

CLIMATE CHANGE AND EMISSIONS

Climate Change and Emissions



Coats recognises that climate change is a major challenge facing us and that our industrial activities are responsible for emissions that contribute towards man-made climate change. We are committed to taking urgent action to reduce the climate impact of our activities, while at the same time studying the likely impacts of climate change on our business so that we can take action to mitigate any risks and develop any opportunities.

Risk Assessment

Our Taskforce for Climate-related Financial Disclosures (TCFD) report in our [Annual Report](#) gives substantial details on how we manage climate as a risk. It is embedded into our business risk management process and is subject to regular review by senior management and Board members. At the heart of our analysis is a bespoke scenarios which analysis that we have developed over the last 4 years. This looks at three different scenarios based on the Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathways (SSP) data sets. We use one low carbon scenario (SSP1), a medium carbon scenario (SSP3) and a high carbon scenario (SSP5). For each scenario we look at three time horizons, 2030, 2045 and 2070 and we look at transitional and physical impacts down to individual site level. To supplement the SSP datasets and get the required granularity we use the World Resources Institute Aqueduct tool to identify water stress, water depletion and flood risks

and a National Geographic climate modelling tool to identify weather related issues. Where significant physical risks are identified we gather site-level intelligence to give even greater granularity in the assessment.

Most of the physical risks associated with climate change effects on our units are medium to long term in nature and will be the subject of future mitigation strategies, but the need to urgently reduce emissions was identified early on in the process and led to our emissions reduction strategy. We adopted the Science-based Targets initiative (SBTi) for our emissions reduction targets because it is endorsed by the UNGC and aligns with the most current scientific understanding of the climate crisis. It is also a framework that is becoming more widely used in the textile industry and hence is increasingly understood by brands, customers and our supply chain partners.

Science-based Targets

We developed our full Scopes 1, 2 and 3 inventories of emissions for our 2019 baseline year during 2021. We submitted these and our interim reduction targets (for 2030) to SBTi for review and approval during 2021 and they were approved in early 2022. During 2023 we worked on our longer term Net-Zero targets (for 2050) and these were submitted to SBTi for approval towards the end of 2023 and are currently under review for under review for approval. The backlog in the SBTi approval process has not stopped us working on our interim reduction targets and we will be developing those longer term strategies that will enable us to meet our Net Zero commitments. With the acquisition of the footwear

component businesses in 2022 and the disposal of a number of businesses in 2022 and 2023 there have been sufficient structural changes in the Group to trigger our emissions re-baselining threshold of 5%, and so this has been undertaken during 2023 and will be submitted to SBTi for review in early 2024. The changes in baseline do not make any difference to our approved interim targets which continue to be as follows:

- Coats Group plc commits to reduce absolute Scope 1 and 2 GHG emissions 46.2% by 2030 from a 2019 base year.
- Coats Group plc also commits to increase annual sourcing of renewable electricity from 5% in 2019 to 100% by 2030.
- Coats Group plc further commits to reducing absolute Scope 3 emissions 33% within the same timeframe.

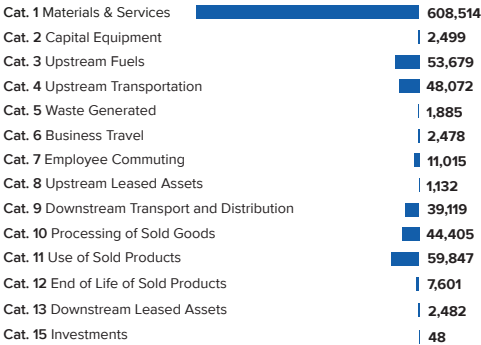
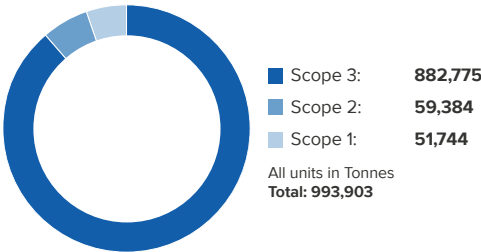
Our committed, but not yet approved, Net-Zero target is as follows;

**COATS GROUP PLC COMMITS TO
REDUCE ABSOLUTE SCOPES 1, 2
& 3 GHG EMISSIONS 90% BY
2050 FROM A 2019 BASE YEAR.**



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The chart below shows our 2023 breakdown of Scopes 1 to 3 emissions. Scope 2 emissions here are shown on a market basis. This excludes emissions from divestments made during 2023.



CREATE,
COLLABORATE
& COMPENSATE

2023 PROGRESS

Our strategy to deliver our Scopes 1 & 2 interim targets for 2030 is largely dependent on ongoing reductions in energy intensity and, more significantly, progressive decarbonisation of our Scope 2 electricity supply. During 2023 textile demand in general has been low due to overstocking in the supply chain, and because of this our processing volumes have reduced ~15% compared to 2022. This has caused a substantial drop in absolute energy use in the year and a consequent drop in emissions. However, in addition to the effect of the demand drop we have made substantial progress in our energy transition during the year.

Our strategy for energy transition is to implement one of three approaches in each country depending on the maturity of the renewable energy market in that country.

Our preferred approach is to CREATE new renewable energy assets mainly through Power Purchase Agreements (PPAs) with third party suppliers for on-site (mainly rooftop) solar power arrays on our premises. On-site arrays will only ever

cover a fraction of our demand due to the energy intensity of our operations so we are also keen to find opportunities to participate as a customer in new off-site projects which also create new renewable capacity.

Where our CREATE approach cannot be achieved or there is a portion of electricity demand that is not covered, our next priority is to COLLABORATE with existing third party renewable suppliers by buying their certified renewable electricity. If we are unable to cover our needs through the CREATE and COLLABORATE routes then the third priority is to COMPENSATE by buying Energy Attribute Certificates (EACs) to cover our residual electricity requirements.

During 2023 we have made progress across all of these approaches.

- Under **CREATE**, new PPAs for onsite solar arrays have been signed and are in various stages of implementation for sites in Indonesia, Bangladesh, Spain, Romania and Pakistan. These are all additional to the existing installations that we have in sites in India, Vietnam and Bangladesh.
- In terms of **COLLABORATE**, we are now getting certified renewable electricity in Mexico and in the pipeline for 2024 we have a new agreement signed for supply in Shenzhen, China and an extension of scope of our existing arrangements in India. These are all in addition to the existing agreements we had in place in Romania, India, China, UK and Italy.
- Finally in terms of **COMPENSATE**, we have extended purchase of EACs during 2023 to include Indonesia and Thailand and more sites in China. This is on top of existing purchase agreements in China, Vietnam, Turkey and India.



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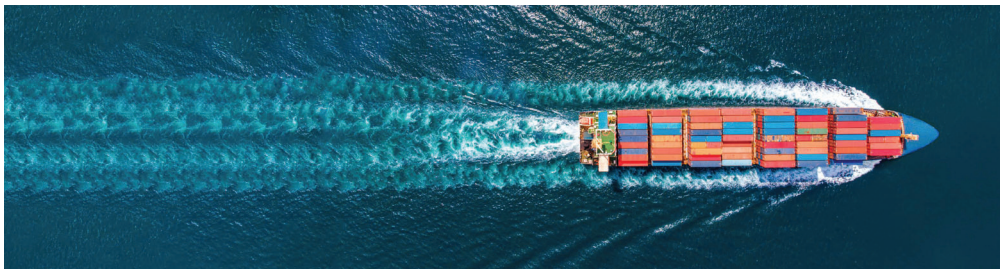
As a result of all of these activities our absolute Scopes 1 & 2 emissions intensity has dropped by 39% in 2023, which is well ahead of the rate of reduction that we need to achieve to meet our SBTs, and our more ambitious target to deliver a 22% reduction in Scopes 1 & 2 emissions by 2026 from a 2022 baseline.

Energy intensity is analysed in detail in the Energy section of this report, but the significant volume drop has undermined the effect of energy intensity measures during the year.

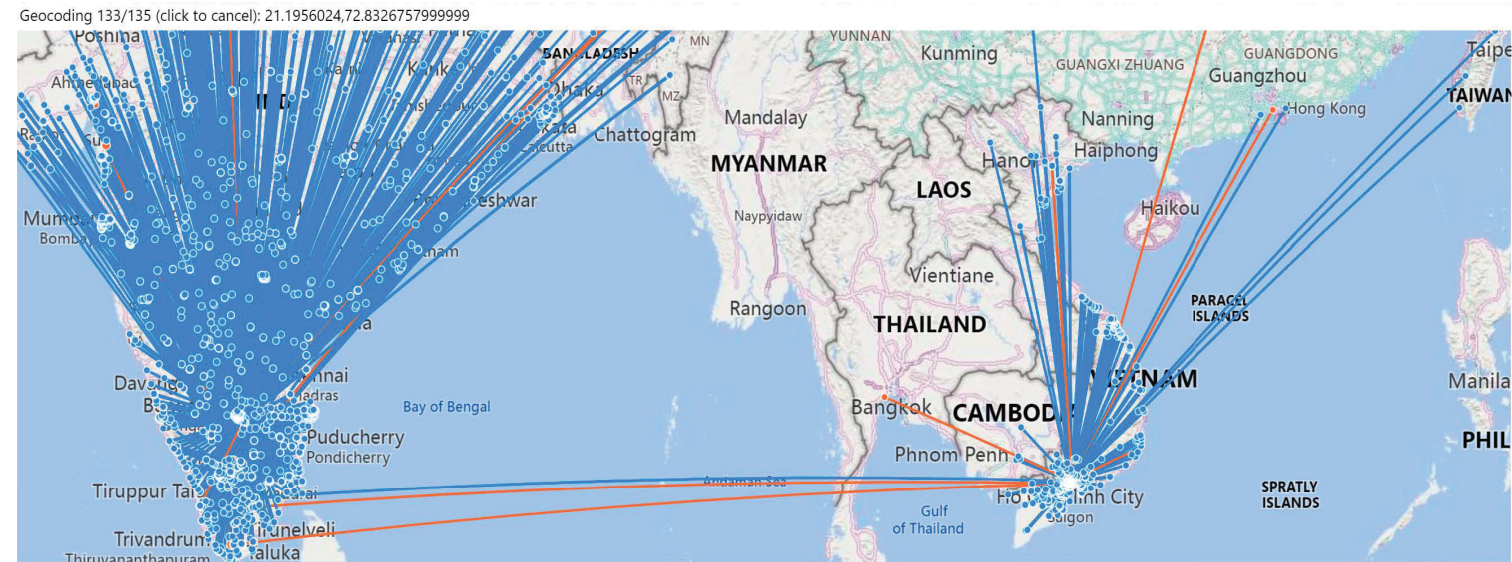
In terms of Scope 3 emissions the main area of focus is our material transition strategy from virgin oil-based raw materials to recycled or bio-based materials. This is discussed in detail under the Materials section of this report. Upstream energy and upstream transportation are the next most significant areas of Scope 3 emissions under our direct control.

As we continue to drive our energy transition to renewables, we will deliver further reductions in upstream energy emissions. On upstream transportation, this principally includes transport of raw materials from our suppliers to our plants, the transport of semi-processed products between our plants and the shipment of finished products from our plants to warehouses. All of these material flows are, or can be, in our management, whereas we are often not directly responsible for shipment of finished products to our customers. During 2023 we have utilised new generative AI technologies to develop a comprehensive movements tracking system that allows us to identify the emissions attributable to individual shipments. Having completed this we will now be able to start

building emissions impact more actively into our transportation decisions. Criteria such as shipment quantity, shipment route and means and choice of transport supplier can all have a significant impact on the emissions, and our first aim is to minimise the emissions footprint of our current supply chain, recognising that zero emissions goods transportation is still over the horizon in most cases. Below is an image from our new, in-house developed, transportation emissions tracker dashboard.



145,529	88,598,264	131,037,733	3,790,229	20,726,934	20,517,447	3,229	206,258
Volume in Tons	Ton KMs Road	Ton KMs Sea	WTT Total KG Co2e	TTW Total KG Co2e	TTW Total KG Co2	TTW Total KG CH4	TTW Total KG N2O



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Our total emissions are shown below:

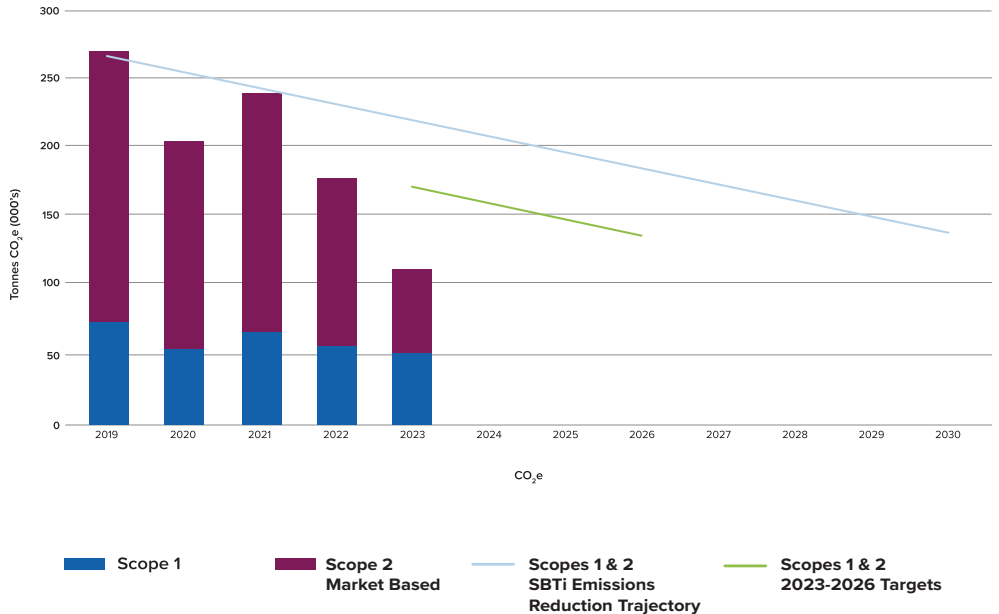
Thousands of tonnes CO ₂ e ¹		2023	2022	2021	2019 Baseline
Scope 1		51.7	59.6	68.7	73.5
Scope 2	Location Based	172.2	201.9	213.3	232.6
Scope 2	Market Based	59.4	122.4	172.4	190.9
Scope 3	Cat 1 Products and Services	608.5	730.8	838.9	744.5
	Cat 3 Upstream Energy	53.7	54.9	68.6	50.9
	Cat 4 Upstream transportation and distribution	48.1	44.1	73.9	64.8
	Other Scope 3	283.6	351.4	440.7	200.6
Total Scope 1, 2 & 3 emissions		993.9	1,181.2	1,422.1	1,060.8
Biogenic Emissions CO ₂ ²		24.1	27.5	32.8	38.2

¹ To enable like-for-like comparison, all yearly data has been calculated to exclude divestments made during the reported period. Footwear Division acquisitions (Texon and Rhenoflex) have been fully included across all years, for Scopes 1, 2 & 3, including the 2019 baseline year. All data is calculated following GHG Protocol guideline.

² Biogenic emissions cover CO₂ emissions that occur from burning bio-mass for the purposes of steam generation. These CO₂ emissions are excluded from our reported market-based emissions, however the CH₄ and N₂O emissions associated with bio-mass are included in our reported Scope 2 emissions as per GHG protocol guidelines.

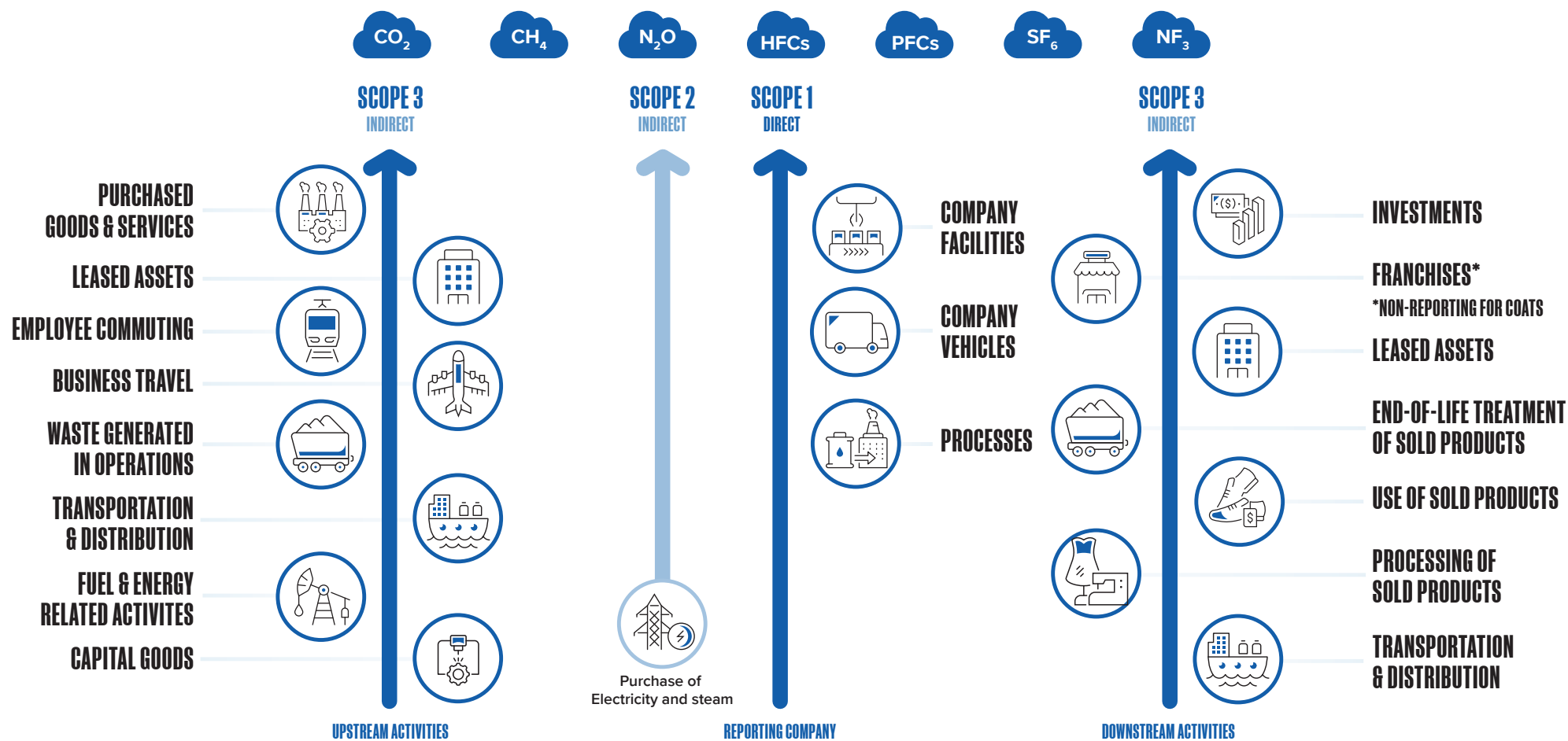
The below graph shows our Scopes 1 & 2 emissions by year from 2019, along with our SBT trendline, and our 2023-2026 emissions target trajectory.

Scopes 1 and 2 Emissions by Year Versus Target



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CARBON EMISSIONS SCOPES



Climate Change and Emissions

CARBON EMISSIONS PROFILE

