

Nomination Committee report



David Gosnell

(Chair since November 2020)
Member since 2015

Sarah Highfield
Member since 2023

Echo Lu
Member since 2017

Steve Murray
Member since 2022

Srinivas Phatak
Member since 1 September 2024

Fran Philip
Member since 2016

Jakob Sigurdsson
Member since 2020

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 31 December 2024.

This has been an unusually busy year for the Committee. As set out elsewhere in this Annual Report, a principal activity in 2024 was the succession process which culminated in the announcement in May 2024 of the appointment of David Paja as Group CEO. David joined the Board as an Executive Director on 1 September 2024 and succeeded Rajiv Sharma as Group CEO on 1 October, when Rajiv stepped down from the Board as part of a mutually agreed succession process. Additionally, in August 2024, we announced the appointment of Srinivas Phatak as a Non-Executive Director and member of the Audit and Risk and Nomination Committees. Finally, on 7 January 2025, we announced that Hannah Nichols would join the Board as an Executive Director and Group Chief Financial Officer designate to succeed Jackie Callaway as Group Chief Financial Officer at the conclusion of our 2025 AGM, as part of a mutually agreed succession process. I was delighted to welcome both David and Srinivas to Coats and I look forward to welcoming Hannah in due course. Their appointments are the result of significant work by the Committee, management and our advisors.

Following Nicholas Bull stepping down from the Board at the 2024 AGM after serving for nine years, the succession plans for the key Board roles that Nicholas held were successfully implemented as detailed in the last report of this Committee. Steve Murray now acts as our Senior Independent Director and Sarah Highfield is the Chair of the Audit and Risk Committee.

In light of these notable changes to the Board and the recent period of significant transformation of the Group, and consistent with the succession

plan that was set out in last year’s Annual Report and the resolution passed at the 2024 AGM, the Board is proposing that my term of appointment as Chair continues for a further two years. You can read more details about this process, including the processes being led by the Senior Independent Director to identify my successor, later in this report.

In conjunction with the processes set out above, the Committee also reviewed the succession plans for members of the GET and reviewed talent development plans for key below-GET level employees.

Committee membership and meetings

The members of the Committee comprise independent Non-Executive Directors only. No Executive Directors are appointed to the Committee; however, they may attend by invitation if the matters to be discussed require their participation. You can read more about the skills, tenure and experience of the members of the Committee on pages 68 to 70.

During the year, the Committee met seven times in separately scheduled meetings, with further discussions taking place as required and as part of scheduled Board meetings. All Committee members attended the maximum number of regularly scheduled meetings that they were eligible to attend. However, in light of the number of meetings held this year and noting that some of these were convened at relatively short notice to facilitate timely decision making, some Committee members were not able to attend all meetings. In these circumstances, those Committee members provided their input in advance of the meeting and the Chair discussed the outcomes of the meetings with the relevant member shortly thereafter. Further details of individual Directors’ attendance can be found on page 75.

Principal objectives of the Nomination Committee

- To make sure the Board comprises individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its responsibilities.
- Oversight of the diversity and inclusion-related elements of ESG.

Key responsibilities

- Ensuring the appropriate composition of the Board and its Committees, and overseeing a rigorous and transparent procedure for appointments to the Board.
- Maintaining ongoing succession plans for the Board and GET, and reviewing the leadership needs of the organisation.
- Ensuring diversity in the pipeline for senior management roles.

Highlights of 2024

- Implementation of succession of Group CEO and Group Chief Financial Officer, and ongoing Non-Executive Director succession.
- In-depth review of GET succession plans.
- Further development of skills matrix.

Areas of focus for 2025

- Group Chief Financial Officer transition.
- Continued focus on executive succession planning and talent development.

Nomination Committee report cont.

Board and Committee changes and appointment processes

As set out in my introduction, the Committee has overseen a number of appointment processes during the period under review. In relation to the comprehensive selection processes that culminated in the appointment of David Paja as Group CEO, and Hannah Nichols as Group Chief Financial Officer designate, professional search agencies were appointed in accordance with the Company's procurement policy based on their expertise. Russell Reynolds was engaged in relation to the Group CEO search and Egon Zehnder was engaged in relation to the Group Chief Financial Officer search. Neither agency had any connection to the Company or to the Board.

In both appointment processes, a diverse longlist of candidates was prepared and carefully considered to identify the shortlist of candidates that would proceed to the interview panel and assessment. During the course of a number of meetings, the Committee considered the results of externally facilitated executive leadership assessments together with the feedback provided by the interview panel.

David Paja was ultimately identified as the preferred candidate as Group CEO due to his proven experience in driving growth and highly relevant expertise gained in related industries. You can read more about David Paja's induction on the following pages of this report.

In January 2025, it was announced that Hannah Nichols had been appointed as the Company's next Group Chief Financial Officer due to her extensive financial expertise, considerable international experience and track record of driving transformational change.

As a result of Nicholas Bull's departure from the Board, the Committee determined that it would be helpful to identify an additional Non-Executive Director with extensive professional financial expertise, in addition to Sarah Highfield, as a result of a review of the skills matrix. The recruitment process for the appointment of Srinivas Phatak in 2024 included agreeing the criteria for the candidate profile and the most appropriate interview panel to lead the process. Inzito was engaged to create a comprehensive and diverse longlist of candidates for the role. The shortlisted candidates were then interviewed, and the appropriate due diligence was undertaken to ensure the appropriate fit with the requirements including consideration of their skillset and experience, their ability to contribute across the requisite range of Board topics, whether their appointment was in line with the Board's diversity aims and whether they could meet the expected time commitment. Recommendations were then made to the Board.

Any new Directors are appointed by the Board and, in accordance with the Company's articles of association, they must be elected at the next AGM to continue in office. All existing Directors stand for re-election every year. This year, all Directors, with the exception of Jackie Callaway, who is not standing for re-election, will submit themselves for re-election or election at the AGM.

The announced succession plans for the roles of Senior Independent Director and Chair of the Audit and Risk Committee, also triggered by the planned retirement of Nicholas Bull at the 2024 AGM, were implemented. Sarah Highfield also joined the Sustainability Committee on 1 January 2024, at the same time as the three divisional CEOs and the Group Sustainability Director joined.

Induction

Following their appointments in 2024, both David Paja and Srinivas Phatak took part in comprehensive and tailored induction programmes. David Paja has visited 25 of our sites representing 90% of Coats revenue, allowing him to truly understand the business and to engage with employees and key customers. He has also engaged with other key stakeholders through results presentations, investor roadshows and in separately arranged sessions. The Committee is delighted with the smooth transition of the Group CEO.



In line with our usual process, Srinivas Phatak received training on his Directors' duties, and his obligations in relation to serving on the Board of a listed company. Srinivas met with each Board member, received deep dive sessions on each of the divisions presented by the relevant leadership team as well as in-depth presentations on sustainability and Group Finance, and he has also met with relevant external advisors (such as our brokers and our auditors). Our induction programme ensures that Directors are appropriately briefed on current Board topic areas, the Group's strategy, purpose, culture and structure, our stakeholders as well as our operations and the wider industry.

Succession planning, talent and skills review

The Committee, on behalf of the Board, regularly assesses the composition of the Board and its Committees in terms of skills, experience, diversity and capacity.

The Board tenure tracker is regularly presented to ensure that discussions are held well in advance of planned departures, to allow appropriate skills gap identification and timely succession.

The Committee uses the Board skills matrix to provide a detailed and transparent assessment of the current skill set on the Board and identify any training needs or skills/experience gaps on the Board. The Board continues to undertake all regular training required for Group employees and also received in-depth cyber-security training, including participating in a simulation exercise that was facilitated by a variety of internal and external experts.

The Committee held several detailed sessions considering the succession plans for the GET and the talent available below GET level. Management provided an overview of the talent development plans for those talent pools.

In making recommendations for the annual re-election of the Chair and Non-Executive Directors, the Committee considers the skills, knowledge, experience, independence and the time commitments of each Director to ensure that they have sufficient time to fulfil their responsibilities to the business. The Non-Executive Directors are considered independent. On appointment to the Board, the Chair was considered independent in accordance with the terms of the 2018 UK Corporate Governance Code.

Nomination Committee report cont.

When reviewing the wider composition of the Board and GET, the Committee considered the various aspects of DEI, ensuring the desired culture of the Group is maintained, and also reviewed the required skills profile for the Group.

Diversity

The Board recognises the many benefits of building a diverse leadership team and the charts on page 75 set out the gender and ethnic background, as well as diversity of experience, of the Board. The Board believes that embracing diversity, in all its forms, promotes inclusivity and supports good decision making by the Board.

Our Board Diversity Policy, which is available at www.coats.com, was updated in 2022 to reflect the targets set by the FTSE Women Leaders Review on gender diversity. Our workforce diversity policy is included in our Coats Key People Principles, which set out the range of policies in place to ensure fair and equitable treatment of our diverse workforce. The diversity section includes the same definitions and references as our Board policy and aims to promote an inclusive working environment. You can access our Coats Key People Principles on our website (www.coats.com/en/Download-Centre).

We are now a number of years into our internal diversity programmes Coats for All and Coats for Her, and the Board and the Committee have continued to monitor the initiatives and outcomes regularly to ensure the Company is tracking appropriately against our ambitious internal targets. You can read more about this in the People and Culture section of this report on pages 23 to 24.

The Committee is pleased to report that during the year ended 31 December 2024 and up to the date of this Report, the Board had met the targets of the FTSE Women Leaders Review and the Parker

Review on ethnic diversity as at least 40% of the individuals on the Board are women; the position of Chief Financial Officer is held by a woman; and at least one individual on the Board is from a minority ethnic background.

The Company has collected the diversity data used for these purposes from each individual on a voluntary basis. As set out in this Committee's report last year, the Board agreed a target that the Group should maintain circa 50% ethnic diversity in our senior leadership team (using the definition recommended by the Parker review), while recognising that periods of change in the composition of senior leadership may result in temporary periods when this balance is not achieved. The Board considers this that target continues to be appropriate and suitably challenging. You can read more about our progress against our other sustainability objectives, which form an integral part of our Long Term Incentive share plan measures, and read more about the diversity of our global workforce in the Sustainability Report (www.coats.com/sustainability).

Board and GET gender identity or sex*

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management (GET and direct reports)	Percentage of executive management (GET and direct reports)
Men	5	56%	3	35	70%
Women	4	44%	1	15	30%
Other categories					
Not specified/prefer not to say					

At Coats, we define our senior management team as employees that are band three or above in the organisation (Senior Management). As at 31 December 2024, there were 53 women (30%) and 124 men (70%) in Senior Management.

Board and GET ethnic background*

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management (GET and direct reports)	Percentage of executive management (GET and direct reports)
White British or other White (including minority-white groups)	7	78%	4	20	40%
Mixed/Multiple Ethnic Groups					
Asian/Asian British	2	22%		14	28%
Black/African/Caribbean/Black British					
Other ethnic group, including Arab				3	6%
Not specified/prefer not to say				13	26%

* The data in the tables above was collected directly from the Board and GET. Members of the Board and GET were asked to indicate their gender identity, sex and ethnic background against the categories in the table above.

Assessment of the effectiveness of the Committee

The Committee's effectiveness in respect of the year ended 31 December 2024 was evaluated by way of a questionnaire-based internal review. Respondents included Committee members and regular attendees. The Committee considered the findings of the process, as well as confirming that the findings from last year's assessment had been adequately addressed.

The 2024 evaluation indicated that the Committee was working effectively and identified opportunities for the 2025 Committee work plan, which have been appropriately included and are included in the Committee's workplan for 2025.

Signed on behalf of the Nomination Committee by:

David Gosnell
Chair, Nomination Committee

5 March 2025

Last year, Coats set out our succession plan for the role of Chair of the Board. The Committee and Board, in a process led by the Senior Independent Director and from which the Chair recused himself, engaged with shareholders to explain the rationale for this proposal and the associated resolution was passed at the 2024 AGM, for which we value your support, with over 95% of the votes cast being voted in favour.

In line with the plan communicated last year and set out in this year's Notice of AGM, the Board is proposing David Gosnell's re-appointment to the Board and the Committees on which he sits for the remaining term of two years, subject to annual re-election. The Board and Committee are satisfied that David continues to demonstrate independent character and judgement, and promotes constructive challenge amongst the Board, and that he continues to be independent in accordance with the Code. They are also satisfied that he continues to perform effectively and demonstrate commitment to the role.

The Committee and the Board, acting with David having recused himself, are highly mindful of the vital need for strong and consistent leadership from the Chair to continue to guide the Board, the Committees on which he sits and the Group in a period of changing leadership during the transition of the Group CEO and Group Chief Financial Officer, and the recent wider changes within the Group. Accordingly, after careful consideration, the Board has concluded that David's proposed re-appointment is appropriate and in the best interests of the Company and its stakeholders to ensure continuity during this transitional period.

In the second half of 2024 and in early 2025, Steve Murray, Senior Independent Director, has engaged with a number of the Company's key institutional investors and several proxy advisory firms to confirm the process and timing for identifying David's successor, which is expected to commence later in 2025. The shareholders indicated clear support for David continuing as Chair, with the majority supportive of his re-appointment for the remaining term of two years, subject to annual re-election.