

# Coats 2017 CR Materiality Assessment

Coats Corporate Responsibility (CR) strategy is focused around the seven strategic themes illustrated below. We use 'materiality assessment' techniques to identify relevant priorities under each of these themes and to inform our annual CR programme and action plans. We review our materiality analysis on a regular basis, as a minimum every two years, and this document outlines the process we followed and explains the outcomes from our 2017 review.



In 2017 we took a new look at what's important to us as a business and to establish some key areas of focus for our CR 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 CR 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 of CR and CR 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, US State Department Trafficking in Persons, and Transparency International's Corruption Perceptions Index.

During the 2017 review we identified 67 issues for consideration and these were grouped around our seven strategic themes, plus any additional economic and external events that we could foresee:

Standards	13 issues
Manufacturing	9 issues
People	20 issues
Environment	4 issues
Partners	7 issues
Products	5 issues
Community	2 issues
Economic & external events	7 issues

### Prioritising the issues

We then used an assessment framework to establish the relative importance of the 67 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 five stakeholder groups, as shown below:

<b>Does addressing the topic help us meet our commercial goals?</b>
Profitable sales growth
Increased productivity
Value delivery
<b>Is the topic of importance to key stakeholders?</b>
Investors and potential investors
Brand Owners, Industrial Customers/Retail Customers
NGOs and campaign groups
Regulators
Consumers (General public)

Using an assessment matrix, we ranked the 67 topics according to a traffic light system of importance (high, medium and low), as shown below.

<b>Importance</b>	<b>Score</b>	<b>October 2011 Number of Issues</b>	<b>November 2013 Number of Issues</b>	<b>November 2015 Number of Issues</b>	<b>November 2017 Number of Issues</b>
High	>75%	0	3	3	4
Medium	51% - 75%	14	12	24	28
Low	26 – 50%	19	18	26	35
Insignificant	<25%	0	0	0	0

The chart below illustrates the top material CR issues that we identified in 2017. Having said that, our CR programme extends beyond this and relates both to our own operations and the wider impact we have on the environment, the communities in which we operate, and the markets we serve.

