

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 Board believes that considering our stakeholders in key business decisions is not only the right thing to do but is core to our ability to drive value creation over the longer term.

On pages 32 to 34 we outline the ways that the Board has engaged with our six groups of stakeholders including what was learned and what we will do in 2023 as a result of this engagement. The Board has had regard to S172 Factors in all of its key decisions and discussions, and examples of these are set out below.

Strategic discussions and long-term consequences

Agile but responsible decision making is key to long-term success in the current period of global volatility. As the shape of the Group transforms as a result of the implementation of the Strategic Projects and the change in our operating structure (see page 40), we rely on the Group's well established systems and ways of working to ensure that there is proper consideration of the potential short and long term consequences of decisions. The Board considered the insights received from stakeholders as set out on pages 32 to 34, including how to appropriately manage the impact on employees and communities when changing the location of some of our operations, noting the challenge of maintaining employee engagement through the period of change. The feedback gathered from the direct engagement with our investors at the Capital

Markets Day, and from conversations with customers following the announcement of the acquisition of Texon and Rhenoflex regarding the opportunities for the Group, proved informative when the Board discussed the creation of the Footwear division in the context of the new operating model.

High standards of business conduct

Balancing the needs of our different stakeholders, and noting that their needs might not always align, required the Board to consider the likely consequences of Board decisions and their impact on the success of the Company. Considering our long-term impact through all relevant lenses, including our potential environmental and social impact, is critical to ensure we maintain our reputation for 'doing the right thing'. Accordingly, the Board valued the insights received from shareholders and other environmental-related stakeholders that were reflected in the ESG-related policies and the 2026 sustainability targets (see page 41). We continue to challenge ourselves, and those in our supply chain, to demonstrate the highest standards of conduct in our dealings and the Board together with the Audit and Risk Committee monitor these areas, including the insights from supplier audits, and discuss interventions with management where required.

Board information – the correct inputs

Equipping our leadership to make decisions in the right way on the basis of the correct information relies on good Group-wide governance and reporting structures. Board papers continue to make it easy to identify the key stakeholders for the matters under consideration and provide relevant information relating to them. The Board reviews and probes the information presented and receives assurance where appropriate.
















Specific examples of Board decision making, including how stakeholders were considered and further examples of how their input contributed to the outcomes, are shown on pages 40 to 41. Other information considered by the Board during 2022 relating to the S172 Factors is set out below:

S172 Factor	Relevant disclosures
(a) The likely consequences of any decision in the long-term.	<ul style="list-style-type: none"> – Chair's statement (pages 6 to 7) – Strategy (page 12) – Business Model (pages 14 to 15) – Sustainability (pages 24 to 25) – Principal risks and uncertainties (pages 42 to 49) – Long term viability statement (page 49)
(b) The interests of the Company's employees.	<ul style="list-style-type: none"> – Business model (page 15) – Culture, DE&I, and employee health and wellbeing (People and Culture, pages 16 to 17) – Key performance indicators (GPTW® certification, page 31) – Stakeholder engagement (page 32) – Culture and ensuring alignment (The role of the Board, pages 65 to 66)
(c) The need to foster the Company's business relationships with suppliers, customers and others.	<ul style="list-style-type: none"> – Business Model (pages 14 to 15) – Stakeholder engagement (pages 33 to 34) – Principal risks and uncertainties (pages 44 to 49) – Operating review (pages 51 to 52)
(d) The impact of the Company's operations on the community and the environment.	<ul style="list-style-type: none"> – Stakeholder engagement (pages 33 to 34) – Sustainability (pages 24 to 25) – TCFD disclosures (pages 35 to 37) – Principal risks and uncertainties (pages 46 to 47) – Directors' report (SECR disclosures, page 82)
(e) The desirability of the Company maintaining a reputation for high standards of business conduct.	<ul style="list-style-type: none"> – Culture and values (People and Culture, pages 16 to 17) (Values, page 11) – TCFD disclosures – Non-financial information statement (pages 36 to 38) – Principal risks and uncertainties (pages 42 to 49) – Audit and Risk Committee Report (pages 74 to 75) – Whistleblowing (page 81)
(f) The need to act fairly as between members of the Company.	<ul style="list-style-type: none"> – Stakeholder engagement (page 33) – Leadership and engagement (page 64)















Section 172 statement cont.

BOARD DECISION MAKING DURING THE YEAR

Examples of Board decision making during the year and S172 Factors considered	Stakeholder considerations and outcomes	
<p>Acquisition of Texon and Rhenoflex</p> <p>The Board announced the acquisition of Texon in July 2022 quickly followed by the announcement of the acquisition of Rhenoflex in August 2022. In discussing these acquisitions the Board considered all aspects of future operations including fostering relationships with, and the expectations of, new and existing employees, suppliers and customers. The attractiveness of Texon's and Rhenoflex's products to customers was considered, noting that innovation and sustainability had been identified as priorities for customers in the insights received during engagement. Fundamental to the decision was the selection of the appropriate funding structure for both acquisitions, particularly to ensure the need to act fairly as between the members of the Company, and consideration of the long-term impact of this on the financial position of the Group.</p>	 CUSTOMERS	<p>The importance of fostering and maintaining business relationships was carefully considered. The Board discussed the synergistic opportunities to customers and the potential to offer enhanced partnership when considering the acquisitions.</p>
	 SUPPLIERS	<p>The impact on the supply chain, including the advantages of working at scale to further mitigate risk, was noted. Texon and Rhenoflex both had facilities in new geographies and the responsibilities of the Group's impact on new communities were understood.</p>
	 COMMUNITIES	
	 EMPLOYEES	<p>The need to retain key talent balanced with the need to ensure the appropriate business structure going forward was carefully considered by the Board in relation to the acquisitions.</p>
	 ENVIRONMENT	<p>The innovative products offered by Texon and Rhenoflex (including ProWeave and Rhenoprint 2.0) offered new opportunities for the Group in relation to sustainability and potential reduced environmental impact.</p>
	 SHAREHOLDERS	<p>Consideration of long-term returns to shareholders was a key factor of both business cases as well as consideration of the correct funding mechanism for both acquisitions. The equity placement for Rhenoflex included an offer to retail shareholders to ensure fair treatment as between shareholders.</p>
<p>Strategic Projects</p> <p>The Board announced a programme of Strategic Projects in early 2022 to appropriately refresh our footprint by positioning key roles and operations closer to our customers. This included considering the interests of employees, which markets the Group should continue to operate in, and how the various impacts should be managed. After carefully considering the trends in customer demands, including the need for speed and the impact of global volatility on our supply chain, the Board concluded that it was appropriate to undertake the Strategic Projects to ensure the Group remained agile and was continuing to appropriately manage costs to ensure long-term success for all its stakeholders. The importance of maintaining the Company's high standards of business conduct was considered at all stages of the decision making process.</p>	 CUSTOMERS	<p>Proposals to optimise the locations and efficiencies of business operations were reviewed considering the feedback of current customers and communities. Noting the changes proposed to the geographic footprint, the Board considered the opportunities presented by new facilities in Mexico and the potential changes to suppliers and customers following the divestment of the Brazilian and Argentinian businesses.</p>
	 COMMUNITIES	
	 SUPPLIERS	
	 EMPLOYEES	<p>Changing the operational footprint led to impacts on our workforce, which were considered by the Board through regular People updates. The advantages of closer geographic links to and the opportunity to foster closer business relationships with customers were balanced with re-aligning roles within the Group and the need to mitigate labour availability risk.</p>
	 SHAREHOLDERS	<p>The long-term financial benefits of the Strategic Projects were balanced against the short-term costs.</p>
<p>Change to divisional operating structure</p> <p>At the end of 2022, following the key decisions outlined above and the continued monitoring of the progress in the Strategic Projects, the Board considered how the Group should be structured to ensure long-term sustainable success in light of the internal and external changes. Feedback gathered from investors and customers following the acquisitions in relation to the potential for Footwear was noted. Careful consideration of the current matrix structure versus the implementation of a new divisional structure rightly included discussion regarding the interests of employees and other stakeholders.</p>	 CUSTOMERS	<p>Following the business transformation outlined above, the Board considered how the revised shape of the Group could best serve customers' needs and industry trends. In light of the desire to drive clarity and focus in the delivery of superior business outcomes, the impact on the global supply chain of three divisions rather than a geographic based business model was considered.</p>
	 SUPPLIERS	
	 EMPLOYEES	<p>Retention of key business talent and the identification of the correct leadership teams for each division was considered by the Board.</p>
	 SHAREHOLDERS	<p>The Board considered the long-term impact on the operating model and concluded that the structure would lead to a more profitable business.</p>
	<p>Outcome – The divisional structure was approved, and the Board will continue to monitor the impacts of implementation on stakeholders.</p>	

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Examples of Board decision making during the year and S172 Factors considered	Stakeholder considerations and outcomes	
<p>Ukraine and Russia</p> <p>Following the Russian invasion of Ukraine, there were various Board discussions as to how to appropriately support our impacted employees in Ukraine as well as considering the appropriate course of action for our operations in Russia to ensure fair treatment of our people. Updates were provided by management on the safety of our employees in the region as well as the interactions with local customers and suppliers.</p>	<p> EMPLOYEES</p> <p> CUSTOMERS</p> <p> COMMUNITIES</p> <p> SUPPLIERS</p>	<p>The Board considered our employees in the region first and foremost, and all appropriate efforts to support the safety of those in the region were agreed immediately.</p> <p>The Board considered relationships with the local community in Russia, and the customers and suppliers, noting the size and nature of operations in the region and balanced this with the importance of maintaining the Company's reputation for 'doing the right thing' and ensuring absolute adherence to the sanctions.</p>
<p>New sustainability targets, policies and DE&I initiatives including 'Coats for All'</p> <p>As set out elsewhere in this Annual Report, the Board considered and approved several ESG-related policies at the start of 2022, including living wage and climate change. Insights from direct engagement with investors relating to living wage and other ESG-related matters had been considered when forming the proposals made to the Board. In line with the Company's purpose, the interests of employees and the Company's long-term sustainability impact were considered. The Sustainability Committee and then the Board appropriately debated the new 2026 sustainability targets and their linkage to senior management Long Term Incentive Plans (LTIP), noting that the LTIP has had a sustainability linked element since 2020. Mindful of ensuring the Company maintained its reputation for high standards of business conduct and noting the expectations of investors, the Board considered the long-term financial and environmental impacts of the new targets. Additionally, when considering the 'Coats for All' programme, the Board was cognisant of the critical role that our diverse and engaged workforce plays in our long-term success and achievement of our strategic ambitions.</p>	<p> CUSTOMERS</p> <p> SUPPLIERS</p> <p> COMMUNITIES</p> <p> EMPLOYEES</p> <p> ENVIRONMENT</p> <p> SHAREHOLDERS</p>	<p>Outcome – In response to the Russian invasion of Ukraine and in line with sanctions, the Board ensured that all appropriate steps were taken to support the safety of our employees in Ukraine and also determined that it was appropriate for the Group to exit Russia.</p> <p>The Board recognises that sustainability and ESG continue to increase in importance for our current and future customers and suppliers. Considering the feedback received, the new 2026 sustainability targets and ESG-related policies seek to address their expectations to further foster relationships and to ensure the promotion of the success for all in the supply chain.</p> <p>The benefits of DE&I initiatives to the communities in which we operate are noted by the Board when considering new policies and updates on initiatives in the Business. Living wage policies also create new long-term opportunities. When debating the 2026 sustainability targets, the Board was mindful of the potential impact on communities.</p> <p>Utilising the insights from previous employee surveys, from the Designated Non-Executive for workforce engagement and from the Great Place to Work Surveys, the Board recognises the importance that DE&I initiatives have for our employees and their opportunities in the Group as well as maintaining the desired culture. The Board is mindful that employees are proud to work for a Company that maintains high standard of business conduct and the various progressive ESG changes in 2022 support their interests.</p> <p>The importance of continuing our positive progress in delivering against our sustainability ambitions and continuing to set challenging targets is well understood by the Board when considering our impact on the environment.</p> <p>The Board is mindful of investor trends in relation to DE&I and sustainability. The importance of clearly communicating our targets, and our progress against these, in clear disclosures is understood and considered across all ESG-related decisions taken by the Board.</p>
<p>Pensions</p> <p>The Chair and Chief Financial Officer represented the Company on the joint working group (JWG) formed with the UK Pension Trustee (Trustee), which aims to de-risk the UK pension scheme (Scheme) by securing members' benefits in full through one or more insurance policies in the medium term. The Board received a number of updates, including the decision of the Trustee to purchase a c.£350m bulk annuity policy in December 2022. The Board has subsequently agreed on a mechanism to switch off/on the regular cash contributions to the Scheme, based on monthly estimates of the latest funding position and this gives rise to potential significant free cash flow benefits from lower or eliminated cash contributions if the Scheme remains fully funded on its technical provision basis.</p>	<p> EMPLOYEES</p> <p> SHAREHOLDERS</p>	<p>Outcome – Noting all the feedback received from stakeholders and having appropriately considered the long-term potential impacts on the success of the Company, the Board approved the 2026 sustainability targets and the ESG-related policies.</p> <p>The Board and the JWG understand the importance of progressively de-risking the Scheme to current and future pensioners.</p> <p>The benefits of lowering the risk profile of the Scheme together with the potential significant free cash flow benefits align with shareholders' desire for long-term sustainable growth.</p>
<p>Outcome – The purchase of the bulk annuity policy partly de-risks our UK defined benefit scheme by fully funding all financial and demographic risks for approximately 20% of scheme liabilities. On a medium term basis and when market conditions permit, we aim to remove the Scheme from the Group's balance sheet in a cost effective manner.</p>		