Coats 2019 Sustainability Materiality Assessment

Coats' Sustainability strategy is focussed around the 5 pillars shown below.

| WATER | ENERGY | EFFLUENT & EMISSIONS | SOCIAL | LIVING SUSTAINABLY |

We use 'materiality assessment' techniques to identify the priority issues that inform our strategy development process, and to develop our sustainability workstreams.   We review our materiality analysis on a regular basis, at a minimum every two years, and this document outlines the process we followed and explains the outcomes from our 2019 review.

In 2019 we took a new look at what's important to us as a business and to establish some key areas of focus for our Sustainability programme. We repeated our global materiality assessment and have undertaken a specific human rights risk assessment to identify the areas of highest risk both in our own business operations and in those of our supply chain. We have mapped our operations and those of our supply chain to identify particular industry / sectoral risks as well as risks from their geographical location.

Identifying the issues

The first step in the process was to identify what Sustainability issues are relevant to a global business such as Coats. We used a number of sources to feed into this process including: our own knowledge and experience and Sustainability best practice; current and upcoming legislation; what's happening in the media; what campaign groups and NGOs are focusing on; and the interests of our key stakeholders, including our investors, employees, global apparel and footwear brands, direct customers, regulators, and the textile industry. To identify particular country risks, we took account of a number of external benchmarks and indices in our risk assessment process, including the UN Human Development Index, ITUC Global Rights Index, Freedom House Freedom in the World Civil Liberties, UNICEF % of children aged 5-14 years engaged in child labour, Minderoo Foudation's Global Slavery Index and Transparency International's Corruption Perceptions Index.

During the 2019 review we identified 69 issues for consideration and these were grouped around Environmental, Social and Governance themes, with 15 Environmental , 29 Social and 25 Governance issues.

Prioritising the issues

We then used an assessment framework to establish the relative importance of the 69 topics and to help us focus on our future action plans. In considering each area we asked ourselves two questions and scored the answers based on the levels of importance:

• Does addressing the issue help us meet our three commercial goals?

• Is the issue of importance to key stakeholders?

We scored each area according to (i) the level of positive contribution it could make toward the achievement of our three commercial goals and (ii) its importance to each of six stakeholder groups, as shown below:

Does addressing the topic help us meet our three commercial goals?

- Profitable sales growth
- Increased productivity
- Value delivery

Is the topic of importance to our 6 key stakeholders?

- Employees
- Customers
- Shareholders
- The environment
- Local communities
- Suppliers

Using an assessment matrix, we ranked the 69 topics according to a traffic light system of importance (high, medium and low), as shown below.

Importance	Score	October 2011 % of issues	November 2013 % of issues	November 2015 % of issues	November 2017 % of issues	November 2019 % of issues
High	>75%	0	9%	6%	6%	2%
Medium	51%-75%	42%	36%	45%	42%	54%
Low	26%-50%	58%	55%	49%	52%	42%
Insignificant	</= 25%	0	0	0	0	2%

The chart below illustrates the top material CR issues that we identified in 2019;
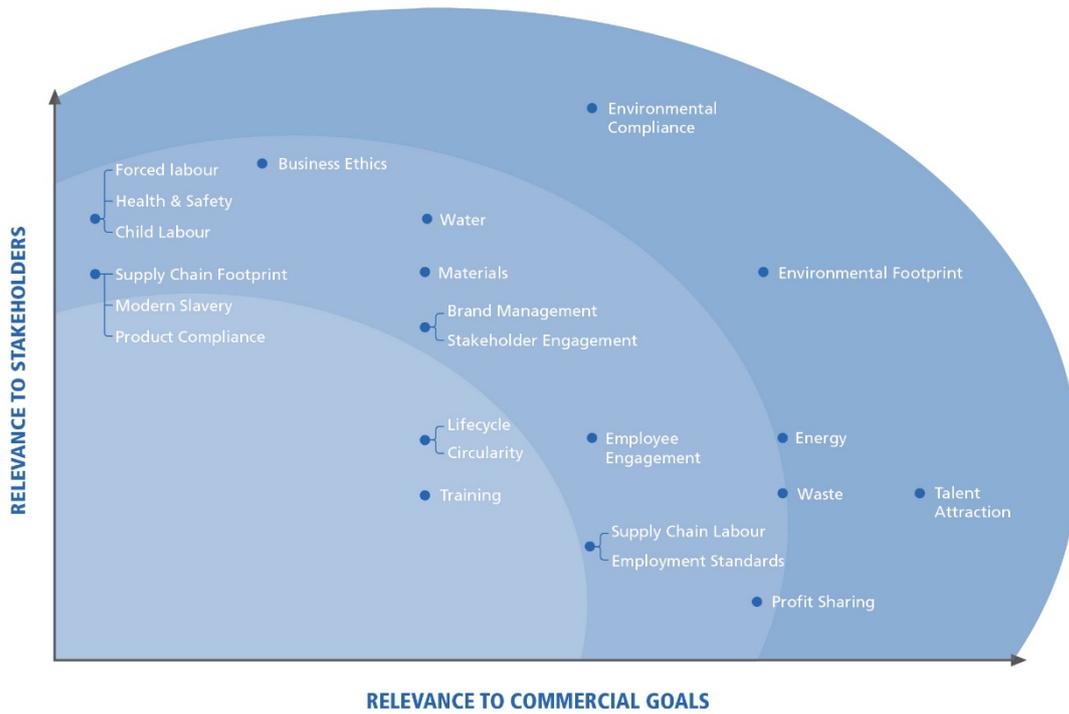
There was a certain amount of change in our top issues between the 2017 and 2019 assessments, as shown in the ranked table below;

Top Material Issues	
2019	**2017**
Environmental Compliance	Water
Environmental Footprint	Energy
Talent attraction	Environmental Footprint
Energy	Waste
Water	Health & Safety
Business Ethics	Resource Scarcity
Materials	Child Labour
Waste	Forced labour
Employee engagement	Transparency & reporting
Brand management	Environmental Compliance
Stakeholder engagement	Economic environment
Profit Sharing	Legal compliance
Employment standards	Consumer health & safety
Circularity	Anti-competition
Life Cycle	Data protection & privacy
Child Labour	Materials
Forced labour	Modern slavery
Supply chain labour	Bribery & corruption
Health & Safety	Diversity & Inclusion
Training	Stakeholder engagement
Supply Chain Footprint	Supply chain labour
Product compliance	Economic impact
Modern slavery	Local community

After completing the assessment we reviewed all the changes and the reasons behind them and were satisfied that they reflected changes in the external environment, changes in our business or changes in the concerns of our stakeholders. We then reviewed our Sustainability strategy against the new list of most important issues and concluded that our current strategy pillars continue to accurately reflect the important issues facing our business and that no change is needed at this time.