

Directors' report

Coats Group plc (Company) is the holding company of the Coats group of companies (Group).

Annual General Meeting

The Annual General Meeting (AGM) of the Company will be held on 21 May 2025 at 2.30pm at FTI Consulting, 200 Aldersgate, London EC1A 4HD.

Corporate Governance Statement

Together with this Directors' Report, the Corporate Governance Statement, prepared in accordance with rule 7.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, comprises the following sections of the Annual Report: the 'Strategic Report'; the 'Corporate Governance Report'; the 'Audit and Risk Committee Report'; the 'Nomination Committee Report'; and the 'Remuneration Committee Report'. As permitted by legislation, some of the matters required to be included in the Directors' Report have been included in the Strategic Report by cross-reference, including details of the Group's financial risk management objectives and policies, business review, future prospects, stakeholder engagement, Section 172 Statement and environmental policy. The 2018 UK Corporate Governance Code is available from the Financial Reporting Council's website (www.frc.org.uk).

Directors

The names and biographical details of the current Directors are shown on pages 68 to 70 of this Annual Report. Particulars of their emoluments and beneficial and non-beneficial interests in shares are given in the Directors' Remuneration Report on pages 90, 94 and 96 to 97.

The appointment and removal of Directors are governed by the Company's Articles of Association and the Companies Act 2006. The Directors may, from time to time, appoint one or more Directors. In accordance with the provisions of the Code, all Directors will retire and submit themselves for election or re-election at the forthcoming AGM.

Directors' powers

The Board manages the business of the Company under the powers set out in the Company's Articles of Association. These powers include the Directors' ability to issue or buy back shares. Shareholders' authority to empower the Directors to make market purchases of up to 10% of its own ordinary shares is sought at the AGM each year (as set out in the Share Capital section below).

The Company's Articles of Association can only be amended, or new Articles adopted, by a resolution passed by shareholders in a general meeting by at least three quarters of the votes cast. The Company adopted new Articles at the AGM held in May 2021.

In the event that a Director raises any concerns about the operation of the Board or management of the Company that cannot be resolved, a record would be kept in the Board minutes, and this should also be noted in the Director's resignation letter.

Further discussion of the Board's activities, powers and responsibilities appears within the Corporate Governance Report on pages 64 to 76. Information on compensation for loss of office is contained in the Directors' Remuneration Report on page 95.

Directors' indemnities

The Directors of the Company have entered into individual deeds of indemnity with the Company which constitute 'qualifying third-party indemnity provisions' for the purposes of the Companies Act

2006. The deeds indemnify the Directors, and the directors of the Company's subsidiary companies, to the maximum extent permitted by law. The deeds were in force for the whole of the year, or from the date of appointment for those appointed during the year. In addition, the Company had Directors' and Officers' liability insurance cover in place throughout the year.

Share capital

Details of the Company's issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 26.

The Company has one class of ordinary shares with a nominal value of five pence each (ordinary shares), which does not carry the right to receive a fixed income. Each share carries the right to one vote at general meetings of the Company. There are no restrictions or agreements known to the Company that may result in restrictions on share transfers or voting rights in the Company. There are no specific restrictions on the size of a holding, on the transfer of shares, or on voting rights, all of which are governed by the provisions of the Articles of Association and prevailing legislation. Shareholder authority for the Company to purchase up to 159,781,039 (representing approximately 10% of the Company's issued shares as at the latest practicable date before the publication of the notice of the Annual General Meeting held in May 2024) of its own ordinary shares was granted at the 2024 AGM. No shares were purchased pursuant to this authority during the year.

Shareholder authority for the Company to allot ordinary shares up to an aggregate nominal amount of £53,255,020 was granted at the 2024 AGM. No shares were allotted pursuant to this authority during the year.

The issued share capital of the Company at 31 December 2024 was approximately £79,890,520 divided into 1,597,810,385 ordinary shares.

Since 31 December 2024, 0 new shares have been issued as a result of the exercise of share options by the Company's share option scheme participants and the total issued share capital at 5 March 2025 is 1,597,810,385 ordinary shares. The Company's ordinary shares are listed on the London Stock Exchange. The register of shareholders is held in the UK. The number of ordinary shares of the Company in which the Directors were beneficially interested as at 31 December 2024 is set out in the Directors' Remuneration Report on pages 96 to 97.



Directors’ report cont.

Substantial interests

Information provided to the Company pursuant to the Financial Conduct Authority’s Disclosure Guidance and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company’s website. The following information has been received, in accordance with DTR 5, from holders of notifiable interests in the Company’s issued share capital.

	As at 31 December 2024*	As at 5 March 2025*	Nature of holding
Liontrust Investment Partners LLP	10.01	10.01	Direct
Kempen Capital Management N.V.	7.49	7.49	Indirect
FIL Limited	6.12	6.12	Indirect
M&G Plc	5.30	5.30	Indirect
BlackRock Inc	5.14	5.14	Indirect
Abrdn Plc	5.00	5.00	Indirect

* % holding based on total number of shares in issue at the time of respective notification.

The Company has not been notified of any other substantial interests in its securities. The Company’s substantial shareholders do not have different voting rights. The Group, as far as is known by the Company, is not directly or indirectly owned or controlled by another corporation or by any government.

Change of control

The Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control of the Company following a takeover bid. However, the Group’s Revolving Credit Facility Agreement and US Private Placement would terminate upon a change of control of the Company. The Company does not have agreements with any Director or employee providing compensation for loss of office or employment that occurs because of a

takeover bid, except for provisions in the rules of the Company’s share schemes which result in options or awards granted to employees vesting on a takeover.

Political donations

No contributions were made to political parties during the year (2023: £nil).

Whistleblowing procedure

A whistleblowing, ethics and fraud report is a standing agenda item that is presented quarterly at Board meetings. Coats has a well-publicised whistleblowing procedure, which can be found on our website. This is designed to empower all employees, contractors and anyone else who is aware of, suspects, or is concerned about potential misconduct, illegal activities, fraud, abuse of assets or other violations of Company policy/Ethics Code to report these confidentially via email through the Group ethics channel or via an externally hosted web service whistleblowing hotline. ‘Doing the right thing’ and ways to raise concerns are regularly communicated and discussed.

During the year ended 31 December 2024, there were 228 whistleblowing concerns raised (2023: 125*). Of these concerns raised, following investigation, 16% (2023: 19%*) of the closed cases were upheld and 7 cases are still under review. In the case of substantiated concerns, disciplinary action, up to and including termination, was taken whenever there was any evidence of misdemeanour, and training and enhanced controls were implemented wherever appropriate.

*2023 figures have been restated in order to enable a like-for-like comparison with 2024, reflecting the categories of investigation undertaken as part of our Speak Up Policy.

Concern is raised via whistleblowing procedure

Acknowledgement is sent to the whistleblower within seven days of receipt of the concern.



The investigation team, independent of the relevant operational business or function, is nominated by the Group Chief Financial Officer, Chief Legal & Risk Officer and Group Company Secretary, Chief Human Resources Officer and the relevant GET member.



Allegation is investigated by the nominated team

Findings are presented to the Group Chief Financial Officer, Chief Legal & Risk Officer and Group Company Secretary, Chief Human Resources Officer and the relevant GET member to decide appropriate remedial actions and any controls/process enhancements.



The outcome of the investigation is appropriately communicated to the whistleblower once any remedial actions and/or any controls/process enhancements (even in circumstances where the allegation has not been upheld) have been determined.



Reports and outcomes are reviewed by the Board and the Audit and Risk Committee.

Going concern

The Company’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Chair’s statement.

In addition, note 33 to the financial statements includes the Group’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Directors believe that the Group is well placed to manage its business risks successfully.

The Board expects to be able to meet any actual and contingent liabilities from existing resources. Further information on the Group’s cash and borrowings is set out in note 30(g).

The Directors are satisfied that the Company and Group have sufficient resources to continue in operation for the period from the date of this report to 30 June 2026.

Accordingly, the Directors consider that the going concern basis of accounting is appropriate for the Company and the Group and the financial statements have been prepared on that basis.

In assessing the Group’s going concern position, the Directors have considered a number of factors, including the current balance sheet position and available liquidity, the principal and emerging risks which could impact the performance of the Group and compliance with borrowing covenants. Further details are provided in note 1 of the accounts.

Directors’ report cont.

Results and dividends

The results of the Group are shown on page 124 and movements in reserves are set out in note 27 to the financial statements.

The Board is mindful of the importance of returns to shareholders and is pleased to propose a final dividend of 2.19 cents per share (2023 final dividend: 1.99 cents). Subject to approval at the forthcoming AGM, the final dividend will be paid on 29 May 2025 to ordinary shareholders on the register at 2 May 2025, with an ex-dividend date of 1 May 2025. Alongside the interim dividend of 0.93 cents per share, this makes a total of 3.12 cents per share for the full year 2024.

Greenhouse Gas (GHG) emissions

Absolute emissions for last three years plus 2019 baseline

Thousands of tonnes of CO2e	2019	2019 ^a	2022	2022 ^a	2023	2023 ^a	2024
Scope 1 Direct ²	73.5		59.6	59.7	51.7	51.9	52.4
	Location-based	232.6	201.9	201.8	172.2	172.2	181.2
Scope 2 Indirect ³	Market-based	190.9	122.4	122.3	59.4	59.3	37.3
Scope 3 Value Chain ⁴	1,060.8	1,009.9	999.2	944.7	882.8	824.2	865.5
Biogenic Emissions CO ₂ ⁵	38.2		27.5		24.1		25.7

1. All data is calculated following GHG Protocol guidelines.

2. Direct emissions relate to the use of fuels to generate energy on Group facilities, mainly the use of oil and gas to generate heat in the form of steam for use in processing. On-site generation of electricity using diesel or gas fired generators and the use of diesel, petrol and LPG for on-site transport is also included. The calculation methodology here is to convert fuel purchased in each country to kWh and then to CO₂e equivalent using DEFRA conversion factors; the data is consolidated globally.

3. Indirect emissions relate mainly to the purchase of electricity from third-party suppliers. This is mostly taken from local electricity grids, but does include some on-site generation of electricity or steam from third-party suppliers. The methodology converts the electricity or other purchased energy from kWh to CO₂e using the country level conversion factors published by the International Energy Authority (IEA) for electricity and DEFRA conversion factors for other energy types. This provides the location-based calculation. Market-based calculation deducts any certified renewable energy that is purchased by country and continues to calculate the residue of the energy consumed at the IEA country or DEFRA conversion factors as appropriate. The data is then consolidated globally.

4. Scope 3 value chain emissions cover all other emissions that occur throughout our product and business value chain. This includes the cumulative emissions to produce our raw materials and capital equipment and installations, product and people transport at all stages, downstream processing and consumer use of our sold products and treatment for our waste and our products at the end of their life. The methodology for this varies for each Scope 3 category and follows the GHG Protocol hierarchy of data quality to determine the best available inventory calculation approach. Calculation models are maintained for each individual category and are updated annually as required and consolidated globally.
5. 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 emissions, however the CH₄ and N₂O emissions associated with bio-mass are included in our reported.

6. Scope 3 emissions values up to 2023 have been restated by eliminating the impact associated with Category 11 (Use of sold goods) emissions. This change was requested by SBTi during our recent re-baseline approval process. Minor restatement has been made to Scope 1 & 2 emissions in 2022 and 2023 due to reclassification of fuel energy in a single manufacturing location.
- Scopes 1 and 2 combined absolute emissions on a market-based approach decreased by 19% between 2023 and 2024, and by 51% between 2022 and 2024. This significant reduction in emissions is primarily attributed to continued acceleration of our energy transition programme, with electricity being transitioned from fossil-fuel to renewable generation methods. In 2024 we increased the proportion of electricity covered by energy attribute certificates (EACs) to 74%, up from 54% in 2023 and 29% in 2022. Additionally, in 2024 we improved our energy intensity (kWh energy per Kg finished goods) by 4% from 2023 through continued delivery of energy efficiency projects across the group.

Scopes 1 and 2 emissions from our UK facilities in 2023 were 307 tonnes CO₂e and represented 0.3% of our global emissions. 100% of our UK emissions were related to our Skelton manufacturing site, which produced footwear structural components, however this facility ceased to operate and consume energy from October 2024.

Emissions Intensity¹

Greenhouse gas emissions intensity per unit of production

kg CO ₂ e per kg of finished product	2022	2022 ¹	2023	2023 ¹	2024
Scopes 1 & 2	1.5		1.1		0.8
Scope 3	8.3	7.8	8.6	8.0	7.7

Greenhouse gas emissions intensity per US\$ sales value

tonnes CO ₂ e per million \$ sales	2022	2022 ¹	2023	2023 ¹	2024
Scopes 1 & 2 ²	118.4		79.7		59.8
Scope 3	649.8	613.7	633.2	590.3	572.9

1. We have used these two ratios for several years. The first uses volume of finished goods production in tonnes (Kilo tonnes used for Scopes 1 & 2 are 2024: 112, 2023: 102, 2022: 120) and hence relates directly to the industrial activity that drives emissions, while the second uses Group turnover and hence relates to overall commercial activity.

2. Figures are calculated on a market basis for Scope 2 emissions.

3. Scope 3 emissions values up to 2023 have been restated by eliminating the impact associated with Category 11 (Use of sold goods) emissions. This change was requested by SBTi during our recent re-baseline approval process.

Our Scopes 1 & 2 volume emissions intensity shows a 26% reduction between 2023 and 2024, and a 47% reduction between 2022 and 2024. This has been delivered primarily due to the positive progress made in transition to renewable indirect energy. Scope 3 volume intensity has reduced by 4% from 2023 to 2024 and reflects positive progress made in transition to non-virgin oil-based materials.

Scope 3 emissions have been restated back to 2019 by eliminating the impact associated with Category 11 (Use of sold products) emissions, with this change being made at the request of the Science Based Targets Initiative (SBTi) during our recent emissions re-baseline approval to incorporate emissions from our 2022 Texon and Rhenoflex footwear components acquisitions.

The overall value intensity for Scopes 1 & 2 emissions reduced by 25% compared to 2023, with the Scope 3 value intensity reducing by 2%.

The difference between the volume and value intensity movements is largely related to movements in price and product mix.

Full details of all reportable greenhouse gas emissions and on the reporting methodology used for the above figures can be found in our online [Sustainability Report](#).

Energy Consumption

Million kWh	2022	2023	2024
Direct (Fuels)	311	264	271
Indirect (bought electricity and steam)	446	390	410
Total	756.4	654.4	681.1

1. All years data excludes divestments made during that year. All include acquisition of Footwear Division business units (Texon and Rhenoflex).

Through 2024 we continued our focus on delivering improvements in energy efficiency, with further sites brought on-line with use of our global smart energy metering programme. Energy efficiency initiatives focussed on improved use of natural lighting in factories to reduce artificial illumination requirements, use of invertors to optimise efficiency when running electric motors, and optimisation projects on compressed air generation.

Directors' report cont.

Energy consumption in our UK facilities in 2024 was 2,522MWh and represented 0.4% of global energy consumption.

The following methodology is used for calculating emissions and energy consumption:

Boundary	All emissions from operating companies that are consolidated in the Group financial statements are included. Operational joint ventures are included based on equity share.
Scope 1	Fuel consumption data is collated monthly from all units, based on metered or invoiced consumption converted into kWh. We use DEFRA published gross calorific value conversion factors to standardise emissions.
Scope 2	Electricity or steam purchase volumes are collected from all units monthly. All electricity kWhs are converted using IEA country level conversion factors for the location-based data. For the market-based data certified renewable electricity purchased is not included and the remainder is converted using the same IEA country factors, or country level residual emissions factors where available.
Scope 3	Scope 3 emissions are calculated annually using multiple sources for data (including suppliers, lifecycle assessment data providers and industry data sources). Each category is calculated with the best available set of data sources, and is consistent over the three reported years. Products & Services, Upstream Energy and Transport are the main components of Scope 3 emissions. More detail on methodology is available in our Sustainability Report online.

Auditor

A resolution to re-appoint Ernst & Young LLP as auditor will be proposed at the 2025 AGM.

A statement in respect of the current auditor, Ernst & Young LLP, in accordance with Section 418 of the Companies Act 2006, has been included below.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, as far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all reasonable steps to ascertain any relevant audit information and to ensure that the Company's auditor is aware of that information.

Branches

The Company, through various subsidiaries, has branches in several different jurisdictions in which the business operates outside the UK. The full list of subsidiary companies can be found from page 201.

Other information

Other information relevant to this Directors' Report, and which is incorporated by reference, including information required in accordance with the UK Companies Act 2006 and Listing Rule 6.6.1, can be located as follows:

Subject matter	Page(s)
Important events since the financial year-end	175
Likely future developments in the business	8 & 13
Exposure to price risk, credit risk, liquidity risk and cash flow risk	168-174
Research and development	13
Information on financial instruments	168-174
Environmental policy	15-16
Energy efficiency	108-109
Employment of disabled persons	23-24
Employee involvement	45, 47-49 & 74
Stakeholder engagement	44-46
Diversity policy	85

This Directors' Report was approved by order of the Board.

On behalf of the Board

Stuart Morgan
Company Secretary
5 March 2025



Directors' report cont.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with United Kingdom adopted international accounting standards. The Directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with the specific requirements in FRS 102 are insufficient to enable users to understand the

impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether United Kingdom adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- provide additional disclosures when compliance with the specific requirements in United Kingdom adopted international accounting standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the

Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Annual Report including, the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 5 March 2025 and is signed on its behalf by:

David Paja
Group CEO
5 March 2025

