

MANAGING SUSTAINABILITY

Managing Sustainability

MATERIALITY ASSESSMENT

At Coats, we care about the sustainability issues that matter most to our business and our stakeholders. We have conducted comprehensive materiality assessments every two years since 2011 to evaluate the environmental, social and governance issues that are most significant for us and our stakeholders, with the most recent review conducted through the course of 2023. We use the results of these assessments to guide our sustainability strategy and reporting, ensuring that we focus on the themes that are most important to our stakeholders.

In 2023, we identified a total of 71 issues for review (marginally down from 73 in 2021). The team ranked each issue by level of importance following an evaluation against its relevance to Coats' three commercial goals (i.e. profitable sales growth, value delivery and business transformation) as well as the importance to each of our key stakeholder groups (i.e. employees, customers, shareholders, the environment, communities and suppliers).

Following the initial review on importance of each ESG issue, we then further assessed the risk rating by considering the impact and probability of not fully meeting expectations for each.

Our 25 most material ESG issues are highlighted in the matrix on the right hand side, where the axes represent relevance to Coats Commercial Goals (X) and Importance to our stakeholders (Y). The 25

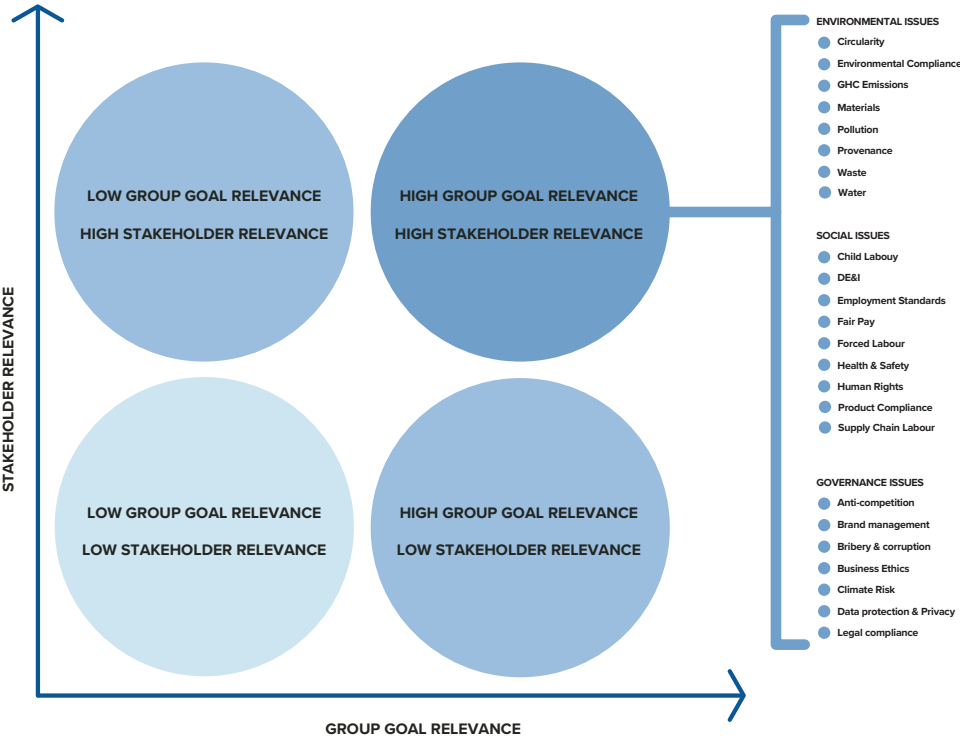
most material issues sit in the top right quadrant, representing high levels of relevance both to achievement of Coats' group goals as well as to our key stakeholder groups. Our most material ESG issues span across environmental, social and governance related groupings.

In our 2023 assessment, we continue to see the most relevant ESG issues being directly related to our 5 Pillar sustainability strategy of Energy, Materials, Waste, Water and People, reinforcing the continued alignment and relevance of our underlying sustainability strategy to the needs of our business and those of our key stakeholders. Climate risk, GHG emissions, environmental compliance and pollution all remain of very high relevance, and this year we are seeing heightened relevance of human rights, child labour, Diversity, Equity & Inclusion (DE&I), as well as product provenance and data protection and privacy.

Evolving European Commission Directives with regulatory requirements on supply chain due diligence and increased requirements for product and social transparency are escalating the importance of related ESG issues and we believe this has been reflected in the output of our latest assessment.

With the upcoming EU Corporate Sustainability Reporting Directive (CSRD) becoming effective in the short term, our next materiality assessment in 2025 will adopt the European Sustainability Reporting Standard (ESRS) requirements of double materiality.

TOP 25 ESG ISSUES



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GOVERNANCE AND MANAGEMENT

The Board of Directors oversees and is ultimately accountable for the sustainability strategy at Coats. In 2022 we instigated a Sustainability Board Subcommittee, which has met twice through 2023 and is led by the Board Chair, David Gosnell, and comprises the Senior Non-Executive Director (NED) and designated Board Sustainability Advocate, Nicholas Bull, the Designated NED for workforce engagement, Fran Philip, and the Group Chief Executive, Rajiv Sharma. Our Group Sustainability Director is the committee secretary.

Within the executive team, our sustainability programme is championed by our Group Chief Executive and the whole Group Executive Team (GET). This group takes responsibility for setting the direction, and ensuring that we deliver on our short and long term sustainability targets.

Following the establishment of 3 new business divisions at the end of 2022, we setup a new cross-divisional Sustainability Delivery Team in early 2023 which comprises senior leaders from across divisions and functions including procurement, supply chain, finance, legal and commercial functions ensuring we have the right mix of experience and expertise to continue the effective delivery of our strategy. The SDT is sponsored by the Group Chief Executive and all GET members, and is managed by our Group Sustainability Director.

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STAKEHOLDER ENGAGEMENT

We believe that our success depends on the trust and satisfaction of our key stakeholders. We are committed to engaging with them regularly and transparently, and to incorporating their views and needs into our strategic decisions. Our key stakeholders include our employees, our customers (both direct and indirect), our shareholders, the environment, the communities where we operate, and our suppliers. We have various channels and platforms to communicate with them, such as surveys, meetings, webinars, reports, newsletters, social media, and more. We also conduct a biennial materiality assessment, as outlined previously, to identify the most relevant environmental, social, and governance topics for our business and our stakeholders. Based on this assessment, we set our sustainability goals and priorities, and monitor our progress and performance. We report our results and achievements to our stakeholders through our Annual Report, our Sustainability Report, and our website. We welcome feedback and suggestions from our stakeholders, and we are always looking for ways to improve our relationships and collaborations with them. We believe that by working together, we can create a more sustainable and prosperous future for everyone.

