels are reviewed on a periodic basis and may be increased taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity. Additional payments may be made above the basic Board fee if duties significantly exceed expectations.
<b>Supplementary fees</b>		Supplementary fees may be payable to the Senior Independent Director, Chair of the Audit and Risk Committee, and Chair of the Remuneration Committee.
<b>Travel fees</b>	The Board benefits from the diverse global business experience of its Non-Executive Directors, some of whom do not reside in the UK. However, the increasingly global nature of our business means that our Non-Executive Directors are required to travel, with recent meetings held in Brazil, China, Sri Lanka, the USA and Vietnam. The Board wishes to recognise the additional time commitment required for Non-Executive Directors (excluding Chairman) in travelling to Board meetings.	An additional fee may be payable to any Non-Executive Director (excluding the Chairman) who is required to travel for more than a specified length of time to attend a Board meeting. The maximum total fees for travel will be subject to an annual cap. For 2020, a travel fee will be payable for any journey longer than 5 hours of one-way flight time and the maximum fee will be capped at the equivalent of 5 trips. The length of journey and maximum cap will be reviewed annually to ensure their continued relevance and appropriateness.

No benefits or other remuneration will be provided to Non-Executive Directors. However in some cases reimbursement of business travel, entertaining and accommodation expenses claimed in accordance with the UK expenses policy may be deemed taxable benefits under UK tax rules. The Company pays the resulting tax liability. In addition, professional fees may be paid to assist a non-UK tax resident Director submit appropriate UK income tax returns; the cost of these fees may be regarded as a taxable benefit

## DIRECTORS' REMUNERATION REPORT CONTINUED

In determining the level of fees for a new Non-Executive Director, the Committee will take into account all factors it determines to be relevant, including the skills and experience of the individual and the need to attract Non-Executive Directors of the appropriate calibre. The Committee will also take into account the level of fees offered by equivalent companies

### Terms of appointment

Under their respective Non-Executive Director appointment letters, all of the Non-Executive Directors are entitled to receive an annual fee.

### Term and termination provisions

None of the appointment letters contains a set term of office.

None of the appointment letters contains a notice period. Removal of the Non-Executive Directors would be governed by the Articles of Association of the Company.

All Non-Executive Director letters of appointment are available for inspection at the Company's registered office during normal hours of business, and will also be available at the Company's AGM.

### Policy on payment for loss of office

There are no provisions in the Non-Executive Directors' letters of appointment that would give rise to any compensation payments for loss of office.

#### *Executive Directors*

The policy that applies to the appointment of any Executive Director is shown below. The remuneration package may include the components of remuneration described below in the Executive Directors' Remuneration Policy table subject to the relevant limits as set out in the following tables.

### Executive Directors' Remuneration Policy table

#### Fixed remuneration

Purpose and link to strategy	Operation and opportunity
<b>Salary</b>	
To attract and retain the key talent that the Company needs to achieve its objectives.	Salaries for new Executive Directors will be set by the Board taking into account such factors as it determines to be necessary, as discussed above. Following recruitment, salaries will be reviewed annually with effect from 1 July. Salary reviews take account of factors including the market competitive level of pay in other companies, average salary increases applied elsewhere across the Group, the performance of the Company, the relative skills, performance and talent of the individual and any increase in the scope and/or responsibility of the individual's role. The Committee's approach will consider the median level of salary of similar positions in the FTSE250 (excluding financial services), as well as companies in similar sectors and of a similar international scope and size to Coats, for UK based roles to reflect the global scope and dimensions of the Group's operations and the sector in which it operates. External benchmark data is considered only as a reference point and the median figure will not be regarded as a target level of remuneration.
<b>Pension</b>	
To provide a market competitive level of retirement provision.	In the case of an external appointment or a promotion, the Executive Director will either be entitled to participate in a defined contribution scheme, on a non-contributory basis, with an employer contribution of up to a maximum of the average of the UK workforce which is currently 12% of salary, or will be provided with a cash alternative in lieu of any pension benefits of up to 12% of salary. The benefit levels for current incumbents will remain at the current level of 20% of salary as at 1 January 2020 but will not be applied to any subsequent salary increase. The overall benefit value will be aligned to the rest of the UK workforce by May 2023.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Purpose and link to strategy

### Operation and opportunity

#### Benefits

To provide a market competitive level of benefits.

Benefit provision to Executive Directors will be determined by the Committee taking into account such factors as it determines to be necessary, with the aim of creating a competitive overall package.

Benefits may include the provision of private medical insurance, ill-health protection and/or life insurance and a cash-for-car-allowance.

In addition, the Company may provide assistance in connection with the relocation of an Executive Director and, in the event of an international transfer, may provide tax equalisation arrangements.

Executive Directors may also participate in any all-employee incentive plan operated by the Company from time to time, up to the same limit for participation as applies for other employees.

### Variable remuneration

### Purpose and link to strategy

### Operation and opportunity

### Performance

#### Annual bonus, Cash bonus and deferral into shares under the rules of the Deferred Bonus Plan

Annual bonus incentivises key individuals to achieve the objectives of the annual business plan.

The deferred element ensures that the final value of the annual incentive is linked to the longer term value of the Group.

Annual bonuses will be determined by reference to performance, measured over one financial year.

The maximum annual bonus that may be awarded to any executive director will be 150% of salary.

Any bonuses awarded will be subject to a mandatory deferral established by the Committee.

Deferred bonuses will be transferred into shares, to be held for a three year retention period, under the terms of the Deferred Bonus Plan. Deferral may operate so that shares will be held beneficially by the Executive Director during this period, in which case dividends will be payable on shares during such period. The deferral may alternatively be achieved by the grant of a share award or nil cost option in lieu of the deferred portion of the bonus, in which case an additional payment in cash or shares may be made to reflect dividends that may have been earned during the period from grant to vesting.

The annual bonus including cash paid or deferred element of the bonus may be subject to malus or clawback in cases of personal misconduct or a restatement of results that mean the annual bonus awarded was greater than it should have been.

The performance measures, weightings and targets for the annual bonus will be set by the Committee on an annual basis.

Performance measures will normally include tests of both business and individual performance.

The weighting for each objective will be determined annually by the Committee to reflect the strategic importance of each objective for the year ahead.

The Target or Budget level of performance will result in a payment of 50% of the maximum award. The Committee will determine the Target/Budget level of remuneration on a basis that it feels is stretching and challenging. Below Target, payment will increase between nil (below Threshold performance) and Target payout, on a straight-line basis. Above Target, payment will increase on a straight-line basis up to 100% for Maximum performance.

The Committee will have the discretion to reduce vesting levels if it determines the result of the performance targets does not accurately reflect the financial health of the Company.

All annual bonus payments and awards are made at the discretion of the Committee and the terms of the awards may be amended by the Committee at any time provided that they remain within the terms of this policy.

## DIRECTORS' REMUNERATION REPORT CONTINUED

Purpose and link to strategy	Operation and opportunity	Performance
<b>Long Term Incentive Plan</b>		
<p>To incentivise key individuals to achieve key long term objectives, in line with the Group's long-term strategy.</p> <p>To create alignment between executives and shareholders.</p> <p>To retain key individuals.</p> <p>Performance will be assessed over a period of not less than three years.</p> <p>A further 2 year holding period applies to any vested awards.</p>	<p>Awards will be made annually, conditional on the achievement of three-year performance conditions. Any vested shares will be subject to an additional two-year holding period.</p> <p>Award levels for any Director will be up to a maximum of 175% of salary. Awards may be made to other senior executives within the Group. Larger awards may be made in exceptional circumstances, but in no case to exceed 200% of salary.</p> <p>Awards will normally be made in the form of nil cost options, exercisable between the third and the tenth anniversary of grant (subject to the additional two-year holding period), although awards may be made in other forms. An additional payment in cash or shares may be made to reflect dividends that may have been earned on the proportion of the award that vests during the period from grant to the end of the holding period.</p> <p>Awards will be subject to malus and clawback provisions. The malus provisions give the Committee discretion to reduce the level of an award prior to vesting in the event of personal misconduct or if events have happened that caused the Committee to determine the grant level was not appropriate.</p> <p>The Committee will have discretion to claw back vested awards in the event that personal misconduct prior to vesting is discovered or if within three years of vesting there is a restatement of results that means awards vested at too high a level.</p> <p>The Long Term Incentive Plan was approved by shareholders at the 2014 AGM.</p>	<p>In future years the performance measures used, the weighting on each measure, the definition of the measures and the performance targets, will be determined by the Committee considering the balance of strategic priorities for the Company for the upcoming three-year performance period.</p> <p>In addition, the Committee may consider setting an underpin condition which must be satisfied prior to vesting of an award.</p> <p>No awards will vest for performance below Threshold, 25% of each element will vest for achieving Threshold performance, increasing on a straight-line basis to 100% for Maximum performance.</p> <p>The Committee will be able to reduce vesting levels if it determines the result of the performance targets does not accurately reflect the financial health of the Company.</p> <p>Following grant of an award, the Committee will have power to amend performance measures and targets if events happen that mean they are no longer a fair test of performance, but not so as to make the assessment of performance materially less onerous.</p>

# DIRECTORS' REMUNERATION REPORT CONTINUED

## Amendments to the approved Remuneration Policy

There are no proposed increases to the maximum annual bonus opportunity which remains 150% of salary. The Committee has applied the maximum bonus level of 150% from 2020 for the Group Chief Executive only. The minimum deferral of any bonus earned will be established by the Committee. The revised Policy would increase the normal proportion of bonus deferred for the Group Chief Executive to 50% from 2020 and for the Chief Financial Officer to 40%.

The maximum face value for an LTIP award allowed by the Policy would be increased from 150% to 175% of salary. However the maximum level granted in 2020 will remain at 150%. The maximum LTIP award that may be granted in exceptional circumstances (typically recruitment) would be reduced from 250% to 200%.

The revised Policy would also introduce a requirement for share ownership guidelines to apply for two years post termination of employment on the basis of the lower of the minimum guideline (currently 200%) or the shareholding at termination of employment.

The revised Policy would reduce the pension benefit for any new external Director appointment from 20% to a level that equates to the average of the UK workforce; for the year ending 31 December 2020 this is a maximum of 12%. The pension benefit levels for incumbent Executive Directors will be frozen at their current monetary levels ie no longer a percentage of salary and will be aligned to the UK workforce by the end of the validity of this policy i.e. May 2023.

## Decision-making process for the determination of the policy

The Committee reviewed the operation of all aspects of the previous Remuneration Policy by commissioning Mercer | Kepler to conduct a structured interview process with all Directors to assess their views on the effective operation of the policy and the extent to which the objectives of the Policy were met. The scope of the review included an assessment of the current and potentially alternative performance measures and whether these were aligned to the Group's strategy. In addition, Mercer | Kepler advised the Committee on the developing view of shareholders on various aspects of the Remuneration Policy and the extent to which amendments should be made to reflect these. The conclusions of the review were discussed by all of the Non-Executive Directors and then detailed proposals were finalised by the Remuneration Committee. In December 2019 the Committee chairman wrote to all shareholders with more than 1% of issued share capital and several corporate governance advisors to seek their views. Some amendments were made to the proposals as a consequence of this consultation and have been reflected in this revised Remuneration Policy.

## Performance measure selection and target-setting

The measures used under the annual bonus are selected annually to reflect the most important measures for the upcoming year and include both business and individual performance objectives. Performance targets are set taking into account the objectives for the business for the year ahead and the need to successfully progress the execution of the Group's long term growth strategy. Targets are also established on the basis that they should be stretching within an acceptable degree of risk.

The Committee believes that for the 2020-22 period total shareholder return, earnings per share, free cash flow and the delivery of commitments made to sustainability targets are the most appropriate measures of long-term performance for the business. TSR performance is measured against the FTSE 250 (excluding investment trusts) and provides strong alignment between Executive Directors and shareholders, EPS growth maintains management focus on strong financial performance and free cash flow underpins the importance of maintaining cash reserves for Coats' long-term business performance. Sustainability measures and goals are based on the commitments outlined in the Company's stakeholder report published in 2019. Performance targets are set taking into account the sector in which the Group operates and the acceptable risk profile of the Group. The Committee considers a range of reference points, including broker forecasts and the Company's strategic plan to ensure targets are challenging.

## Differences between Executive Director and general employee remuneration

The structure of remuneration for Coats' senior management team is consistent with that for the Executive Directors. Senior executives participate in annual bonus and long-term incentive arrangements based on the same performance measures as Executive Directors.

The remuneration arrangements for other employees reflect the local market practice appropriate for each role and may therefore vary from those set out in this report for senior executives and Executive Directors.

## Legacy matters in respect of future Executive Directors

In the event that an executive of the Group is promoted to the Board, the Company retains discretion to honour any existing remuneration commitments. In particular, any long term awards, both cash and share awards, will continue to be capable of vesting on their existing terms. This would include awards previously granted under legacy Group incentive plans. This would also include any awards granted under the Long Term Incentive Plan or Deferred Bonus Plan prior to the individual being appointed as a Director (although it would be intended that any such awards would in any event comply with the Policy as set out above).

## Shareholding target

Executive Directors will be required to attain a shareholding, over a five-year period, equivalent to 200% of salary. This requirement will apply for a two year period post termination of employment based on the lower of the in-post requirement and the Executive Director's actual shareholding on termination of employment.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Recruitment Policy

When appointing an Executive Director, including a promotion to the Board of an executive from within the Group, the Committee will offer the recruit a remuneration package that it believes is appropriate, taking into account the skills and experience of the individual and the need to attract, retain and motivate individuals of the appropriate calibre. In determining the remuneration package that may be offered to a new Executive Director, the Committee may also take into account external and internal comparisons and relevant market factors, as well as any other factors which the Board determines to be relevant.

### External appointment

In the cases of hiring or appointing a new Executive Director from outside the Company, the Committee may make use of all the existing components of remuneration, as follows:

Component	Approach	Maximum annual grant value
Base salary	Salaries for new appointees will be determined by reference to the relative skills and experience of the individual, the market competitive level of pay in other companies and any other relevant external or internal comparisons.	
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of private medical insurance, ill-health protection and/or life insurance and a cash-for-car-allowance, and, where appropriate, relocation, international transfer or tax equalisation arrangements.	
Pension	New appointees will receive pension contributions or cash alternative in lieu of any pension benefit.	12% of salary if UK based
Annual bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the personal element will be tailored to each Executive Director.	150% of salary
LTIP	New appointees will be granted awards under the LTIP on the same terms as other Executive Director's, as described in the policy table.	200% of salary in exceptional circumstances

For external appointment, the Committee may determine that there may be exceptional circumstances where it would be appropriate, in order to secure the right candidate, to compensate for lost awards incurred by an individual as a result of leaving their former employer. In the case of any long term incentive awards, save where such awards are close to vesting, any such award on appointment would normally be granted as a share based award, subject to such vesting and/or performance conditions as the Committee determines to be appropriate, either under a one-off arrangement or under the terms of the Long Term Incentive Plan (as described below). In determining the terms of any such awards, the Committee would take account of the vesting schedule and conditions attached to the forfeited awards, but also other factors that it determines to be relevant, including the need to suitably incentivise and retain the individual during the initial years of their applicable appointment.

### Internal promotion

In cases of appointing a new Executive Director by way of internal promotion, the Committee and Board will be consistent with the policy for external appointees detailed above.

In the event that an executive of the Group is promoted to the Board, the Company retains power to honour any existing remuneration commitments. In particular, any long term awards, both cash and share awards, will continue to be capable of vesting on their existing terms. This would include awards previously granted under legacy Group incentive plans. This would also include any awards granted under the Long Term Incentive Plan or Deferred Bonus Plan prior to the individual being appointed as a director (although it would be intended that any such awards would in any event comply with the Policy as set out above).

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Service contracts for Executive Directors

The Committee's policy is for service contracts for Executive Directors to reflect the Committee's understanding of best corporate practice for listed companies. However, in the event that an executive of the Group is promoted to the Board, the Committee may include terms in any new service contract which are consistent with that individual's existing service contract and legacy arrangements. Subject to this, the key elements of a service contract offered to a UK based Executive Director appointment are:

Notice period	The notice period is no more than 12 months (in the case of notice being given by the Company or the Executive Director). An Executive Director may be placed on garden leave during some or all of the notice period.
Payment in lieu of notice ('PILON')	Save in circumstances justifying summary termination, employment may be terminated without notice by paying a PILON comprising basic salary and contractual benefits. Subject to any legacy terms, the Company will have discretion to pay on a phased basis, which will normally be subject to mitigation.
Pension	The service contract may include entitlement to pension benefits, subject to the provisions and any limits set out in this Policy and the pension scheme rules or an annual allowance. The entitlement to pension benefits may continue during any notice period.
Benefits	The service contract may include entitlement to other benefits, subject to the provisions and limits set out in this Policy. The entitlement to benefits may continue during any notice period.
Incentive plans	The Executive Director will be eligible to be considered (at the Committee's discretion) to participate in the annual bonus and long term incentive arrangements operated from time to time, subject to the provisions and limits set out in this Policy. The terms of such arrangements would apply in the event of a cessation of office or employment, as set out in the table below.

Service contracts offered to non-UK based, external appointments will generally be in line with the provisions set out above, subject to any local law requirements.

Executive Directors will be able to accept non-executive appointments outside the Company (as long as this does not lead to a conflict of interest) with the consent of the Board, as such appointments can enhance their experience and add value to the Company. Any fees received (excluding positions where the Executive Director is appointed as the Company's representative) may be retained by the Executive Director.

All Executive Director letters of appointment are available for inspection at the Company's registered office during normal hours of business, and will also be available at the Company's AGM.

### Policy on payment for loss of office of Executive Directors

In the case of an executive of the Group who is promoted to the Board, the terms on cessation of office or employment would be governed by the terms of the individual's existing employment agreement. In addition, the terms of any incentive awards made to the individual prior to being appointed as an Executive Director, and the terms of any pre-existing participation in a pension scheme, would govern the treatment of such arrangements.

### Notice periods, salary and contractual rights

The notice periods and contractual rights on termination that would be included in a service contract offered to an external recruit are set out above. In addition, the Executive Director would be entitled to accrued but untaken holiday.

In respect of any awards made to an Executive Director under any all-employee share plan, the same leaver conditions will apply as apply in respect of employees generally.

### Discretions

In considering the exercise of its discretions under the incentive arrangements, as referred to above, or otherwise in connection with the cessation of office or employment of an Executive Director, the Committee will take into account all relevant circumstances, having regard to their duties as Directors.

In doing so, factors that the Committee may take into account shall include, but not be limited to, considering the best interests of the Company, whether the Executive Director has presided over an orderly handover, the contribution of the Executive Director to the success of the Company during their tenure, the need to ensure continuity, the need to compromise any claims that the Executive Director may have, whether the Executive Director received a PILON and whether, had the Executive Director served out their notice, a greater proportion of the outstanding award may have vested.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Other

The Company may enter into new contractual and financial arrangements with a departing Executive Director in connection with the cessation of office or employment, including (but not limited to) in respect of settlement of claims, confidentiality, restrictive covenants and/or consultancy arrangements, where the Committee determines it necessary or appropriate to do so. Appropriate disclosure of any such arrangement would be made.

### Corporate actions

On a corporate action affecting the Company, the rules of the Long Term Incentive Plan and Deferred Bonus Plan will apply. In summary, on a change of control awards will vest, subject to the performance conditions and, unless the Committee determines otherwise, time pro-rating.

Deferred shares awarded under the terms of the Deferred Bonus Plan, which represent deferrals of previously earned bonus, will vest in full. Under the Long Term Incentive Plan and Deferred Bonus Plan, the Committee may determine that a demerger or similar event shall constitute a corporate action.

On a variation of share capital or similar event, the Committee may make such adjustment to awards under the Long Term Incentive Plan and the Deferred Bonus Plan as the Committee considers appropriate.

### Incentive plans

	Good leavers	Other leavers
Annual bonus	<p>The Company does not consider it appropriate to set defined 'good leaver' and 'bad leaver' conditions in respect of the annual bonus arrangements. Instead, where an Executive Director has ceased to hold office or employment with the Group, or is under notice, other than due to personal misconduct, the Committee will determine whether or not the individual will be eligible to receive any annual bonus.</p> <p>If the Committee determines that a departing Executive Director is eligible to receive a bonus, the amount of the bonus will be assessed by reference to the performance targets set for that financial year.</p> <p>The deferral requirement in respect of any bonus awarded will continue to apply if the Committee so determines.</p> <p>The amount of any bonus will be pro-rated for time, provided that the Committee has discretion to waive time pro-rating.</p>	<p>Where the reason for cessation of office or employment is personal misconduct no bonus will be payable.</p> <p>In other cases, unless the Committee determines that the departing Executive Director is eligible to receive a bonus, no bonus will be payable.</p>
Long Term Incentive Plan	<p>A departing Executive Director will be a 'good leaver' on ceasing employment due to retirement, injury, disability, ill-health, death, redundancy or the sale of a business or subsidiary out of the Group.</p> <p>Awards held by 'good leavers' will normally vest on the normal vesting date (i.e. the third anniversary of grant) to the extent that the performance conditions are met, and be pro-rated for time.</p> <p>Any awards that the Committee determines to have vested will ordinarily be subject to the additional two-year holding period, unless the Committee determines in its discretion to accelerate vesting to the date of cessation. The Committee also will have discretion to waive the time pro-rating requirement.</p>	<p>Unvested awards will lapse in full where the cessation of office or employment is on grounds of personal misconduct.</p> <p>In other cases, the Committee will have discretion to determine that unvested awards will vest (in which case the terms applicable to 'good leavers' will apply). Unless this discretion is exercised, unvested awards lapse in full.</p>
Deferred Bonus Plan	<p>Unvested deferred shares (which represent deferrals of earned bonus) will vest in full on the normal vesting date (i.e. the third anniversary of grant), provided that the Committee will have discretion to accelerate vesting to the date of cessation.</p>	<p>Where the reason for cessation of office or employment is personal misconduct unvested deferred shares will lapse in full.</p>



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## DIRECTORS' REMUNERATION REPORT CONTINUED

### Development of this policy

#### Statement of consideration of employment conditions elsewhere in the Company

When reviewing executive director pay the Committee takes into account the impact on and comparison with pay arrangements throughout the Company. The Committee does not directly consult with employees when determining remuneration policy.

#### Statement of consideration of shareholder views

The Committee remains committed to shareholder dialogue and takes an active interest in voting outcomes. The Committee sought the views of our major shareholders before submitting this Policy for shareholder approval at the 2020 AGM.

The Committee may, without seeking shareholder approval, make minor changes to this Policy that do not have a material advantage to Directors.

A copy of the Remuneration Policy will be made available at [www.coats.com/governance](http://www.coats.com/governance)