MANAGING SUSTAINABILITY

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Managing Sustainability

In 2024, Coats completed a CSRD aligned double materiality assessment (DMA), which identified Coats' most material topics. We identified 16 key ESG topics through desktop research and engagement with stakeholders such as investors, lenders, customers, suppliers, and employees.

These 16 topics were subsequently mapped to the 10 ESRS topics defined by CSRD (See Table 1). Following on from this, we identified individual impacts, risks and opportunities (IROs) for each topic considering a range of factors including material topic definitions, ESRS topics, and risks and opportunities previously defined by Coats through our risk register and our TCFD report. In addition we considered the entire value chain as well as sector and peer group analysis.

Table 1: Revised and consolidated short list of 16 Topics:

Material Topic	Relevant ESRS Topic(s)	Sub-topic(s)
Materials	E5 – Circular Economy	Resources inflows, including resource use
Energy	E1 – Climate Change	Energy
Water	E3 – Water and marine resources	Water consumption Water withdrawals
Human Rights	S1 – Own workforce S2 – Workers in value chain	Working conditions
Health, Safety & Wellbeing	S1 – Own workforce	Working conditions
Business Ethics	G1 – Business Conduct	Corporate culture
Environmental Compliance	E1 – Climate Change	Climate change adaptation Climate change mitigation
Waste	E5 – Circular Economy	Waste
Circularity	E5 – Circular Economy	Resources inflows, including resource use Resources outflows related to products and services
Diversity, Equity & Inclusion	S1 – Own Workforce	Equal treatment and opportunities for all
Data Protection & Privacy	S1 – Own Workforce S4 – Consumers and end user	Other work-related rights - privacy
GHG Emissions	E1 – Climate change	Climate change mitigation
Pollution	E2 - Pollution	Pollution of air Pollution of water Pollution of soil Substances of concern Substances of very high concern Microplastics
Climate Risk	E1 – Climate change	Climate change adaptation Climate change mitigation
Biodiversity	E4 – Biodiversity and Ecosystems	Direct impact drivers of biodiversity loss
Community	S3 – Affected Communities	Communities' economic, social and cultural rights

Each of the identified impacts, risks and opportunities, were then scored (on a scale of 1 to 5) considering both the potential magnitude of the financial effects plus the likelihood of them occurring. Both Coats' own operations and our entire value chain, from raw material sourcing to our customers and brands were included in this exercise. Both internal and external stakeholder insights were incorporated along with the Coats Risk Management Framework.

A materiality threshold was then determined based on the combined scoring of magnitude and likelihood. Table 2 maps our identified IROs. In line with CSRD guidelines, these IROs were scored on a pre-mitigated basis, however, the Board are confident that Coats have adequate mitigating actions and processes in place to manage any negative impacts or risks.

It should be noted that this double materiality assessment represents an initial exercise towards alignment with the CSRD guidelines. Looking forward, following the recently announced Omnibus, Coats will reassess and update our materiality assessment for the fiscal year of 2027 to ensure compliance with the most up-to-date ESRS standards.

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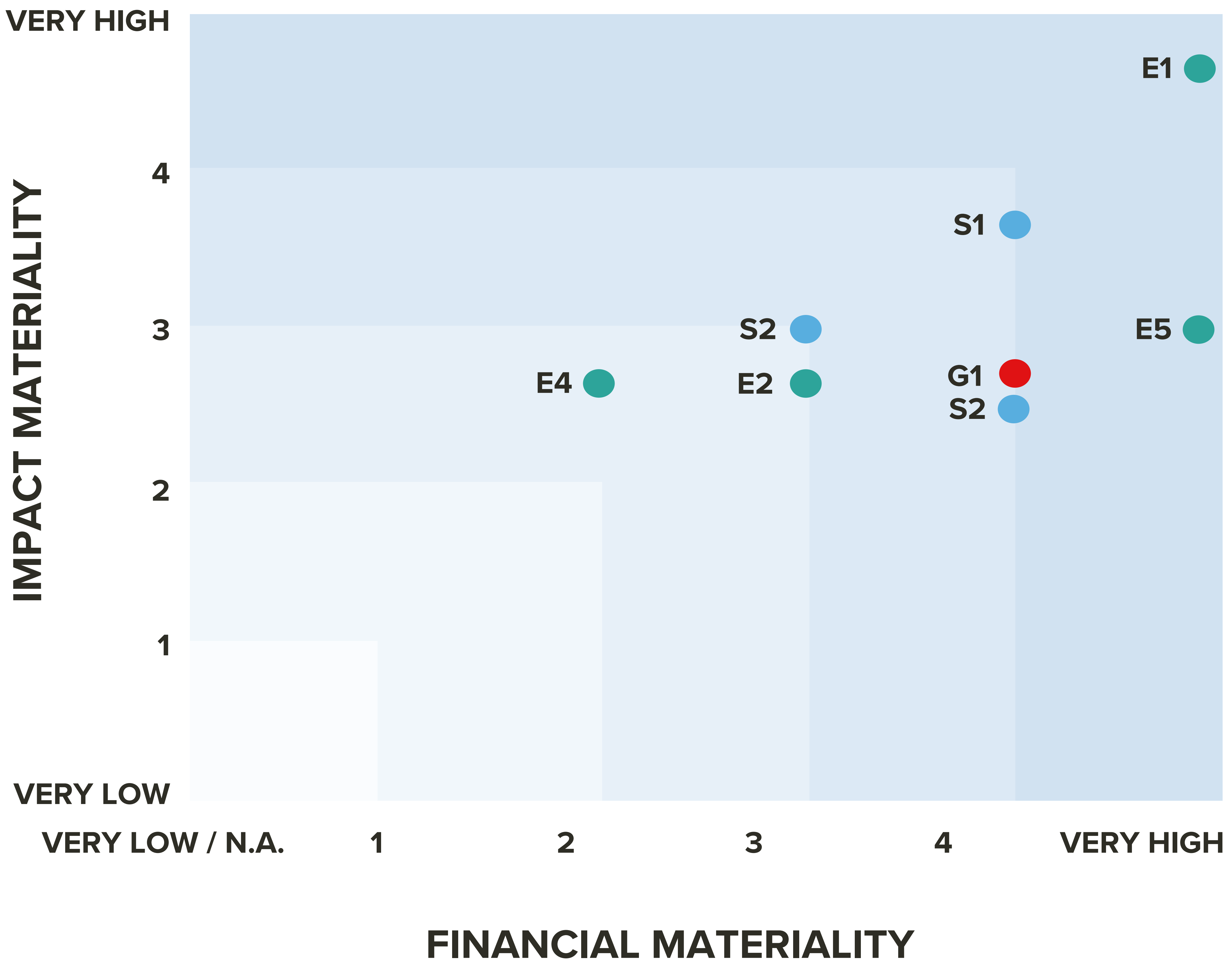
Table 2: Materiality threshold results



Abbreviations are listed below:

S1 - Own workforce	E5 - Circular Economy	ESRS E2 - Pollution
G1 - Business Conduct	ESRS S4 - Consumers and end user	ESRS E4 - Biodiversity and Ecosystems
E1 - Climate Change	ESRS E1 - Climate change	ESRS S3 - Affected Communities

Governance and Management

Our DMA assessed both impact and financial materiality by evaluating the magnitude and likelihood of each impact, risk, and opportunity. This included analysing positive and negative effects, both actual and potential, across all material topics, ensuring a comprehensive understanding of where we face risks and where meaningful opportunities for value creation can be created.

The process was overseen by the Group Sustainability Director and the Group Executive Team (GET), with input from a cross-functional CSRD Working Group. Each ESRS topic then received final signoff of its material IROs from the relevant GET Sponsor, ensuring accountability, rigour, and strategic alignment. Our sustainability governance is anchored in Board-level oversight through our Sustainability Board Subcommittee, chaired by David Gosnell and supported by our Non-Executive Directors, Group Chief Executive, Divisional Chief Executives and Group Sustainability Director. Sustainability leadership is guided by our Group Chief Executive and Group Executive Team, and delivery is driven by our cross-divisional Sustainability Delivery Team, established in 2023 and composed of senior leaders across key functions to ensure coordinated and effective execution of our strategy.

Our DMA has provided a future-focused understanding of where our most significant impacts, risks and opportunities truly lie. By assessing the magnitude and likelihood of each factor across all material topics, we gained a comprehensive understanding of both the challenges we must manage and the value-creation opportunities we can unlock. The process was guided by our Group Sustainability Director and our Group Executive Team, supported by a cross-functional CSRD Working Group, with each ESRS topic receiving final approval from its designated GET Sponsor. This strengthened governance ensures rigour, accountability and strong alignment with our strategic priorities, enabling us to embed materiality insights directly into our decision-making and enterprise-wide sustainability actions.

STAKEHOLDER ENGAGEMENT

Our success depends on the trust and input of our stakeholders, and their perspectives played an important role in conducting our DMA. We engaged employees, customers, suppliers, shareholders, communities and environmental stakeholders through surveys, discussions and workshops to understand what matters most to them. Their insights directly informed our assessment of impacts, risks and opportunities across all material topics. We continue to communicate openly through our reports and digital channels and value the feedback that helps us strengthen our relationships and guide our actions toward a more sustainable future.

Looking Ahead

The DMA at Coats Group marks a pivotal step in embedding sustainability at the heart of business strategy. By rigorously identifying and prioritising key impacts, risks, and opportunities, Coats demonstrates leadership, transparency, and a genuine commitment to long-term value creation for all stakeholders and the environment, and will be reflected in our upcoming sustainability framework.