



CLIMATE CHANGE AND EMISSIONS



Climate Change and Emissions

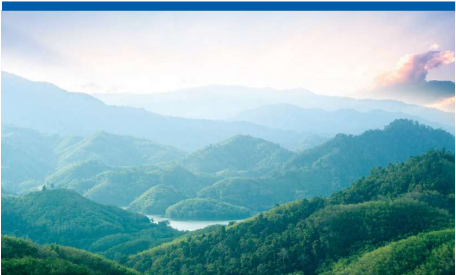


Coats fully recognises the scale of the challenge we face from climate change and is determined to take what action we can to reduce and mitigate the risk. We do this not only to protect our business but also because the impact of climate change could be so devastating for the planet and all species on it (including humans) that we have a moral responsibility to do what we can to address it.

Risk assessment

The full details of our climate-related risk assessment is contained in our [Taskforce for Climate-related Financial Disclosure \(TCFD\) standalone report](#). Fundamental to this assessment are the three different scenarios that we used which were based on the Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathways (SSP) scenario sets. These included one low carbon scenario (SSP1), a medium carbon scenario (SSP3) and a high carbon scenario (SSP5). Each scenario has been developed at three time horizons (2030, 2045 and 2070) and at a level of granularity that allows us to track physical and economic scenario implications at site level for all of our operating units. Scenario-based risk assessment for climate change is now embedded into our risk management process and we will continue to develop our assessment and disclosures based on the regular reviews that we do.

Taking timely mitigating actions is important and our decision to commit to emissions reduction targets that are informed by the best available science was an early action that emerged from this risk assessment work. We opted to proceed with Science Based Targets initiative (SBTi) as our framework for these reduction targets for two reasons: SBTi is supported by the UNGC and is aligned to the best available scientific consensus on climate change, and it is the framework that has been adopted already by many of our brand customers who are encouraging its use in their supply chains.



Science Based Targets

We developed our full Scopes 1, 2 and 3 inventories of emissions for our baseline year (2019) during 2021 and submitted our proposed interim Science Based Targets (SBTs) for a 2030 horizon for validation toward the end of that year. They were approved by SBTi in January 2022. Our approved targets to date are;

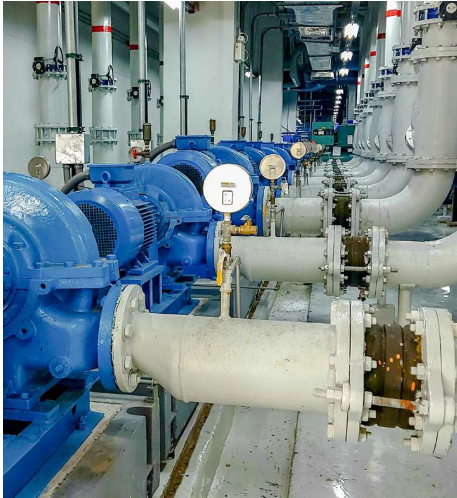
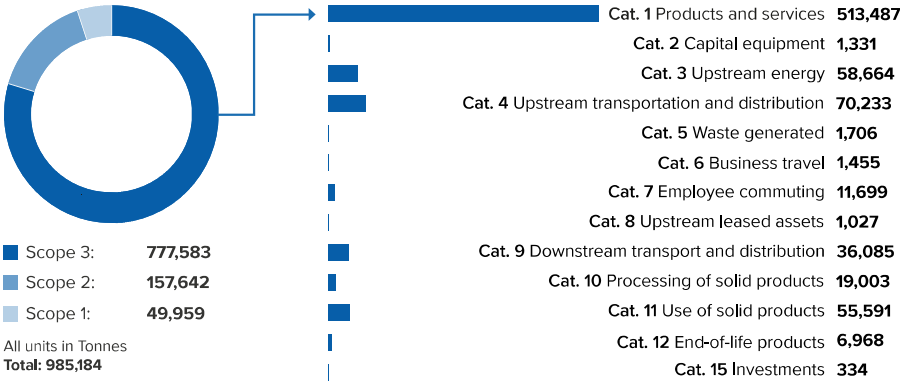
- Coats Group plc commits to reduce absolute scope 1 and 2 GHG emissions 46.2% by 2030 from a 2019 base year.
- Coats Group plc also commits to increase annual sourcing of renewable electricity from 5% in 2019 to 100% by 2030.
- Coats Group plc further commits to reducing absolute scope 3 emissions 33%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

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We have now submitted our proposal for longer term Net-Zero targets for 2050, and these are currently being reviewed by SBTi.

With the Coats Group acquisitions and disposals made during 2021 we will be revising our 2019 baseline during 2023 as the scale of the differences exceeds our 5% materiality threshold for re-baselining.

The chart below shows our 2022 breakdown of Scopes 1 to 3 emissions. Scope 2 emissions here are shown on a market basis (this includes emissions from divestments made in 2022 and does not include new acquisitions made in 2022)



2022 PROGRESS

Our road map to achieve our Scopes 1 & 2 emissions reductions relies on a combination of improvements in energy intensity in our operations and conversion to renewable energy. We have made significant progress in both of these measures during 2022. The work done in reducing energy use is described in detail in the Energy pillar section on page 27 of this report.

In terms of conversion to renewable energy we have followed a multi-pronged approach. Our primary aim is to use our electricity demand to promote the creation of new renewable energy assets. Given the regulatory barriers that still exist in many countries for new off-site renewable electricity generation, we have focussed on on-site solar projects mainly.

During 2022 we have completed the second phase of our Vietnamese project, covering both our Ho Chi Minh City and Hanoi plants, we have installed a first stage small unit in our Gazipur, Bangladesh site, and we have approved a significant new project for our Pleret, Indonesia site. We are also close to completing projects for our Shenzhen, China and Bursa, Turkey sites.

The capacity of on-site generation is currently sufficient to supply up to 10-15% of our electricity requirements, and this is result of the photovoltaic panel generation output per square metre of roof space and the average electricity demand in our operations per square metre. Therefore off-site renewable energy supply will be the principle element in meeting our targets, and currently this



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requires us to source from established renewable assets. This is our second aim. During 2022 we have re-negotiated our principal supply of off-site electricity which is generated from wind to allow us to claim the energy attributes for this supply. Our agreed supply agreement for renewable electricity in Mexico is still awaiting government approval, and it is not clear whether the government intends to continue with the policy of deregulation of the energy industry or will re-regulate it. In a number of other markets, mainly in Europe, we have been able to move to certified renewable supply, but the turmoil in the European energy market as a result of the war in Ukraine has made for a very unstable supply situation this year.

Finally, and where the first two approaches have been exhausted, we are purchasing energy attribute certificates that allow us to claim supply of renewable energy and which channels funds indirectly in to the creation of new renewable energy assets. Principally we have done this during 2022 in China and Vietnam.

Our Scope 3 emissions reduction are heavily dependent on the transition from virgin oil-based raw materials to recycled or bio-based materials. The work done in this area is described in detail in the Materials pillar on page 32 of this report.

The data in the right table shows our total emissions, with a version including the Scope 1 and 2 emissions from our Texon and Rhenoflex acquisitions from the point they were acquired. In 2023, we will re-establish our 2019 baseline to include the full emissions of our footwear acquisitions, across all 3 scopes.

Our total emissions are shown below:

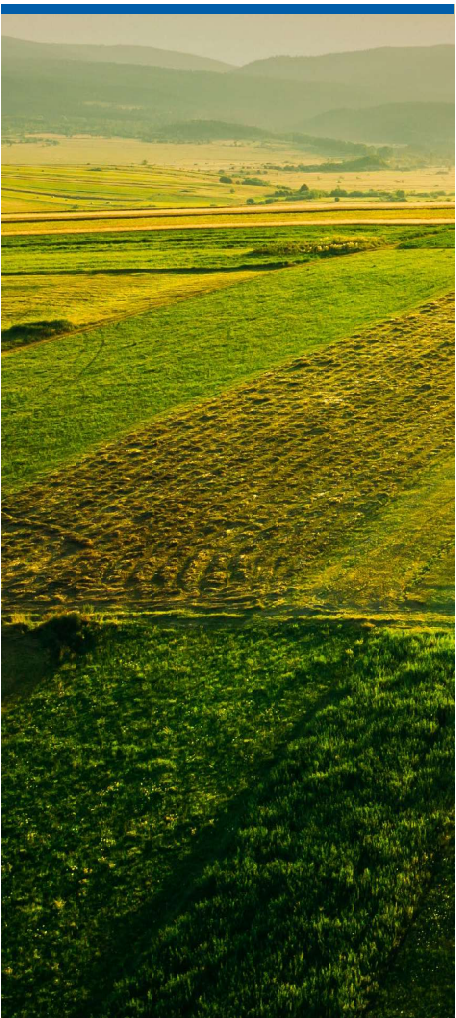
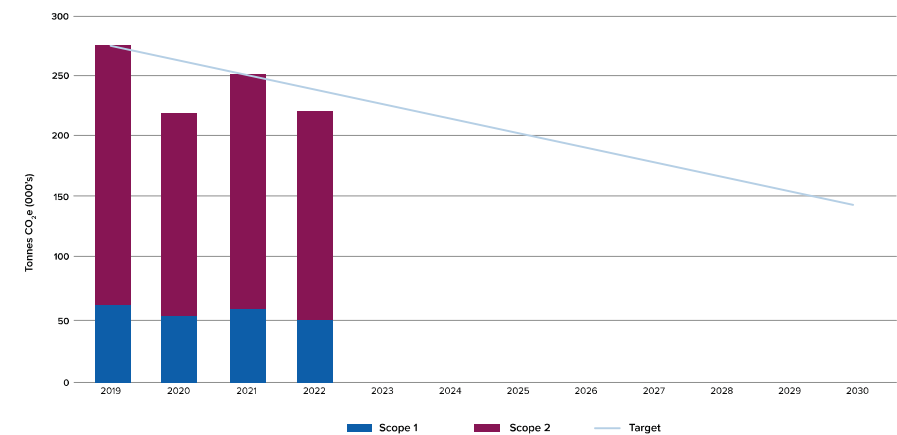
Absolute emissions, Thousand Tonnes CO ₂ e		2022*	2022¹	2021	2020	2019 Baseline
Scope 1		54,072	49,959	62,722	51,300	64,651
Scope 2	Market Based	158,078	157,642	190,753	165,962	209,274
Scope 2	Location Based	200,060	195,786	216,088	186,165	235,298
Scope 3	Cat 1 Products and Services	N/A	513,487	601,750	460,126	581,308
	Cat 3 Upstream Energy		58,664	65,469	32,864	48,511
	Cat 4 Upstream transportation and distribution		70,233	83,626	54,340	77,443
	Other Scope 3		135,199	140,477	123,743	142,006
Total Emissions			985,201	1,144,797	888,335	1,123,193

* Scope 1 & 2 including Texon / Rhenoflex from point of acquisition

¹ Scope 1 & 2 exclude Texon / Rhenoflex acquisitions

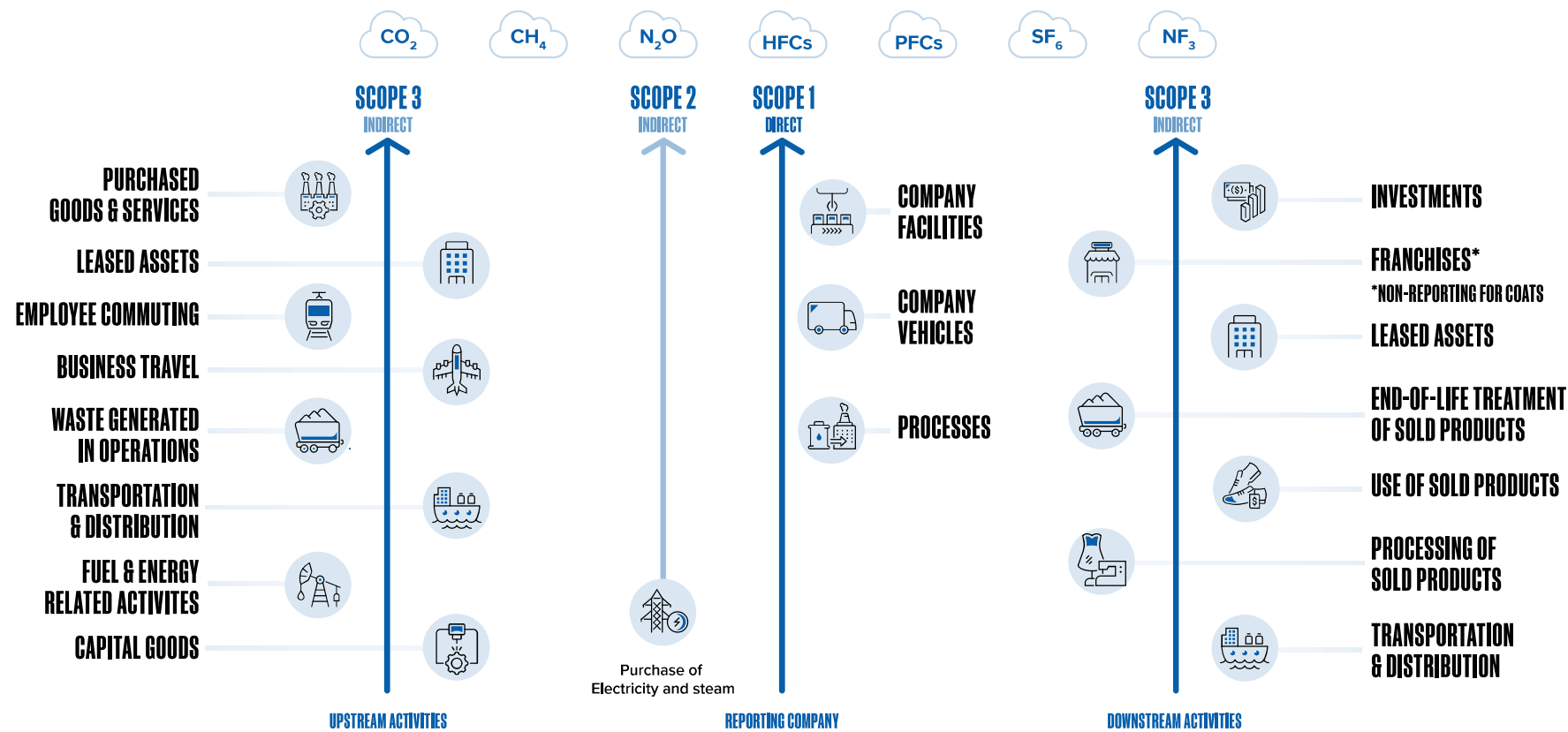
Our tracking against our SBT trend line for Scopes 1&2 are shown below:

Scope 1 and 2 Emissions by Year Versus Target



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CARBON EMISSIONS SCOPES



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CARBON EMISSIONS PROFILE

