SUSTAINABILITY REPORT 2022

Coats Group plc

Sustainability Report 2022

About this report

The information in this report covers the period from 1 January 2022 to 31 December 2022. Unless otherwise specified data relates to all operations owned and controlled by Coats Group Plc and joint ventures.

The reporting on 2019-2022 sustainability peformance does not take into account our newly acquired footwear components businesses, Texon and Rhenoflex, however when considering future targets set for the period 2023 to 2026, they are fully included. This report is also our formal Communication On Progress as Participants of the UN Global Compact. We continue to report in line with the requirements of the Global Reporting Initiative (GRI) and for the fifth year we have produced an additional tailored index for our investors offering more direct navigation to relevant Environmental, Social and Governance (ESG) information of interest to them. This is available on our website.

This report has been produced in landscape format to optimise the reading experience online.

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Further information about Coats Group Plc, our approach to sustainability and our performance can be found online at www.coats.com, including key policies available for download.

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ABOUT COATS

Coats at a Glance

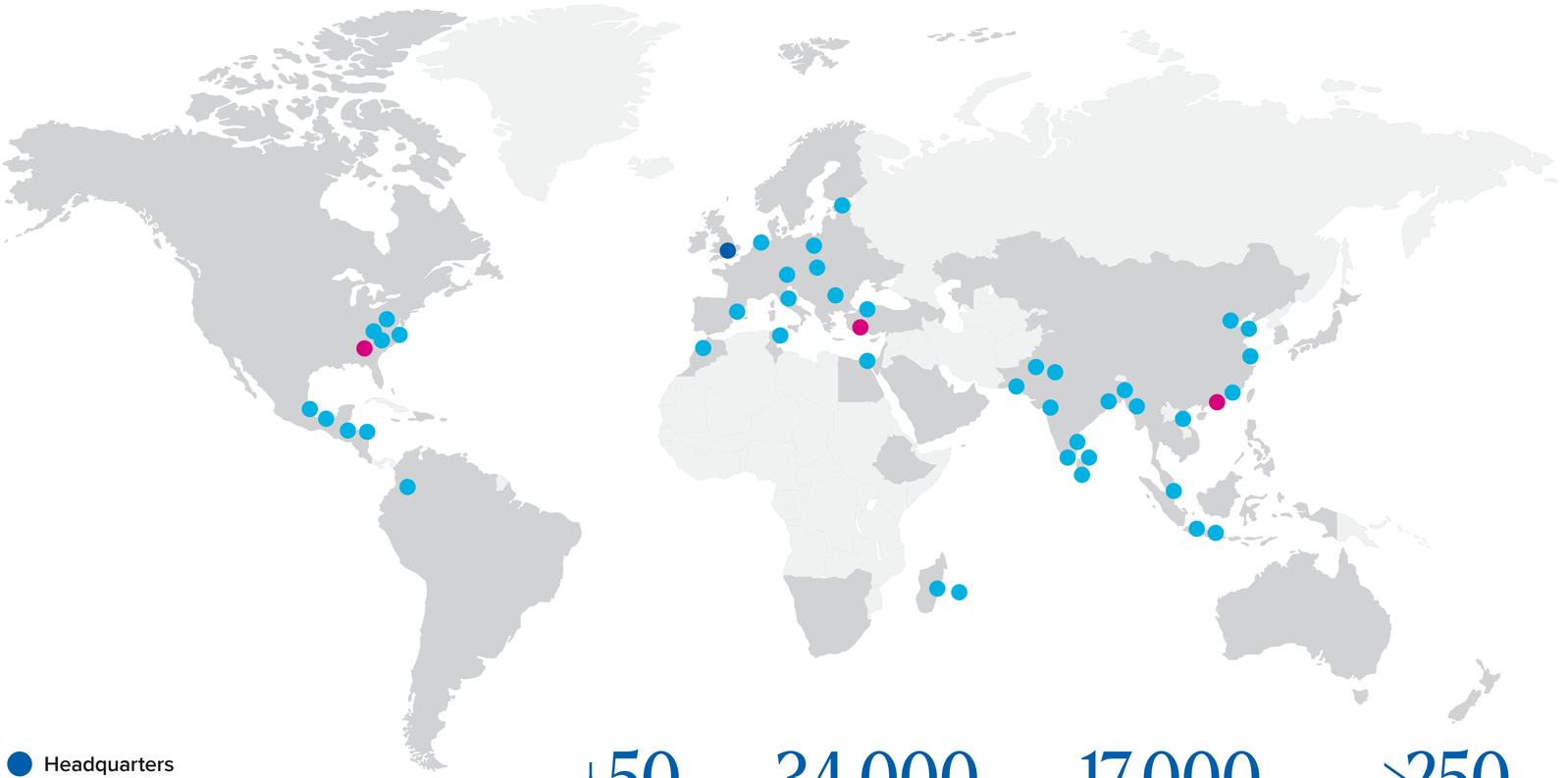
Coats is a world leader in thread manufacturing and structural components for apparel and footwear, as well as an innovative pioneer in performance materials.

These innovative solutions are used to create a wide range of products, including ones that provide safety and protection for people, data and the environment. Headquartered in the UK, Coats is a FTSE250 company and a FTSE4Good Index constituent.

Our products are sold in over 100 countries with digital platforms enabling us to serve customers wherever they are located. We give employment to over 17,000 people across six continents, and we operate in some 50 countries which provides an unrivalled global footprint.

We work with 30,000 apparel and footwear manufacturers and 4,000 retailers and brands globally, as well as with 8,500 performance materials customers.

In 2022 our group revenue was $1,584 million with operating profit of $181 million.



- Headquarters
- Innovation Hub
- Manufacturing site
- Presence in market

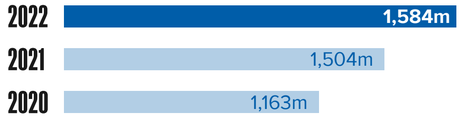
+50
Countries

34,000
Customers globally

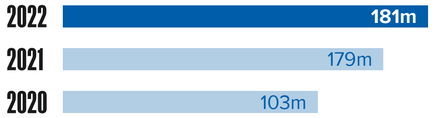
17,000
Employees

>250
Years of textiles experience

Revenue ($m)



Operating profit ($m)



Welcome from our Group Chief Executive

"This year we completed the first phase of our sustainability journey by delivering on or making very strong progress towards our challenging 2022 targets that we set in 2019. We have now revised our metrics and set new targets for the next stage, up to 2026"

2022 HIGHLIGHTS

10%
REDUCTION IN ENERGY INTENSITY

38%
REDUCTION IN WATER INTENSITY

86%
GPTW* COVERAGE

* Great Place To Work

Continued on next page

Welcome from our Group Chief Executive cont.

> In 2022 we continued to rapidly increase sales of our range of 100% recycled products, driven by market demand, where we are the clear market leader"
>
> **Rajiv Sharma**

These new targets are again stretching our ambitions and continue to address our key material issues and are aligned to United Nations Sustainability Development Goals (UN SDGs). Our new 2026 targets will enable us to continue on the path to our 2030 SBTi approved targets and our 2050 Net-Zero commitment.

These specific, measurable and, once again, ambitious 2026 targets continue to focus on people, water, emissions and waste reduction, as well as product innovation and materials transition. We have also added two new target areas for 2026. These relate to the number of female leaders in the business as well as reductions to scope 1 and scope 2 emissions. These 2026 targets will build on our achievements to date as we continue to drive sustainability momentum.

Where necessary the targets have been modified to ensure that we will deliver the highest impact we can, and these will be our new company KPIs, publicly reported, tied to remuneration for a broad range of management and linked to our debt finance facilities.

Details of our new 2026 targets can be found on page 12. Sustainability lies at the heart of our business strategy and is also reflected in our acquisitions.

Our acquisitions in the structural footwear component industry this year, Texon and Rhenoflex, have an especially strong focus on materials transition and emissions reduction, well aligned to our sustainability strategy. Our new 2026 targets include the activities of the new businesses and their data has been incorporated into our new 2022 baseline.

Addressing the climate crisis has continued to be at the forefront of our activities this year. With our near-term Science Based Targets (SBTs) being approved early in 2022, we have now submitted our Paris Agreement aligned, Net-Zero commitments to Science Based Targets initiative (SBTi) for validation. This is in-line with our stated commitment to achieve net-zero in our value chain by 2050. In 2022 we have continued to make strong progress to deliver on our 2030 Scopes 1 & 2 emissions reduction target, and are currently ahead of our commitment. Delivery of our Scope 3 target is heavily reliant on transitioning to recycled or biobased raw materials. We continue to expand our range of recycled products and rapidly grow their sales.

A key part of our company purpose is to build a better and more sustainable world, and we aim to set benchmark performance for our industry. Not only does this help people and the planet, it also makes good business sense.

This year Covid has had less impact on our business but we have taken great care to only relax on controls in our plants when the threat level has been very low. We have continued to encourage our employees to get themselves and their families vaccinated wherever possible. The only country where Covid continued to have a significant impact during the year was China where there was significant disruption caused by lockdowns and staff absences through individual quarantine requirements. Toward the end of the year the lifting of many restrictions caused us to re-establish strict anti-transmission protocols in our plants to help minimise the inevitable wave of infections.

As the immediate impacts of the pandemic recede, we continue to recognise that work place mental health is a key issue, not just due to the pandemic, but for its wider implications, and we have continued to develop our policies and procedures to ensure provision of the support required by our employees in this area.

With less resource dedicated to managing the pandemic we were able to return to focussing on our workplace Health & Safety Journey to Zero programme and I am pleased to report that all of our workplace leading and lagging indicators improved substantially during the year. Our incident rate dropped 9% during the year.

I am pleased again to confirm that we have renewed again our commitment to and participation in the United Nations Global Compact (UNGC). One of our acquisitions this year, Rhenoflex, is also a UNGC member and we will be merging their participation into ours. We are fully committed to the 10 UNGC principles covering Human Rights, Labour, the Environment and Anti-Corruption and we have been and will continue to strive to implement these principles across our operations and in our wider supply chain. We have reviewed again the Sustainable Development Goals (SDGs) that we have identified as being most relevant to our activities and have expanded the list by one to eight in total. We are continuing to ensure that we are acting across these SDGs to assist in their delivery. As in the last three years, this report combines our formal annual Communication on Progress (COP) as Participants of the UNGC together with a more extensive update on our sustainability strategy and progress. As a COP the report details our actions to support the UNGC principles and deliver on the SDGs.

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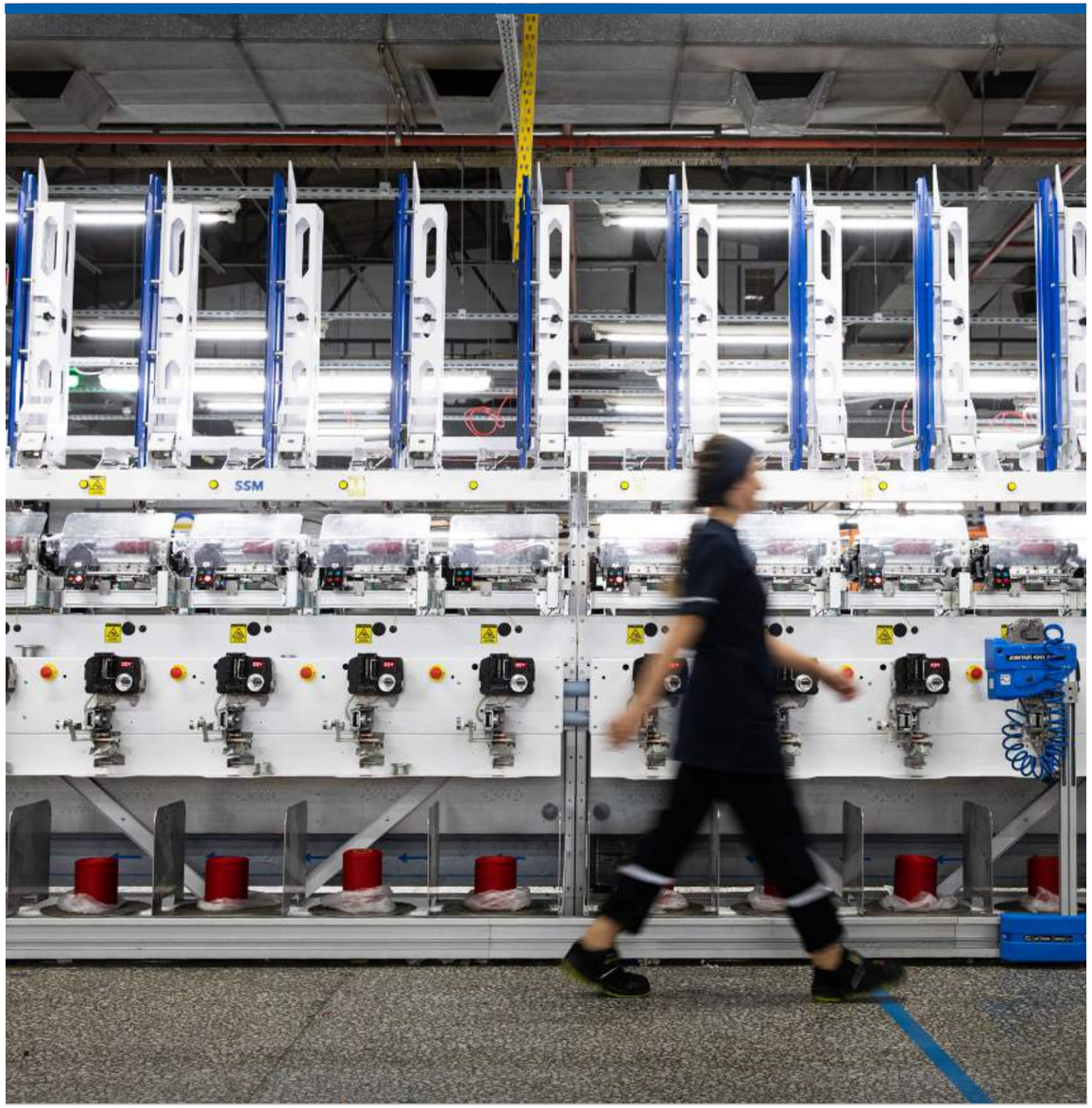
Welcome from our Group Chief Executive cont.



Our progress towards delivery of our short term 2022 targets accelerated markedly during the year as a result of all the work done in previous years and notwithstanding the disruption and delays to some programmes caused by the pandemic. We fully achieved three of our five targets (for energy intensity, waste reduction and Great Place to Work certification) and achieved over 90% of our target for the remaining two (water intensity and effluent quality). Full details of our 2022 targets delivery can be found on page 16. I believe that these results show both the ambitious nature of our targets and also the rigour with which we have addressed them and I am very satisfied with our progress.

In 2022 we continued to rapidly increase sales of our range of 100% recycled products, driven by market demand, where we are the clear global market leader. Our revenue increased in the year by 37% to $127m (2021: $93m). We remain focused on ensuring all our premium polyester threads are made from 100% recycled material by 2024, and we are making good progress towards this.

We had previously earmarked $10 million to fund the scaling up of green technologies and materials that are relevant to our industry supply chain. During the year, we allocated our first tranche of this money to investment in water-free dyeing technology, with other exciting ideas under consideration. The re-purposing of our Asia Innovation Hub in Shenzhen, China to focus on the application of biomaterials has now been completed following investment in top talent in a range of technologies, including textile engineering, polymer chemistry and dyeing, coating and bonding.

The next year will bring many new challenges as the industry responds to an increasingly volatile external environment and strives to make greater progress towards emissions reduction goals. I am confident that our expanded group has the right resources and focus and will continue to lead in sustainability within our industry segment and will deliver on the expectations of our customers and their consumers.

United Nations Global Compact

As in previous years we are pleased to present this report as our fourth Communication on Progress (COP) as Participants of the UN Global Compact (UNGC). With the expansion of the company through two acquisitions in 2022, of which one, Rhenoflex, was already a UNGC member, we will be commenting on all entities for which we have financial control, except Joint Ventures which are included on an equity share basis.

We will continue to develop an integrated reporting approach that embeds our COP as part of our wider sustainability reporting as we believe that this reflects the way that the UNGC principles and the SDGs are at the heart of our strategy.

We are fully committed to and supportive of the Ten Principles of the Compact, covering Human Rights, Labour, the Environment and Anti-corruption issues. We work to ensure that these are embedded in our own operations and promulgate them in our supply chain with the goal of supporting the delivery of the 2030 UN Sustainable Development Goals (SDGs).

All policies can be found at:

www.coats.com/en/Sustainability/Policies-and-downloads (*)

www.coats.com/en/Modern-Slavery-Act-Statement (**)

HUMAN RIGHTS

UNGC 'Ten Principles'	Coats actions and relevant policies	Page
Pr.1: Businesses should support and respect the protection of internationally proclaimed human rights	Biennial Human Rights Risk Assessment	57
	Supplier Code 2020 update*	58
Pr.2: Make sure that they are not complicit in human rights abuses	Supplier Code implementation and audits	58
	Group Internal Audits	58
	Living Wage implementation	58
	Anti-Modern Slavery programme**	58
	Whistleblowing hotline*	58
	Anti-Bribery and Corruption actions	57

LABOUR

Pr.3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Unionisation and collective bargaining performance	57
Pr.4: The elimination of all forms of forced and compulsory labour	Anti-Modern Slavery activities**	58
	Supplier Code update and implementation*	58
Pr.5: The effective abolition of child labour	Group Internal Audit programme	58
	Supplier Code update and implementation*	58
	Human Rights Risk Assessment	57
Pr.6: The elimination of discrimination in respect of employment and occupation	Diversity, Equity and Inclusion programme	54
	Gender diversity statistics	54

ENVIRONMENT

Pr.7: Businesses should support a precautionary approach to environmental challenges	Coats Restricted Substances list	58
	Water Stress analysis	41
	Environmental Policy*	46
Pr.8: Undertake initiatives to promote greater environmental responsibility	Online tracking of permits, incidents and projects	48
	Online monitoring of effluent	48
	Adoption of global effluent standards	48
	Investment in effluent treatment	69
Pr.9: Encourage the development and diffusion of environmentally friendly technologies	Recycled polyester project	33
	Packaging reduction projects	46
	Development of water-free dyeing	43
	Additionality in renewable energy	23
	Development of circularity	34

ANTI-CORRUPTION

Pr.10: Businesses should work against corruption in all its forms, including extortion and bribery	Group Internal Audit programme	58
	Anti-Bribery and Corruption training	57
	Whistleblowing hotline*	58

STRATEGY OVERVIEW

Strategy Overview

During 2022, to better align with the evolving ESG challenges and our stakeholder led materiality assessment, we have extensively reviewed our sustainability strategy.

There have been two principal triggers for this review. The first is that we have successfully completed the first phase of our strategy journey with the delivery of progress on our targets for 2022, and we now need to map out the next stage and ensure that it remains relevant and ambitious. The second trigger is that we purchased two businesses in 2022, Texon and Rhenoflex, which produce and supply structural components to the footwear industry. Since these businesses are working with different textile components to Coats we need to ensure that our strategy fully encompasses their business issues.

Having completed our biennial materiality assessment in 2021 we reviewed the latest ranking of key issues against our strategy. We concluded that all the key issues and target areas remain relevant but that there is a need to reprioritise issues due, in part to evolution of the external sustainability criteria and in part to the progress we have made in addressing issues in our business. We are therefore subtly revising our 5 pillar strategy to reflect these changes.

The roadmap set out to the right outlines our strategy to delivering our commitment to Science Based Target Initiative (SBTi) Net-Zero target in 2050 and our interim SBTi targets in 2030.

2026 OUR NEXT CHAPTER SHORT-TERM TARGET

- **22%** reduction in scope 1&2 emissions
- **60%** transition to recycled or bio materials
- **33%** increase in water recycling rate by 2026 from 2022 baseline
- **0%** waste to landfill
- **100%** ZDHC compliance
- **88%** GPTW© coverage
- **30%** Women in leadership roles

2030 OUR GOALS FOR 2030 ARE CLEAR AND AMBITIOUS

APPROVED SCIENCE BASED TARGETS WITH 2019 BASELINE THAT COMMIT US TO

- **46.2%** reduction in Scopes 1 & 2 emissions
- **100%** renewable electricity
- **33%** reduction in Scope 3 emissions

FURTHER TRANSFORMATIONAL TARGETS

- Zero products from virgin oil-based materials
- 70% of total energy from renewable sources
- Circular product and packaging solutions
- Increased positive social impact

2050 LONG-TERM TARGET

- **Net-Zero** emissions in our value chain by 2050

Strategy Overview

OUR STRATEGY FRAMEWORK

Our materiality assessment, described in this report on page 63 is the basis for our strategy framework. The key issues of importance to our stakeholders and relevant to the delivery of our business strategy have not changed markedly, but the climate and people related issues have gained in profile in recent years and it is therefore right to fine tune our strategy framework to ensure that it is aligned to the needs of the business over the next stage of our journey.

ENERGY

Our processes rely on energy, mainly for kinetic and thermal purposes. Our use of energy causes emissions of greenhouse gases that contribute to climate change. Reducing emissions through more efficient use of energy and using less emitting sources of energy is crucial to combat climate change.

MATERIALS

The materials we use to make our products are largely oil based and are energy intensive in terms of upstream production.

They are our main overall source of greenhouse gas emissions. Transitioning to materials with lower inherent emissions, by moving to recycled or bio-based materials is a priority to combat climate change.

WATER

Some of our processes, especially dyeing, are intensive users of water. Many of our plants are in areas of water stress.

Ensuring that we are minimising the additional water stress that we are causing through our operations is important to other users and to the environment.

WASTE

We produce solid and liquid waste in our processes. Through all our processes we need to ensure that we recover as much material as possible from waste streams and that we are then ensuring that any residual waste product is dealt with responsibly and with the smallest impact on the environment.

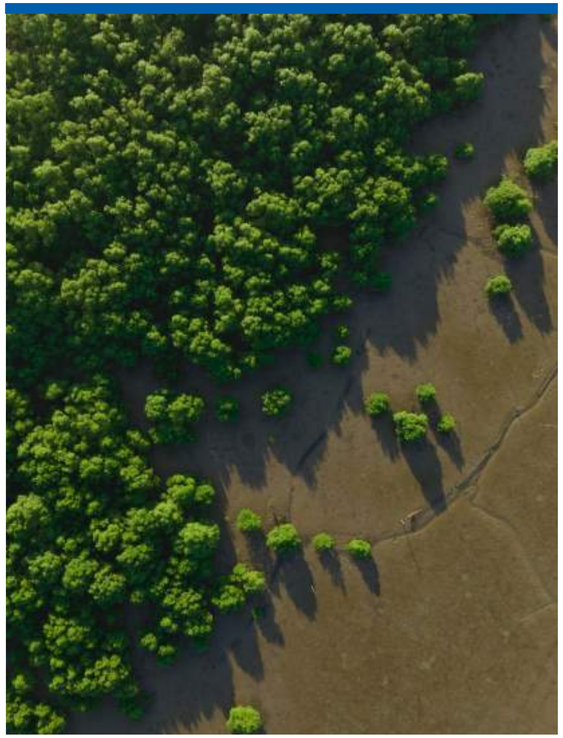
PEOPLE

Our employees, their families, our neighbouring communities and those in our wider value chain are all the people that are immediately touched by our business. We have a responsibility to them all and our policies, procedures and programmes are there to ensure that safety, wellbeing, fairness, equality, diversity and opportunity are part of that relationship.

Strategy Overview

Across this strategic framework we have identified the most important metrics to track us on our journey with the next short-term milestone being 2026.

Beyond 2026 we already have in place some aspirations for 2030 and our commitment to interim Science Based Targets for emissions reduction and our aspiration for net-zero in our entire value chain by 2050 which is currently being assessed by Science Based Targets initiative. These metrics and targets are shown in the table on the right.



STRATEGY PILLAR	2026 MILESTONE TARGETS			2030 ASPIRATIONS	2030 SBTi COMMITMENTS	2050 TARGET
	METRIC	2022 BASELINE	END 2026 TARGETS			
ENERGY	% reduction in Scopes 1&2 CO_2e emissions	212.3k TONNES	22% REDUCTION	70% of energy to come from renewables	-46.2% in Scopes 1&2 emissions vs 2019 baseline	Net-Zero emissions in our value chain
MATERIALS	% volume free from new oil-extraction raw materials	26%	60%	100%	-33% in Scope 3 emissions vs 2019 baseline	
WATER	% of water to be recycled	23%	33% INCREASE IN RECYCLING RATE			
WASTE	No waste to landfill	1.96k TONNES	ZERO TO LANDFILL			
	All effluent to meet ZDHC limits	92%	100%			
PEOPLE	% employees in units with Great Place to Work certification	86%	88%	90%		
	% of females in Senior Leadership positions	21%	30%	40%		

Strategy Overview

COATS AND THE SUSTAINABLE DEVELOPMENT GOALS

SDG	WHY IS THIS RELEVANT TO COATS, WHAT ARE OUR OPPORTUNITIES AND RESPONSIBILITIES?	OUR PRIORITIES AND ACTIONS	OUR GOALS AND INDICATORS, OUR DESIRED OUTCOMES AND IMPACT
	We employ over 17,000 people in over 50 countries. Many families are dependent on us directly for their principal source of income and it is our responsibility to ensure that that income is sufficient to lift people out of poverty. We can also use our purchasing power to ensure that those in our upstream supply chain have the same opportunity.	Our principle focus has been on ensuring that all of our employees receive a Living Wage. To this end we have established a policy and calculation methodology, using external benchmark data to measure our remuneration packages. We have then taken action in any cases where we have found that the benchmark for a Living Wage is not achieved. Our work on ensuring a Living Wage is described on page 58 of this report.	Having established a robust methodology for our own operations, our goal is now to extend our focus to encapsulate our upstream supply chain by revising and enhancing our supplier code and ensuring that this is included in our supplier audit programmes.
	A large percentage of our manufacturing operations are sited in developing countries and in some locations we operate in communities where we are the principal employer. Our business is dependent on having motivated and healthy employees and our employees and their communities depend on us to provide safe and fair employment. Ensuring the health and wellbeing of our employees, their families and our neighbouring communities is therefore of mutual interest to us and our employees.	Our priority is that our employees and those working on our sites are able to return home safely each day and that their health is maintained or improved while working with us. We maintain a robust H&S programme that focusses on developing leading actions such as hazard identification, near miss reporting and frequent training to ensure that our incident rates are as low as possible. In addition we have recently launched a new programme to focus on wellbeing: ‘Coats Cares’ Our activities in this area cane be found in the following sections of this report, with page numbers: **H&S management** - 56 **Journey to Zero** - 56 **Commuting Safety** - 56 **Coats Cares** - 60	Our aspiration is obviously to have zero incidents for both workplace and commuting, but our goal is to reduce our incident rate each year. Every incident is fully investigated and remedial actions identified and implemented. We publish a broad range of leading and lagging indicators and ensuring that our leading indicators continue to improve is a principal lever to ensure that our incident rates continue to drop from the already very low levels that we have compared to our industry norm.
	Employing the highest quality employees is obviously good for our business. With a large employee population like ours that should lead to broad gender equality at all levels. At a global employee level our female:male ratio is 35:65, but at senior management levels the ratio is 21:79. At Board level the ratio is 44:56. This indicates that we are not yet succeeding in fostering female talent development and career opportunities throughout the organisation. This is a clear opportunity for us and it is our responsibility to ensure that we are providing our female employees with career enhancement opportunities.	Our priority is to ensure that our practices and procedures give female employees the support and opportunity they need to flourish in their career aspirations. We have an active Diversity, Equity and Inclusion Network that is led from the very top of the organisation. Network meetings are led by our CEO and frequently involve contributions from Board members as well as external speakers. During 2022 we launched a new programme to enhance gender equality: ‘Coats for Her’. In filling role vacancies we seek to have short lists that are gender balanced whether for internal or external candidates. Our programmes for gender equality and our current performance are described in the following section of this report, with page number: **Coats for Her** - 54 **Promoting Diversity and Inclusion** - 54	Our aspiration is to achieve high levels of gender equality at Board and senior management levels. This will lead to an enhanced ability to attract and retain skilled employees which will deliver greater productivity and increased competitiveness for the business. With Board turnover in 2022 our female representation has dropped from 50% in 2021 to 44% in 2022. Our focus over the coming years is to make strong progress in our female representation at senior management levels and our goal for 2026 is to achieve 30% with an aspiration to achieve 40% by 2030.

Strategy Overview

COATS AND THE SUSTAINABLE DEVELOPMENT GOALS

SDG	WHY IS THIS RELEVANT TO COATS, WHAT ARE OUR OPPORTUNITIES AND RESPONSIBILITIES?	OUR PRIORITIES AND ACTIONS	OUR GOALS AND INDICATORS, OUR DESIRED OUTCOMES AND IMPACT
	Most of our thread and yarn products require dyeing and this currently is mainly dependent on the use of water. Many of the locations in which we operate are water stressed and our use of water, though temporary, could restrict availability for others. Our industrial use of water can also lead to degradation of water quality when returned to the environment. Our responsibility is to minimise fresh water abstraction, especially in areas of high water stress and to return the water we have used to the environment in a fit state for use by others. We are focused on opportunities to reduce or eliminate water use, on recycling water where necessary, and on technologies that reduce contamination of water in the first place or that provide better remediation after use.	Our priority during this last period has continued to be on the reduction of water use in our processes, eliminating any wasteful or unnecessary uses, and re-engineering processes to reduce water use or reduce the use of chemicals that can lead to degradation of water quality. Continued investment in remediation of water after use is also a high priority and looking forward our focus will shift onto ensuring that we are cleaning and recycling more water to reduce our fresh water abstraction in areas of high water stress. We also have an ongoing interest and active project in developing water-free dyeing technology. These programmes are described in the following sections of this report, with page numbers: **Reducing water use** – 19 **Recycling of water** – 20 **Treatment of effluent** – 27 **Water-free dyeing technology** - 20	Having largely achieved our 2022 targets, which were: – To reduce our water intensity (in litres/kilo) by 40% by 2022 compared to 2018 – To be fully compliant with ZDHC effluent and sludge standards by 2022 Our focus going forward will be to reduce our fresh water abstraction in high water stress areas, while maintaining full compliance with ZDHC effluent and sludge standards. Our desired outcome is for there to be no harmful water-related impact from our activities on our stakeholders (especially our Communities and the Environment).
	Our processes require energy for process heat and for powering our machines. The former relies mainly on the burning of fuels to generate super-heated steam, while the latter is mainly provided as electricity from third party suppliers. Our responsibility here is to ensure that we are using the cleanest available fuels in our steam boilers and that we are promoting the use of clean and renewable electricity generation through agreements with suppliers for both on and off-site renewable programmes. The opportunity we have is to convert all of our electricity to renewable sources and to progressively convert our heat energy to electrical or other clean generation systems.	We eliminated any use of coal in our operations in 2019, and our sites seek to use gas rather than oil in their boilers where possible. We have put a hold on boiler replacement activities while we review the options for clean steam generation. We have a programme in place for transitioning to renewable electricity that includes both on and off-site supply agreements. Our programmes in this area are described on page 29	Our stated goal, under our approved Science Based Targets is to increase sourcing of renewable electricity to 100% by 2030. In addition we have made the commitment that 70% of all our energy will be from renewable sources by 2030. Our desired outcome here is to use our economic leverage to help accelerate the supply of clean, affordable and renewable energy.
	We directly employ over 18,000 people and they and their families are directly dependent on our employment. Our upstream supply chain partners also employ many people and their employment is partially or fully dependent on our activities. Our responsibility is to ensure that we and our supply chain provide stable, decent and appropriately remunerated employment conditions and that our activity provides economic growth opportunities for our employees, our neighbouring communities and the employees of our suppliers. Our principal opportunity is to use our purchasing leverage to extend responsible employment throughout our supply chain.	Our priority is to continue to ensure that all of our employment norms are rigorously applied to our own operations and to progressively extend these to our upstream supply chain. Our programmes to support this work are described in the following sections of this report with page numbers: **Great Place to Work certifications** – 52 **Whistleblowing hotline results** – 58 **Living Wage implementation** – 58 **Group internal Audits** – 58 **Supplier Code implementation** – 58 **Anti Modern Slavery work** – 58	Our goal has been to have all of our key units externally certified under the Great Place to Work scheme by 2022. 80% employee coverage was our target here and in 2021 we achieved 81%, so met this target a year early. In 2022 we again surpassed the target with 86% certification. We will continue to seek further certifications in this area and have set a new target of 88% by 2026. Monitoring of employment standards is provided by our global data system, by Group Internal Audit checks and by our externally managed whistleblowing hotline. Supplier Code compliance is monitored, based on risk evaluations, by both internal and external audits. Our desired outcome here is to see our standards progressively spread along our supply chain, which would have a beneficial impact on many more than our direct employment numbers.

Strategy Overview

COATS AND THE SUSTAINABLE DEVELOPMENT GOALS

SDG	WHY IS THIS RELEVANT TO COATS, WHAT ARE OUR OPPORTUNITIES AND RESPONSIBILITIES?	OUR PRIORITIES AND ACTIONS	OUR GOALS AND INDICATORS, OUR DESIRED OUTCOMES AND IMPACT
	The textile industry is principally a user of virgin raw materials from both natural and synthetic sources, and the trend in recent years is for garments to be used for a shorter lifespan and then to be disposed of in ways that don't recycle the useful materials. This is a wasteful model and it is our responsibility to ensure not only that we don't persist with this model in our own business, but that, where possible, we support the rest of the industry to move away from this model. The opportunity we have is that progressively we are introducing more recycled or regenerated or renewable materials into our product lines, and that we also have an emerging line of products that will assist in dismantling of garments at the end-of-life to promote easier recycling.	We are currently prioritising the development of recycled, regenerated and bio-based products in our range and seeking to reduce waste in our operations and, by focussing on packaging also reduce waste for our suppliers and our customers. We have developed multiple circular models for packaging materials with our suppliers this year to reduce waste in this area. We also launched in 2022 our first thread that will assist with the recycling of garments at the end-of-life. These programmes are described in the following sections of this report, with page number 34.	Our short term goal has been to reduce our internal waste by 25% by 2022, and this was largely achieved on time. In terms of waste reduction our new target is to eliminate all waste to landfill by 2026. We have a major programme of material transition that is seeing us convert from virgin oil-based products to recycled materials and our goal for 2026 is to have 60% of our raw materials coming from recycled or renewable sources. We have also committed that by 2030 all of our products will be made without any use of new oil-extraction materials. We are also focussing on developing new bio-based material streams and our Innovation Hub in China is focussed on developing both bio-based and recycled materials. Making our packaging more sustainable is also a key goal for us. Our desired outcome is to have a suite of products that are recycled and/or bio-based and that support the recycling of garments, footwear and other products at the end-of-life through mono-materiality or separation and recycling. Particularly in the case of our threads, because these are what holds garments together then the impact we can have in this area is proportionally greater.
	Our activities contribute to global warming and our responsibility is to ensure that we reduce our emissions, and those of our value chain, in line with what is required to minimise the damage from climate change. The principal opportunity we have to achieve this is via the transition to renewable electricity, though energy conservation will continue to play a significant part.	Our near-term Science Based Targets, to 2030, were approved early in 2022 and we have submitted our long term Net Zero commitment for approval. During 2022 we have continued to reduce our energy intensity and have made progress on our transition to renewable energy with several new onsite solar projects in development, and by increasing our purchases of energy attribute certificates while we develop offsite opportunities. Our programmes in this area are described in the following sections of this report, with page numbers: **Climate change** – 21	Our approved Science Based Targets commit us to: – Reduce absolute scope 1 and 2 GHG emissions 46.2% by 2030 from a 2019 base year. – Increase annual sourcing of renewable electricity from 5% in 2019 to 100% by 2030. – Reduce absolute scope 3 emissions 33% by 2030 from a 2019 base year. Our Net Zero targets for 2050 are currently under review by Science Based Targets initiative. These targets are in line with a 1.5°C trajectory and this will allow us to maximise our impact in supporting global actions to reduce climate change.

Strategy Overview

SUMMARY OF PROGRESS AGAINST OUR 2022 TARGETS

When we established our 2022 targets in late 2018 we were clear that we were giving ourselves some very ambitious targets.

Our aim in setting the bar high was to challenge ourselves to achieve more than we might otherwise think feasible. The journey to 2022 has been one of exploration as we have developed and trialled multiple different initiatives to achieve these targets. Some of these have been successful while others have not, but the combined impact of them has been transformational on the business.

As can be seen in the table to the right, we have achieved or got very close to all of our targets and this is thanks to the motivation and dedication of thousands of our colleagues in finding news ways to do things better. In the commentary on each pillar in this report are some examples of the work done to deliver on this performance across the business.

STRATEGY PILLAR	2022 TARGET	2022 PERFORMANCE	% ACHIEVEMENT VS TARGET
ENERGY	Reduction of 7% in energy intensity vs 2018 baseline	Reduction of 10% vs 2018 baseline	143%
MATERIALS	25% reduction in waste intensity vs 2018 baseline	25% reduction vs 2018 baseline	100%
WATER	Reduction of 40% in water intensity vs 2018 baseline	Reduction of 38% vs 2018 baseline	94%
EFFLUENT	100% compliance with ZDHC effluent standards	92% compliance	92%
SOCIAL	80% of employees in countries with Great Place to Work certification	86% of employees in countries with certification	108%

Strategy Overview

LEADERS' VOICES

With the acquisition of Texon and Rhenoflex the company has been restructured around 3 customer focussed divisions: Apparel, Footwear and Performance Materials. We invite the Chief Executive Officer of each division to comment on their sustainability focus for the future.

Adrian Elliott

Divisional Chief Executive Officer - Apparel

The Apparel Division has a broad global footprint that aligns to the manufacturing centres for the global apparel industry.

Our garment making customers are constantly under pressure to deliver to tight schedules with excellent colour matching. Coats has widely distributed downstream manufacturing to meet this need and we are producing hundreds of thousands of unique colours each year with small average batch sizes. This complexity is inherent to the industry and we don't foresee any radical change to this in the near future.

Many of our specifying brand customers are already very focused on what they must do to make their supply chain more sustainable, and this trend will continue as consumers and pressure groups increase the pressure on the textile industry as a whole. Emissions reductions, low carbon materials, life cycle analyses, water abstraction, pollution and all aspects of employment and human rights are all of high concern across the industry. Circularity and recycling at the end of life are also increasingly the direction of travel for the leading brands.

> "Circularity and recycling at the end of life are also increasingly the direction of travel for the leading brands"
>
> **Adrian Elliott**

Sustainability in the apparel industry means responding to all of these challenges. The suppliers which, like Coats, can commit to working with brands to support their journey towards sustainability will be the ones that succeed and prosper in an increasingly challenging environment. The last few years has seen the expectations of leading brands move from where sustainability in their suppliers is seen as an added value to where it becomes a necessary qualification.

While the material issues in the apparel industry are multiple, if there is one area that is consistently a concern for leading brands it has to be value chain emissions reductions. Over half of our brand related sales are to companies that have made explicit commitments to have Net-Zero targets achieved on or before 2050 and that number is growing almost monthly.

For the Apparel Division therefore, value chain emissions reductions is absolutely the number one sustainability priority. This will be achieved through energy reductions and the renewable energy transition and through material transition to recycled, circular or bio-based materials, and all of these programmes are already well underway in Coats.

Adrian Elliott
Divisional CEO - Apparel

Strategy Overview

Frederic Verague
Divisional CEO – Footwear

LEADERS' VOICES

Frederic Verague

Divisional Chief Executive Officer - Footwear

The global footwear industry is quite concentrated into a small number of mainly Asian countries that have the expertise in manufacturing the highly complex composite products that are today's footwear products.

It is a segment that combines highly traditional, long established prestige brands with unparalleled innovation, especially in the sports footwear segment.

The Coats Footwear Division supplies critical structural components and threads and for all of these products, technical product performance is the single most important criteria demanded by our brands. Everything we do in the sustainability field has to start from the imperative to provide that requisite level of performance. Key brands are, however, challenging themselves to make products that meet high product performance while providing a better sustainability footprint, and to achieve that they are expecting more from their supply partners.

Increasing sophistication in the recycling industry is making it possible to produce very high performance recycled materials, including from nylon. At the same time process innovation is constantly opening new opportunities for reducing waste in manufacturing processes by moving closer towards additive manufacturing models. End of life concerns are being addressed by increasing trends towards mono-material design concepts. Detailed life cycle analyses of different approaches are increasingly required by designers to ensure that they are choosing the best options where achieving the balance of desired outcomes is not necessarily obvious.

> We can offer brands an alignment of sustainability focus that is tailored to their needs"
>
> **Frederic Verague**

Coats Footwear Division is ideally positioned to meet these growing needs. Both our new structural components segment and our thread segment have a long history of customer centric innovation activities and both segments have pivoted in recent years to meet the growing sustainability demands. Bringing these together means that we can offer brands an alignment of sustainability focus that is tailored to their needs across pretty much all of the core structural components in their products.

If there is one key trend to call out for the near future it will be the need to provide transparent life cycle analyses to help brands make complex decisions that balance the priority concerns around the emissions footprint of their products with other areas of product compliance and performance.

Strategy Overview

LEADERS' VOICES

Soundar Rajan
Divisional Chief Executive Officer - PM

Coats Performance Materials Division addresses a wide range of customer segments that have quite divergent product needs but which are all consistent in their need to have a thread or yarn product that complies with tight performance and compliance requirements.

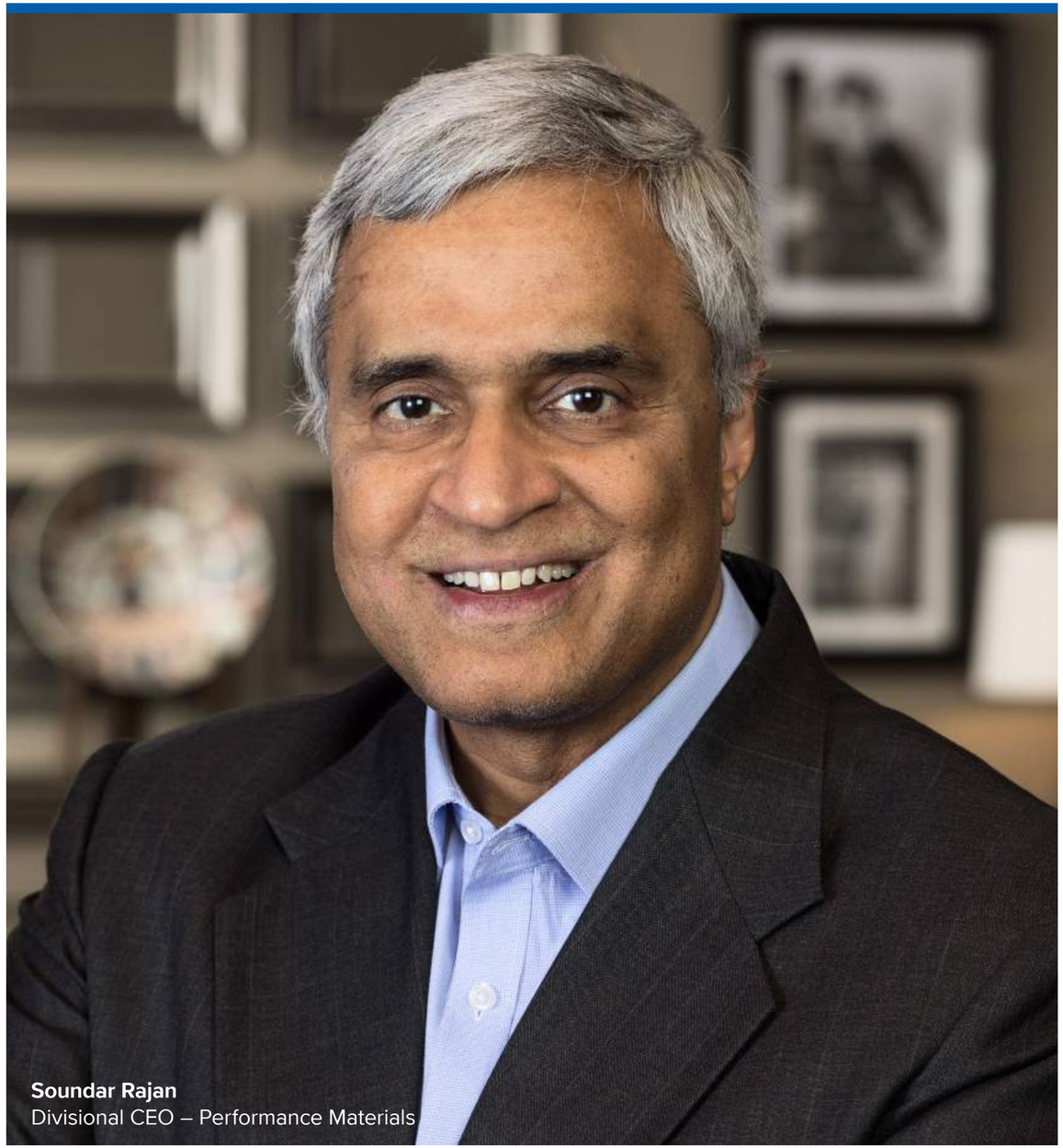
Our products go into high performance protective wear, into automotive safety components, into communications infrastructure and many other less technical but equally demanding segments.

Until recently sustainability concerns have been low on the list of priorities across these segments, but we are increasingly seeing issues now being raised. These include product durability to avoid early obsolescence, light-weighting to reduce the energy demand in use and end of life material recycling concerns. Life cycle analyses of new more sustainable technology options are also increasingly being required by customers wanting to make decisions with full knowledge of the options available and their implications.

Our composite technologies, Synergex and Lattice are examples of new materials that can meet these needs. The technology allows for almost zero waste production of complex shapes. These can be lighter in weight than using alternative technologies because of the variable and precise orientation of the reinforcement fibres and the material combinations can be tailored to use low carbon or bio-materials. These properties provide obvious benefits in the transport industries, but are also being sought for use in sporting products.

> The technology allows for almost zero waste production of complex shapes"
>
> **Soundar Rajan**

The clear direction of travel is for transparency of the life cycle impacts of different material impacts to be available early in the design process to ensure that sustainability impacts are accurately assessed in making design decisions. Coats is well placed to develop increasingly sophisticated life cycle analysis tools to meet these needs.



Soundar Rajan
Divisional CEO – Performance Materials

Strategy Overview

COATS SUPPLY CHAIN

UPSTREAM

RAW MATERIALS

Nearly 95% of our raw materials are oil-based plastic fibres. We are expanding our use of recycled polyester from drinks bottles. Using recycled fibres reduces oil use, extends the life of the polymers and reduces CO_2 emissions in the fibres by 40%.

SPINNING & TWISTING

This process converts the raw fibres into yarns and threads. The process uses a lot of electrical energy, accounting for about 25% of our total energy use. Good production planning and machine maintenance is key to minimising energy use.

DYEING

This process colours the thread. It is done with hot water and at high pressures. Overall the process accounts for around 60% of our energy use, both as electricity and fossil fuels, and 90% of our water use. Improving processes and using modern machinery is key to minimising energy and water use.

COATING & FINISHING

Here we apply finishes to the thread and put it onto a sales support. Packaging accounts for about 20% of sales material weight – we are working to reduce this. This process uses about 13% of our energy, mainly as electricity.

DISTRIBUTION

Most Coats warehouses are located alongside production units. This is because many products are manufactured against customer orders. Distribution from warehouse to customers is normally done by third parties.

DOWNSTREAM

SEWING

Thread is used largely to sew the seams that hold apparel and footwear products together. The volume of thread in the final product is normally very small, <3%. In some countries we have set up systems for collecting and reusing empty cones. At the moment, virtually all product goes to waste at the end-of-life. We are working on products that will enable greater recovery and circularity of materials.

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;

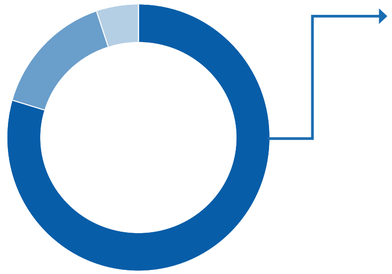
- Coats Group plc commits to reduce absolute scope 1 and 2 GHG emissions 46.2% by 2030 from a 2019 base year.
- Coats Group plc also commits to increase annual sourcing of renewable electricity from 5% in 2019 to 100% by 2030.
- Coats Group plc further commits to reducing absolute scope 3 emissions 33%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

Climate Change and Emissions

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)



Scope 3:	**777,583**
Scope 2:	**157,642**
Scope 1:	**49,959**

All units in Tonnes
Total: 985,184

Cat. 1 Products and services	**513,487**
Cat. 2 Capital equipment	**1,331**
Cat. 3 Upstream energy	**58,664**
Cat. 4 Upstream transportation and distribution	**70,233**
Cat. 5 Waste generated	**1,706**
Cat. 6 Business travel	**1,455**
Cat. 7 Employee commuting	**11,699**
Cat. 8 Upstream leased assets	**1,027**
Cat. 9 Downstream transport and distribution	**36,085**
Cat. 10 Processing of solid products	**19,003**
Cat. 11 Use of solid products	**55,591**
Cat. 12 End-of-life products	**6,968**
Cat. 15 Investments	**334**

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

Climate Change and Emissions

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:

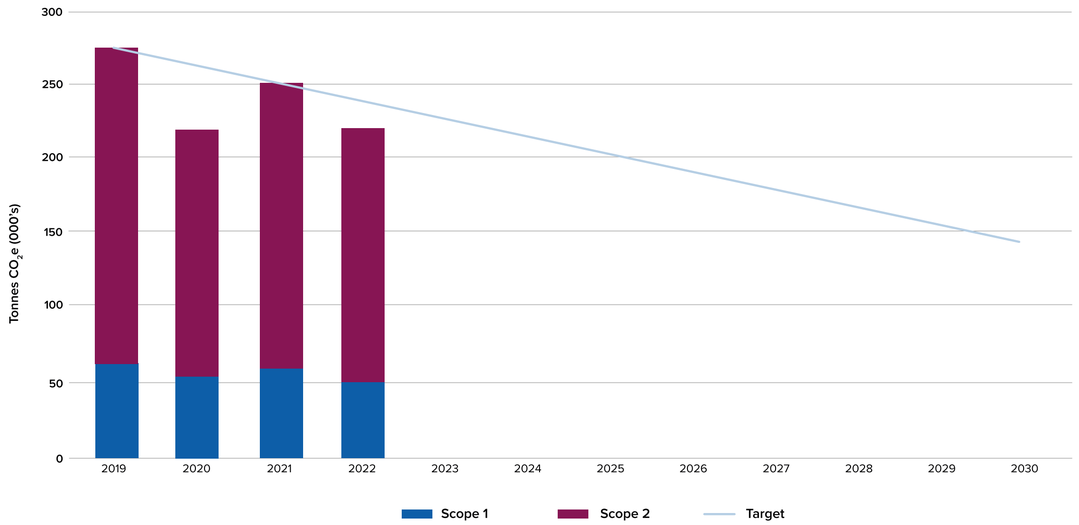
Absolute emissions, Thousand Tonnes CO_2e		2022*	2022[1]	2021	2020	2019 Baseline
Scope 1		54,072	49,959	62,722	51,300	64,651
Scope 2	**Market Based**	158,078	157,642	190,753	165,962	209,274
Scope 2	**Location Based**	200,060	195,786	216,088	186,165	235,298
Scope 3	**Cat 1 Products and Services**	N/A	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**

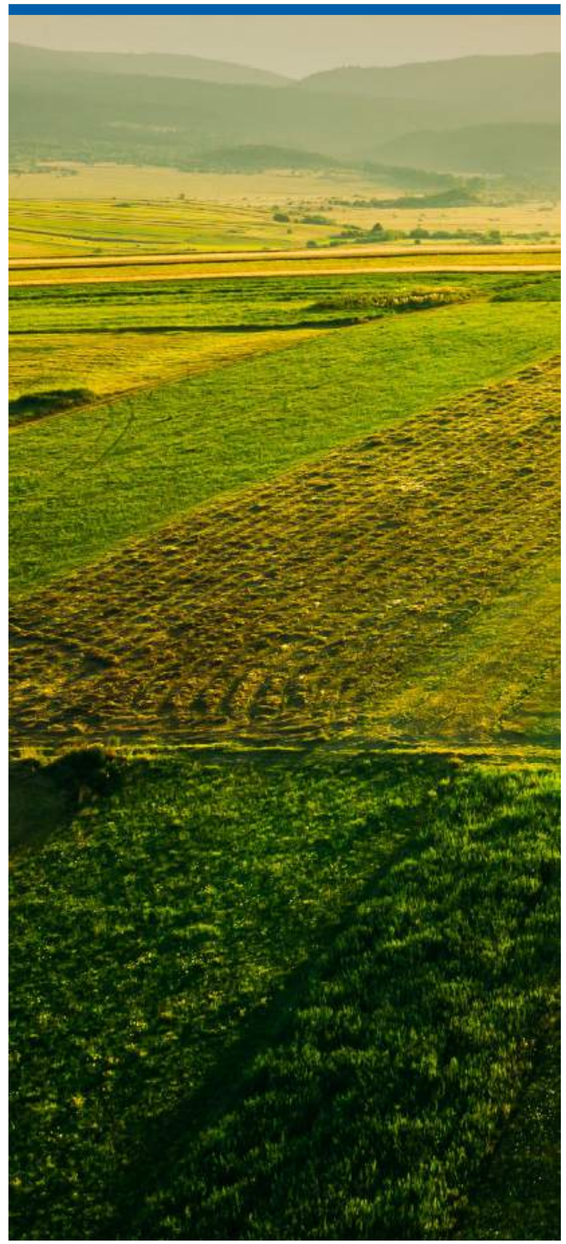
* Scope 1 & 2 including Texon / Rhenoflex from point of acquisition

[1] Scope 1 & 2 exclude Texon / Rhenoflex aquistions

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

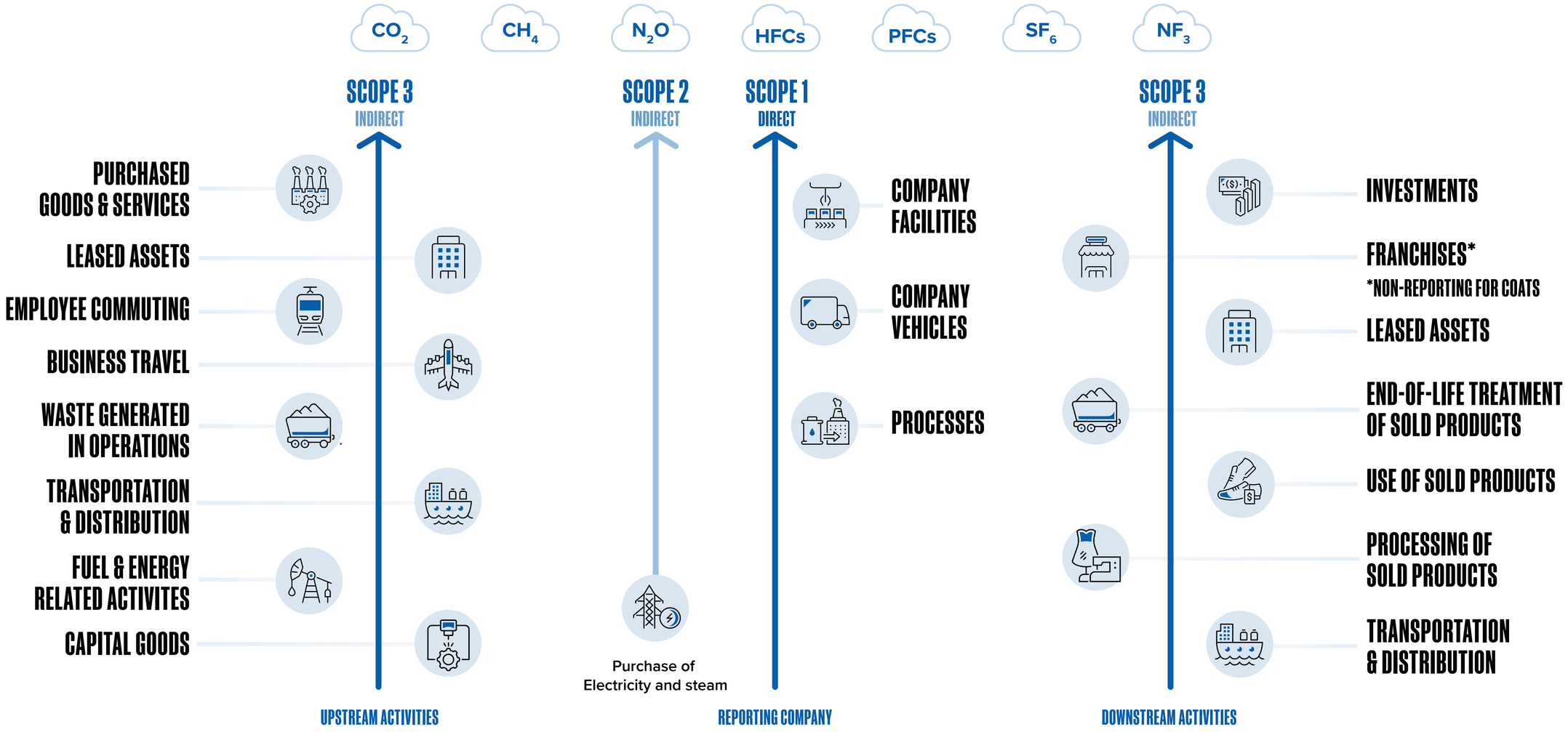
Scope 1 and 2 Emissions by Year Versus Target





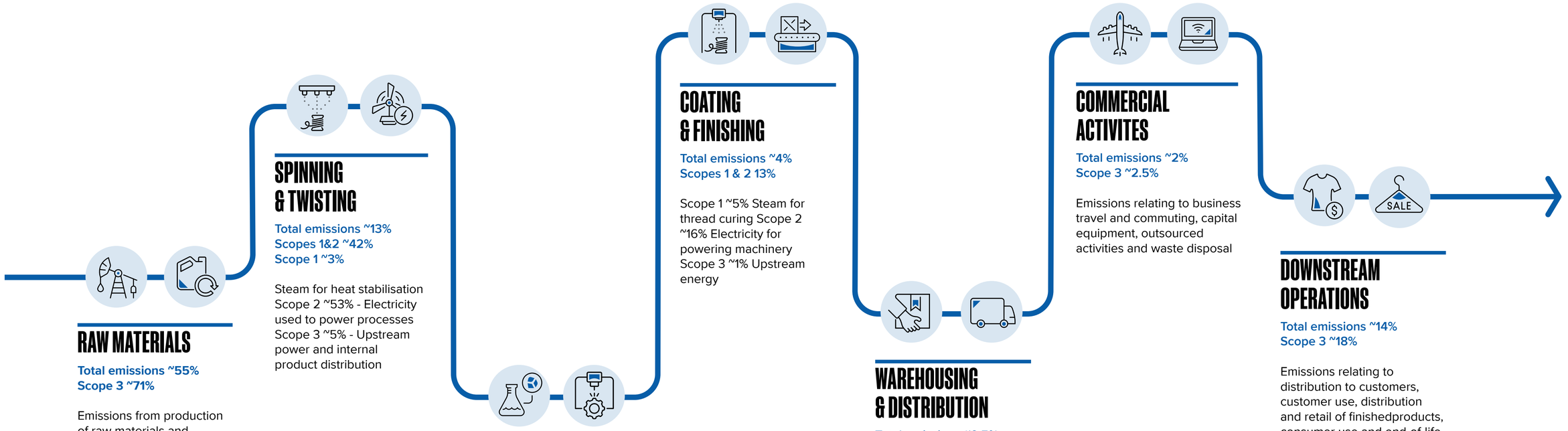
Climate Change and Emissions

CARBON EMISSIONS SCOPES



Climate Change and Emissions

CARBON EMISSIONS PROFILE



RAW MATERIALS

Total emissions ~55%
Scope 3 ~71%

Emissions from production of raw materials and shipment of these to Coats factories. This includes any emissions that relate to recycled raw materials

SPINNING & TWISTING

Total emissions ~13%
Scopes 1&2 ~42%
Scope 1 ~3%

Steam for heat stabilisation Scope 2 ~53% - Electricity used to power processes Scope 3 ~5% - Upstream power and internal product distribution

DYEING

Total emissions ~12%
Scopes 1 & 2 ~44%

Scope 1 ~90% steam for heating in dyeing Scope 2 ~30% electricity for pumps and dryers Scope 3 ~3% Upsteam energy

COATING & FINISHING

Total emissions ~4%
Scopes 1 & 2 13%

Scope 1 ~5% Steam for thread curing Scope 2 ~16% Electricity for powering machinery Scope 3 ~1% Upstream energy

WAREHOUSING & DISTRIBUTION

Total emissions ~0.5%
Scopes 1&2 ~2%

Electricity for lighting and steam for heating Scope 3 ~0.1% Upstream energy

COMMERCIAL ACTIVITES

Total emissions ~2%
Scope 3 ~2.5%

Emissions relating to business travel and commuting, capital equipment, outsourced activities and waste disposal

DOWNSTREAM OPERATIONS

Total emissions ~14%
Scope 3 ~18%

Emissions relating to distribution to customers, customer use, distribution and retail of finishedproducts, consumer use and end-of-life disposal

ENERGY

Energy Pillar

2022 PERFORMANCE HIGHLIGHTS

10%
ENERGY INTENSITY REDUCTION FROM 2019 TO 2022

25%
OF ELECTRICITY COVERED BY EACs

46.2%
COMMITTED REDUCTION IN SCOPE 1 & 2 EMISSIONS BY 2030

In 2022 we consumed 8.20 kWhr per Kg energy versus 9.09 kWHr per Kg in our 2018 baseline period for all business activities over which the company has operational control. This equates to a 10% reduction, significantly exceeding the 7% reduction in energy intensity we committed to delivering in this period.

Through 2022, as part of our global Cleaner and Lighter program, we further embedded our energy management platform with extended use of real-time smart energy meter data being streamed into our cloud based utilities management system. This new capability has enabled a far greater level of energy metering across operating units, giving heightened granularity and transparency of energy consumption at departmental, work centre and individual machine level and using data driven decision making has aided identification of new actionable insights to increase energy efficiency. Examples of improvement areas identified through this initiative were powering down of stand-by boilers, optimisation of frequency of air humidification systems in Spinning and Twisting operations, optimisation of compressed air and steam pressure and leak identification and remediation, campaigns to optimise asset utilisation in our thread bonding lines and optimisation of site level transformer loading. Across numerous facilities, we had active engagement from across the entire workforce with teams competing to identify and deliver energy reductions across production, dormitory and canteen facilities. Our **Environmental and Climate Change Policies** cover our energy and emissions aims and objectives.

Our Energy Basics program was extended in 2022 with best practice webinars delivered to provide training to relevant staff across all geographic locations, and this was supplemented with revised Standard Operating Procedures and support documentation to aid local manufacturing teams with enhanced knowledge and understanding of energy preservation opportunities.

Combining learnings from our ESG Utilities smart metering program and our Energy Basics program, we developed the “lift and shift” concept where insights, actions and resulting energy efficiency improvements in one manufacturing location were transferred to other manufacturing locations, achieving wider short term benefits without the need for extensive metering in the recipient sites.

As outlined in our Water Pillar, the further considerable reductions delivered in water intensity in 2022 have contributed to significant energy reductions; with dyeing being our most energy intensive process both for electrical energy to power the process but also for heat energy in the form of steam. Reductions in amount of water we use impacts positively through reduced heat energy requirements.

Energy Pillar

OUR ENERGY PROFILE

51% of the energy we use at Coats comes from purchased electricity used to drive motors, with the remaining 49% being from fuels we burn on-site. In 2022, 67% of fuel consumed is natural gas with the remainder composed of 1% and 32% of oil and biomass respectively. We ceased use of any coal derived energy in our operations in 2019, and our fuel strategy continues to be promote use of natural gas over oil, and seek to transition to biomass where feasible.

At Coats, we are committed to reducing our emissions in-line with the Paris Agreement aligned 1.5 pathway in order to play our part in minimising climate change risks. We are fully committed to delivery of a 46.2% absolute reduction in our Scope 1 and Scope 2 emissions by 2030, based on our 2019 emissions inventory, and our principle forward looking metric and targets for energy will therefore be directly linked to this. In pursuit of this commitment, our 2026 target for Scope 1 and Scope 2 emissions will be delivery of a 22% reduction based on our 2022 baseline.

We have committed that 70% of our energy will be renewable by 2030 and our roadmap for delivery of this target is primarily built on conversion of all of our electricity supplies to renewable sources, and to progressively convert our heat energy to electrical or other clean generation systems. Our strategy for energy transition rests on the principles of working with country level energy providers through new power purchase agreements (PPAs) to deliver additionality of renewable energy as a first priority, collaborating with existing renewable providers as a second option, and lastly, in the shorter term, compensating through purchase of Energy Attribute Certificates (EACs) to offset use of non-renewables. In 2022, we have increased the proportion of our electricity for which we have EAC coverage to 25%, with certificates either transferred directly from our supplier or purchased from the market.

Our PPAs will focus primarily on solar and wind power generation installations, both off and on-site. Due to the intensity of electricity used at a typical Coats plant, onsite rooftop solar sources can only generate a small percentage of the electricity demands.

We currently have on-site solar power generation installations in a number of our Indian, Vietnam and Bangladesh operations, with off-site wind power installations in India. We are in active discussions with energy providers in other markets, and are committed to expanding this approach in other locations through 2023.

In addition to transition to energy renewables, we will supplement our Carbon emissions reduction through further reductions in energy intensity, with further rollout of our ESG Utilities IoT metering program to more manufacturing units in 2023. Local manufacturing continuous improvement teams will continue to focus on new opportunities for energy intensity reduction. Having delivered a 10% reduction in energy intensity in 2022 on our 2018 baseline, we expect the rate of reduction of our energy intensity to decrease, however remain committed to delivery of a further 1% per annum through the 2023 to 2026 time horizon.

We continue to have one large manufacturing facility certified to the ISO 50001 international energy management systems standard and our policy is to align systems to this standard across other facilities, without pursuit of external certification unless there is a clear benefit to doing so.

Energy Pillar

CASE STUDY USE OF SMART METERING TO DELIVER DATA DRIVEN INSIGHTS AND ACTIONS ON ENERGY

“As Engineering Manager of our Shenzhen manufacturing facility in South China, I have led the local ESG Utilities programme where we initiated real-time streaming of energy data into a cloud based platform. This has enabled us to much better understand energy usage patterns and identify previously hidden opportunities for delivery of energy efficiency improvements.

After our dyeing process, we dry the thread before processing into finished goods for sale to our customers. The drying process involves two stages; the first being water removal through a centrifugal extraction process, followed by a radio-frequency drying process where remaining water is driven off by targeting the vibrational wavelengths of remaining water molecules.

Using the streamed smart energy data from these two processes, we were able for the first time to review the entire drying process holistically, and the new transparency enabled our Six Sigma continuous improvement team to optimise the overall process through nominal energy increases in the centrifugal extraction process and significant reductions in the radio-frequency process, delivering a notable 15% end to end process energy reduction. The additional transparency that has come from increased granularity data has really helped us identify new areas of opportunity.”

Pele Tang
Engineering Manager, Shenzhen

Energy Pillar

COATS ENERGY PROFILE

SPINNING & TWISTING

Accounts for around 25% of our energy consumption mainly in the form of electricity for powering process equipment.

DYEING

Total emissions ~12%
Scopes 1 & 2 ~44%

Scope 1 ~90% steam for heating in dyeing Scope 2 ~30% electricity for pumps and dryers Scope 3 ~3% Upsteam energy

COATING & FINISHING

Total emissions ~4%
Scopes 1 & 2 13%

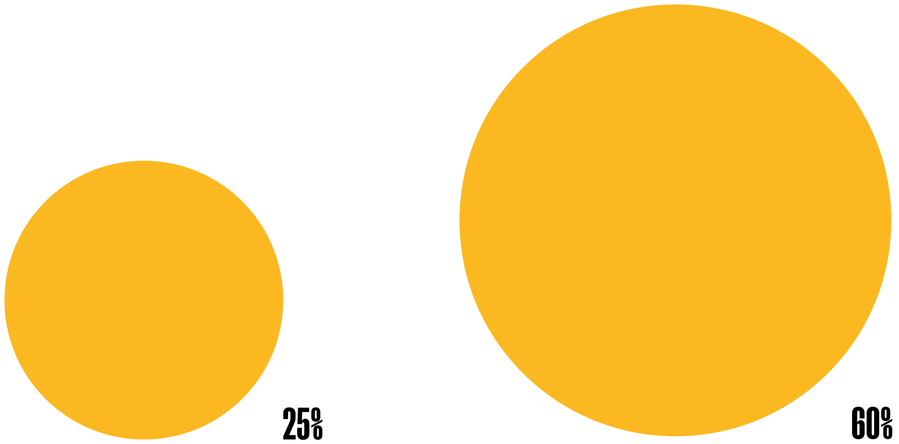
Scope 1 ~5% Steam for thread curing Scope 2 ~16% Electricity for powering machinery Scope 3 ~1% Upstream energy

WAREHOUSING

Total emissions ~0.5%
Scopes 1&2 ~2%

Electricity for lighting and steam for heating Scope 3 ~0.1% Upstream energy

ENERGY CONSUMPTION



MATERIALS

Materials Pillar

2022 PERFORMANCE HIGHLIGHTS

121 kTonnes
OF RAW MATERIALS

26%
SUSTAINABLE MATERIALS

14.2 million
PLASTIC BAGS ELIMINATED

37%
INCREASE IN RECYCLED POLYESTER SALES

Materials consumption is a critical issue in the textile industry and Coats are therefore highly mindful of what we consume, with a focus on minimising waste and using raw materials that contribute to our sustainability objectives.

Our product specifications across all of our ranges are established to ensure fit-for-purpose products that are not over-engineered for the planned end use. This means that we do not produce or sell more material than that which is required by our customers. We also focus on ensuring that indirect material usage is minimised, which is especially important in the area of packaging as both the materials we buy and the products we sell require packaging to protect them during transport and storage. We address this upstream with our material suppliers and downstream with our customers, working collaboratively to find ways to minimise packaging and, where still deemed necessary, we strive to ensure that it can be reused or recycled.

During 2022 we consumed 121 thousand tonnes of direct raw materials, the majority of which comprised the fibres and filaments used to make our thread and footwear component products. 84% of our products are made from oil-derived plastic materials, principally polyester, and 16% are made using cellulosic based fibres.

Our SBTi commitment to deliver 33% absolute reduction in Scope 3 carbon emissions by 2030 from a 2019 baseline, is underpinned by actions being taken to transition our materials supply to more sustainable sources. To facilitate this, we are committed to transition to zero virgin-oil based materials by 2030 and are currently focussed on the transition of our premium polyester products towards use of recycled materials. In 2022 further positive momentum was made towards our goal of moving to use of non virgin-oil based materials with a 37% increase in recycled thread sales over 2021.

In line with our other sustainability pillars, we have set a new interim materials target which is to deliver a transition to 60% sustainable raw materials by 2026. For this purpose we classify recycled oil-based and bio-based materials as sustainable and the 2022 baseline for this new target is 26%.

In 2021 we repurposed our Innovation Hub in Shenzhen, China, to focus on innovation of bio-materials where we will be making advances in development of new man-made Cellulosic materials and bioplastics. In doing this, we will continue to evaluate carefully the impact of their use, considering especially any environmental and social impacts associated with their increased land use for textile fibre production. It is our view that the continuing evolution of textile-to-textile circular recycling presents a strong opportunity for future fibre production and this is an area on which we will keep closely abreast of developments for new opportunities.

We are acutely aware of the social and environmental impact of the small proportion of cotton fibre we use and are supportive of the global collaborations such as the Better Cotton Initiative that work to manage these risks. We have long had a ban on sourcing cotton grown in high risk areas.

Our use of animal based products are restricted to use of recycled leather in our Rhenoflex Cyclea product which is utilised as a reinforcement material in the luxury leather goods sector, and therefore we have no virgin animal based products in our range as of the end of 2022.

WE HAVE SET A NEW INTERIM MATERIALS TARGET WHICH IS A TRANSITION TO 60% SUSTAINABLE RAW MATERIALS BY 2026.

Materials Pillar

CIRCULARITY

Reducing the volume of raw materials used and minimising the impacts of those raw materials is at the core of our strategy.

Our industry is justifiably under the spotlight in this area, and together with others we are committed to promoting circularity in all our products and packaging. Thread makes up a very small proportion of a finished garment, typically around 1-2%. Currently most thread is made from polyester whether the material being sewn is cotton, polyester, a blend of the two of them or some other fibre. This means that thread is often of a different material to the rest of the product. This small percentage footprint combined with the different material composition makes thread an additional challenge for circular recycling. Furthermore threads and the seam structures they are sewn into have been developed to be extremely durable. In most cases a seam will comfortably outlive the material used in the garment. This is an additional challenge when it comes to selective disassembly of seams, for example to remove non-textile elements, and is a major reason why this is a high cost, manual process at the moment.

We have spent over 250 years expertly designing and producing thread that holds garments together, ensuring it withstands the full lifetime of the garment. It is our view that, as we look towards the future, part of the focus needs to be placed on the stages of design to ensure textiles are designed with an end-of-life strategy in mind.

A garment of the future must be designed for ease of recycling and disassembly. Our approach is to consider three ways in which thread can provide a solution. First, garments need to be designed with material compatibility in mind, therefore threads needs to match the fabric material so that it can undergo the same recycling process. Second, we have explored how thread can be a low-cost solution to create a garment that can be easily disassembled at the end of its life. Third, where possible, our threads must be developed from recycled textile materials.

In response, we have developed a suite of sustainable sewing threads which allow our customers to design garments with a clear end-of-life strategy built into them. We are optimistic for the future of the apparel industry and through our accelerated ambition are certain that Coats will play a key role. Our focus is to continue to provide the industry with new solutions that will drive the shift towards circularity by developing more of our products and packaging from recycled or bio-based materials, exploring innovative solutions and working with our supply chain partners.

CASE STUDY COATS ECOCYCLE

As an example, Coats EcoCycle is a ground breaking water dissolvable thread concept that helps facilitate end-of-life recycling when washed at 95°C. Whilst the thread maintains its quality, strength and durability during the life span of the garment, when exposed to a thermal washing process at temperatures above 95°C it allows the seam to dissolve so that non-textile and textile components can be easily separated for recycling. This product has the potential to be truly transformative in driving a circular textile economy. We are currently seeking to bring together the key industry players (e.g. brands, collectors and recyclers) to put the steps in place that are required in order for this solution to be scaled up. We are already working with our partners to explore how this might look in future.

NON-TEXTILE AND TEXTILE COMPONENTS CAN BE EASILY SEPARATED FOR RECYCLING

Materials Pillar

Our Performance Materials Division is focussed on development of innovative composites solutions which support the rapidly changing application areas in telecoms infrastructure, energy pipes, automotive and sporting industries. These industries are increasingly aiming to deliver light weighting of products without loss of technical performance.

In Automotive, the industry is implementing cost effective light weighting as a means to increase fuel efficiency, delivering significant reductions in full life cycle carbon emissions.

Composite solutions have many benefits for the transport industry, especially when compared to alternative materials such as metals.

They are far more lightweight therefore improving fuel efficiency, and can be engineered to be far stronger than aluminium or steel meaning that they maintain great strength relative to weight. Furthermore, they are flexible by design due to their ability to be easily moulded into complicated shapes with almost zero waste.

Coats highly innovative new technologies, Synergex™ and Lattice™, allow us to offer the industry a cost effective means to reduce weight beyond what is achievable through aluminium, magnesium and conventional carbon fibre and hybrid technologies. Synergex™ is a technology that commingles dissimilar fibres, thereby tailoring the fibre mix to the performance and cost needs of a specific application. Lattice™ is technology that allows us to place the fibre in a position and direction that is required by a specific application.

> We continue to work with our industry partners to further develop our innovations and we will lead with sustainability as the key focus in our composite expansion"

Through 2022 we continued our collaboration with a team led by General Motors, using our Lattice technologies to develop a tailored fibre-reinforced composite technology to aid development of lightweight, high performance and cost-effective structural battery enclosures for use in Electric Vehicles.

We continue to work with our industry partners to further develop our innovations and we will lead with sustainability as the key focus in our composite expansion, exploring future opportunities in thermoplastics, wind, hydrogen storage and EV technologies.

Lattice™ automotive applications

HOW COMPOSITE MATERIALS CREATE VALUE AND ENABLE SUSTAINABILITY

LIGHT-WEIGHTING

Designers can create lighter-weight structural components vs. metal to improve fuel efficiency

SUSTAINABLE INFRASTRUCTURE

Solutions that help protect the environment and support long-term durability of components (e.g. renewable energy, 5G, pipes)

RE-CYCLE SOLUTIONS

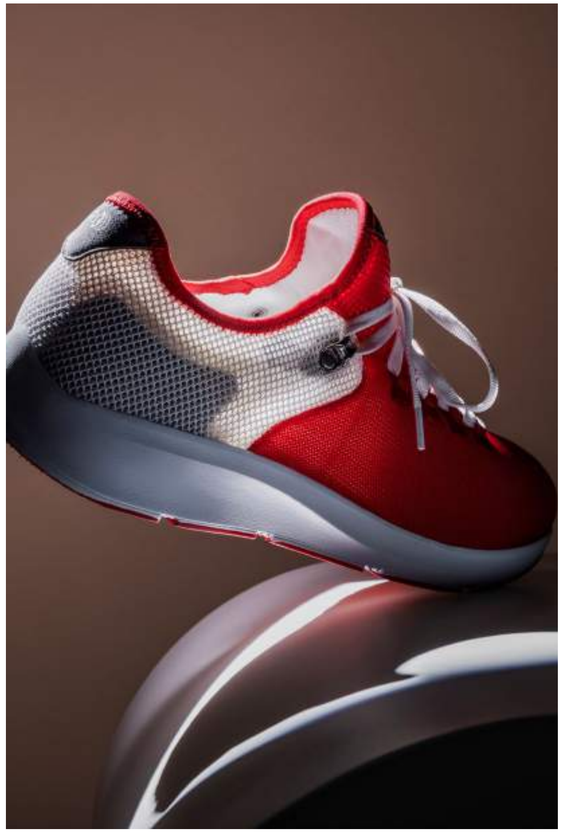
Thermoplastic composites can be designed to be recycled and reused after or end of life

ECO-CONSCIOUS

Composite materials can be molded into complex shapes with minimal scrap; corrosion and temperature resistance lowers maintenance cost

Materials Pillar

> Texon and Rhenoflex produce sheet materials or individual pieces that are largely undyed as they are hidden in the shoe construction"



During the acquisition processes for Texon and Rhenoflex we spend a lot of time assessing their sustainability strategies and performance and comparing it to Coats. Coats main business is producing threads and dyeing is the major process in terms of sustainability impact. Texon and Rhenoflex produce sheet materials or individual pieces that are largely undyed as they are hidden in the shoe construction. The core processes are producing synthetic or cellulosic sheets and impregnating or coating them, or using additive manufacturing techniques to produce sintered individual reinforcement pieces. Water use is far less intensive than in the Coats processes. Energy use is significant and is more geared towards Scope 1 heat energy than is the case for Coats.

Operational emissions reduction through energy efficiencies and transition to renewables is a high priority for both businesses. Material transition is a major area of focus and is well advanced in both companies. People-related issues are very similar to those in Coats.

Our conclusion from this review is that both acquired companies have a very similar approach to sustainability as Coats, and that while the balance of material issues varies between the entities the new acquisitions can be easily integrated into the Coats sustainability strategy framework.

CASE STUDY RHENOFLEX MULTIZONE

Rhenoflex Multizone enables customized production of shoe caps with tailor made curing zones. We distinguish between two different versions: Multizone 1C allows for the production of different thicknesses of a material for a reinforcement cap while Multizone 2C makes it possible to combine different materials in a single reinforcement cap. The reinforcement material is hard where it needs to provide support, soft where it needs to be comfortable. This increases the performance and comfort of the shoe and also allows for the customized implementation of new ideas, shapes and designs as well as the integration of RFID (Radio-Frequency Identification) and NFC (Near Field Communication) chips. With its new Multizone process , we can reduce the weight of products by up to 25%. Multizone reinforcement solutions are thus particularly well suited to running shoes, as every gram counts for runners. Various patent applications for Multizone products and processes are currently under review. Rhenoflex always has in mind its goal of ensuring that an innovation in materials and/or production processes must be more sustainable than its existing equivalent.

As well as the reduction in carbon impact of the components themselves, additional carbon benefits come from us only shipping the customer useable material, reducing the impact of transportation and associated emissions by up to 50%. Our customers have no materials waste to manage and our production process has two labour intensive practices (cutting and skiving) completely eliminated, further saving on process energy. This highlights how a combination of materials and process innovation can deliver added unseen benefits and shows how we not only want to be as sustainable as we can, but to also pass on this benefit to our customers, to work together for a greener, cleaner future in footwear.

MULTIZONE PROCESS REDUCES

by up to 25%

THE WEIGHT OF PRODUCTS, REDUCING

by up to 50%

THE IMPACT OF TRANSPORTATION AND ASSOCIATED EMISSIONS

Materials Pillar

FOOTWEAR COMPONENTS

In a market that is traditionally defined by material-intensive production processes, high waste generation and energy consumption, our 2022 footwear components acquisitions are known for pioneering sustainable production processes and eliminating waste. As far back as 1985, Rhenoflex already patented a process for manufacturing shoe reinforcement materials that was virtually 100% waste-free. At the time, Rhenoprint™ revolutionized the industry and has been continuously developed since then.

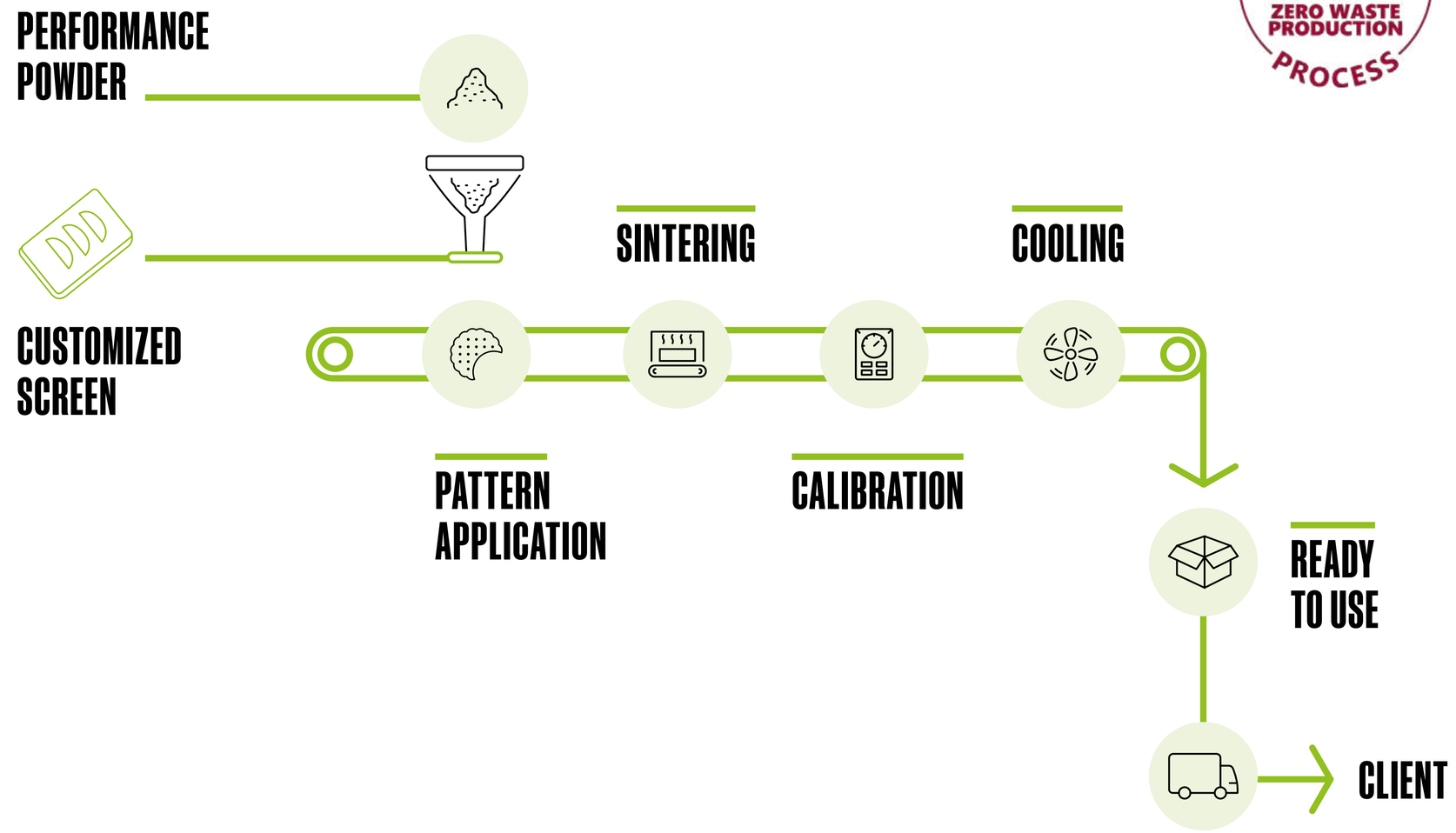
The prevailing industry standard for producers of footwear components is the use of so-called sheets, from which reinforcement materials are cut out. The starting point is impregnated, laminated, extruded or powder-sintered plastic panels and/or rolls of material. Available in different grades, they are made of a variety of raw materials and are used to punch or cut out reinforcement components (e.g. toe caps and heel counters). The punching and cutting process is an additional process step that consumes energy and takes time. This process can immediately produce thermoplastic caps by "printing" ready-to-use shapes that are adapted to customer requirements down to the last millimeter.

With Rhenoprint™ the customary punching and cutting of sheet product become obsolete. This unique production process features a 50% lower CO2 footprint than traditional comparable processes. The resource-efficient, waste-free process continues to be state-of-the-art to this day, however our teams have delivered further innovations and developed the next generation of Rhenoprint™, which we market as Multizone.

RHENOPRINT™ PROCESS
ZERO WASTE PRODUCTION

Rhenoflex

RHENOPRINT™ 100% ZERO WASTE PRODUCTION PROCESS



Materials Pillar

Our recently acquired business, Texon has had a long standing commitment to diversifying its raw materials base and today source 70% of their polyester fibre from renewable sources. This transition towards eco materials has significantly lowered the CO2 impact of their footwear components product portfolio as well as helping to keep our natural environment free of potential pollution.

Over the last 18 months, the team has worked hard, in conjunction with their supply chain partners to validate new recycled alternatives, in particular for low fibre melt and spun lace backers.

In line with customer expectations, the footwear team are now extremely proud to offer a range of 100% recycled polyester structural solutions whilst still maintaining the key performance characteristics that Texon has prided itself on. Through 2023 further work will be delivered to completely phase out the use of any virgin polyester in their structural components products.

Texon ProWeave Technology

CASE STUDY CIRCULARITY IN PACKAGING

Work has continued in 2022 with further review of packaging materials to increase sustainability and reduce environmental impact.

Plastic has typically been used in packaging of our products, both through incorporation of plastic sleeves to protect our product from dirt, dust and atmospheric contamination during transit and storage, and for the plastic thread supports onto which our product is wound for final use in sewing applications.

Our cross functional team involving Commercial, Manufacturing, Warehouse and Procurement team members worked collaboratively with customers and suppliers, enabling packaging requirements to be reviewed and made more sustainable whilst still fully meeting required levels of quality. This has resulted in elimination of plastic sleeves from dark coloured cones, and a transition to use of single colour recycled plastic supports.

In 2022, we have eliminated use of 14.2 million plastic bags for packing finished goods, and have transitioned 36% of thread supports from virgin to recycled plastic.

Materials Pillar

COATS GLOBAL CIRCULARITY

COTTON GROWING

Cotton growing requires a lot of water and, unless it is organic, it tends to use a lot of pesticides. Increasingly there is a focus on stewardship programmes for cotton cultivation so that the environmental and social aspects of farming cotton are managed responsibly.

FIBRE PRODUCTION

High quality cellulosic fibres are generally produced through the Lyocell process whereby the pulp is dissolved and then extruded through a spinneret in a dry/wet spinning process.

CLEANING & PULPING

Pulp production for recycled cellulosic material is not very different to the processes already used for recycling other cellulosic materials, such as paper, but there generally need to be some additional mechanical processes with textiles to assist with the pulping.

CELLULOSIC MATERIAL GRADING

Sorting of materials by quality and condition is important to ensure that waste material flows are as consistent as possible. Increasingly this will be done by automated processes. Also at this stage non-cellulosic elements can be removed.

BIODEGRADATION

Biodegradation is caused mainly by microbial action on the fibres. This can take place under aerobic or anaerobic conditions and at different temperatures. Some synthetic polymers that would normally be regarded as technosphere materials can now be made biodegradable.

HUMUS, CO_2, H_2O

The end result of the biodegradation is to release water and carbon dioxide and it leaves a rich humus that can be used to enrich soils for future crops.

Textile Production

Distribution & retail

Consumer use

Waste management sorting

FIBRE PRODUCTION

Polymer chips are melted and extruded to produce continuous textile filaments. These can be cut to produce short staple fibres, similar to cotton, or left as continuous filament yarns.

RE-POLYMERISATION

This step requires the production of new polymer chips with the same properties as virgin polymers. In the case of the most common type of textile polyester (polyethylene terephthalate - PET) this means recombining the precursors.

PLASTIC DE-POLYMERISATION

Polyester fibres can be broken down into precursors, such as purified terephthalic acid (PTA) and monoethylene glycol (MEG). This allows for the removal of impurities such as dyes and means that the qualities of the polyester coming from the subsequent re-polymerisation are not dependent on the properties of the polyester feedstock used.

WATER

Water Pillar

2022 PERFORMANCE HIGHLIGHTS

38%
REDUCTION IN WATER INTENSITY AGAINST 2018 BASELINE

3.78 million
INDIVIDUAL BATCHES DYED

188 thousand
DISCRETE SHADES DYED

WHY IS WATER PRESERVATION IMPORTANT?

Water is a precious resource and is coming under increasing pressure globally. Textile manufacturing, and especially dyeing processes, use significant volumes of water. We recognise our responsibility to use water as efficiently as possible to ensure that our water extraction activities create no negative impact on the local communities and biodiversity in the areas in which we operate. We are committed to minimising fresh water abstraction, and commit to reducing water consumption especially in areas of high water stress, and we strive to return the water we have used to the environment in a fit state for use by others.

Areas of high or extremely high water stress, as per the WRI definition, are areas where human demand for water exceeds 40% of resources. We have identified that 23% of our businesses' current sites are located in areas of 'high or extremely high' baseline water stress, and these sites are given high priority.

Further details on our water discharge processes can be found under our Waste Pillar where we recognise this as a material issue for stakeholders and continue our commitment to achievement of 'Zero Discharge of Hazardous Waste' (ZDHC) effluent standards.

In our 2019-2022 strategy period, our priority focus has been on delivering significant reductions in water intensity, through elimination of wasteful or unnecessary uses, process re-engineering to reduce water use or reduction of the use of chemicals that can lead to degradation of water quality. Having delivered significant progress in this area, our priority will now align to increasing the rate of water recycling across our operations to further reduce "fresh water intensity". Priority focus for this will be given to high and medium water stress locations as set out by the World Resources Institute Aqueduct Water Risk tools.

> 23% of our current sites are located in areas of 'high or extremely high' baseline water stress, and these sites are given high priority"

Water Pillar

CASE STUDY LEAK REMEDIATION IN SEVIER

Inclusion of our Sevier site in our global ESG Utilities metering project in 2022, resulted in the installation of numerous smart water flow meters in different locations across the factory, with real-time data streamed into our cloud based Utilities management software. The additional granularity of data enabled the local ESG project team to develop significantly improved insights and understanding on where water losses were occurring across the facility and insight-led actions were planned and implemented to deliver significant water leak remediation, supporting an overall site level water intensity reduction of 29% in 2022 versus 2021.

> "Availability and use of streamed data helped our continuous improvement teams quickly develop actionable insights which have underpinned significant reductions in site level water usage"

Emrah Bilgin, US Manufacturing Director

2022 PERFORMANCE

In 2022, we dyed 3.78 million individual batches and 188 thousand discrete shades across our 36 dyehouse and laboratory operations globally. 89% of our water consumption globally is attributed to sites with dyehouse operations where currently available technology for dyeing of textile substrates is reliant on use of water as the vehicle to carry dyestuff molecules into the fibre to achieve the target colour specified by the brands, retailers and end customers that we serve. Water is also used extensively in wet processing for dyeing pretreatment, where wetting-out of fibres is required; dyeing post treatment, where washes and rinses are applied to optimise colour fastness; and machine cleaning, to eliminate contamination when transitioning from dark to light shades.

Since 2018, our primary metric for water has been water intensity, measured in litres of water per Kg of finished goods produced, with a target set to deliver a 40% reduction in 2022 against our 2018 baseline. In 2022, we delivered a 38% reduction in water intensity against our 2018 baseline, reducing from 85.2 litres water per Kg finished goods production in 2018 to 52.5 litres water per Kg finished goods production in 2022. In the last quarter of the year, through further process optimisation, we delivered and overall 46% reduction in water intensity versus our 2018 baseline. As well as the significant reduction in proportion of water used in our processes, this equates to an absolute annual reduction in water consumption of 1.6 million cubic meters, equivalent to the annual drinking water requirement for 2.2 million people.

The reduction in water intensity has been delivered through a geographically diverse and

multi-disciplined team under our Cleaner and Lighter programme with focus on reducing batch liquor ratio, process optimisation to reduce or eliminate washing and rinsing cycles, and in some cases moving process treatments from multiple to single bath processes. Collaborating closely with our trusted supplier network, we have worked on innovative solutions, introducing new dyeing chemistry in some processes to reduce dyeing-related water intensity and to reduce the rate of machine cleaning required to eliminate contamination.

This reduction in water intensity brings with it wider sustainability benefits, with reduced energy requirements for heating the lower quantum of process water, and lower additions of dyeing auxiliary chemicals which are generally added in proportion to the volume of process water.

Water Pillar

CASE STUDY NEW CHEMISTRY FOR COTTON HANK DYEING IN INDIA

Dyeing of cotton with reactive dyestuffs is known to be one of the most water intensive dyeing processes in the textile industry, requiring multiple dye bath fills and drains to deliver the required high brightness shades with the requisite levels of colour fastness. Our team in India identified an opportunity to transition their cotton hank dyeing processes onto new state of the art reactive dyeing technology and in this part of the business has delivered an 44% reduction in water intensity through the course of 2022.

44%

REDUCTION IN HANK DYEING WATER INTENSITY

MANAGING WATER SCARCITY

Having delivered such significant reductions in water intensity globally from 2018 to 2022, we are now close to the limits for currently available dyeing technology, and in our next target horizon period to 2026 will focus our efforts on increasing the percentage of water recycled from our operations.

As in previous years, using the World Resources Institute Aqueduct Water Risk Tools, we have assessed the overall water supply and demand situation for each of our manufacturing facilities and have classified each based on their location's water stress with consideration given to water depletion and water table issues.

In 2022, 30% of our water consumption use was in areas with very high or high water stress levels (31% in 2021). A further 33% of our water is used in areas with medium water stress (34% in 2021). Our water recycling investments have previously been prioritised to units with very high water stress levels, where we recycle 42% of our water, compared to 25% globally.

We have now set a target to deliver a 33% increase in the rate of water recycling by 2026, based on our 2022 baseline, and will focus on delivering this primarily in our sites located in medium and higher water stress locations. Delivery of this target rate of increase in water recycling will come from investments in reverse osmosis and ultra-filtration systems with capital investments planned for installation of these systems through the 2023 to 2026 time horizon.

DEVELOPING TECHNOLOGIES

In parallel with our work to reduce water use to the minimum and to increase water recycling rates, we continue to invest resources on emerging technologies that will allow us to deliver thread colouration without use of water as our dyeing solvent and heating medium.

In 2018 we invested in Twine, a start-up based in Israel, that is developing digital dyeing technology for yarns. Digital textile dyeing is not a new process, but to date it has only been successfully industrialised for dyeing on fabrics. The challenges of dyeing on yarns and threads are significant when compared to fabric dyeing. Principally the substrate is three dimensional rather than planar and it is microscopic in size compared to a fabric. Twine have successfully addressed these challenges and during 2022 we have continued development work on their technology in one of our Innovation Hubs.

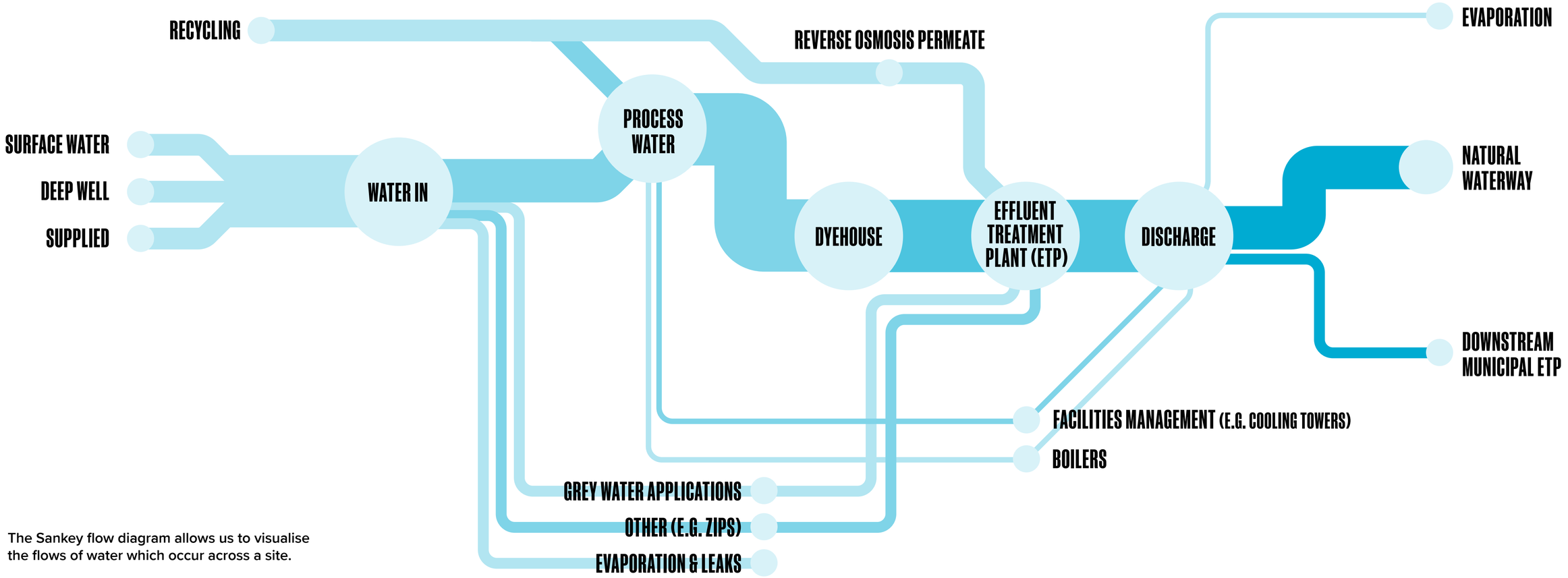
At the United Nations Climate Change Conference of the Parties (COP26) in November 2021, Coats committed to investing US$10m up to 2026 on scaling up the development of green technologies and materials across the industry. In 2023 we will allocate US$2m from this fund to support rollout of the Twine technology at selected apparel and footwear brands to support delivery of high speed, water free sampling.

Recognising that digital dyeing probably won't be the only disruptive water free technology of the future, we continue to trial other options that may assist us to move away from water-based dyeing.

TS-1800 - fully waterless, digital thread and yarn dyeing system, Twine technology.

Water Pillar

WATER PROCESS



The Sankey flow diagram allows us to visualise the flows of water which occur across a site.

The use of these tools at a unit level can help us to understand where there are performance differentials and hence opportunities between our plants, and this is the focus of our ESG Utilities programme.

WASTE

Waste Pillar

2022 PERFORMANCE HIGHLIGHTS

25%
REDUCTION IN WASTE

62%
OF WASTE RECYCLED OR REUSED

92%
ZDHC COMPLIANCE

ZERO
WASTE TO LANDFILL TARGET ESTABLISHED FOR 2026

Waste is generated from our operations, both in the form of physical materials waste from our end to end supply chain activities and effluent waste water and sludge generated from our wet processing activities.

Recognising these two different forms of waste output from our business, we have elected to pull both of these important focal areas under a revised Sustainability Pillar which we will now refer to as our Waste Pillar. Our **Environmental Policy** covers our aims and objectives around waste.

REDUCING MATERIALS WASTE

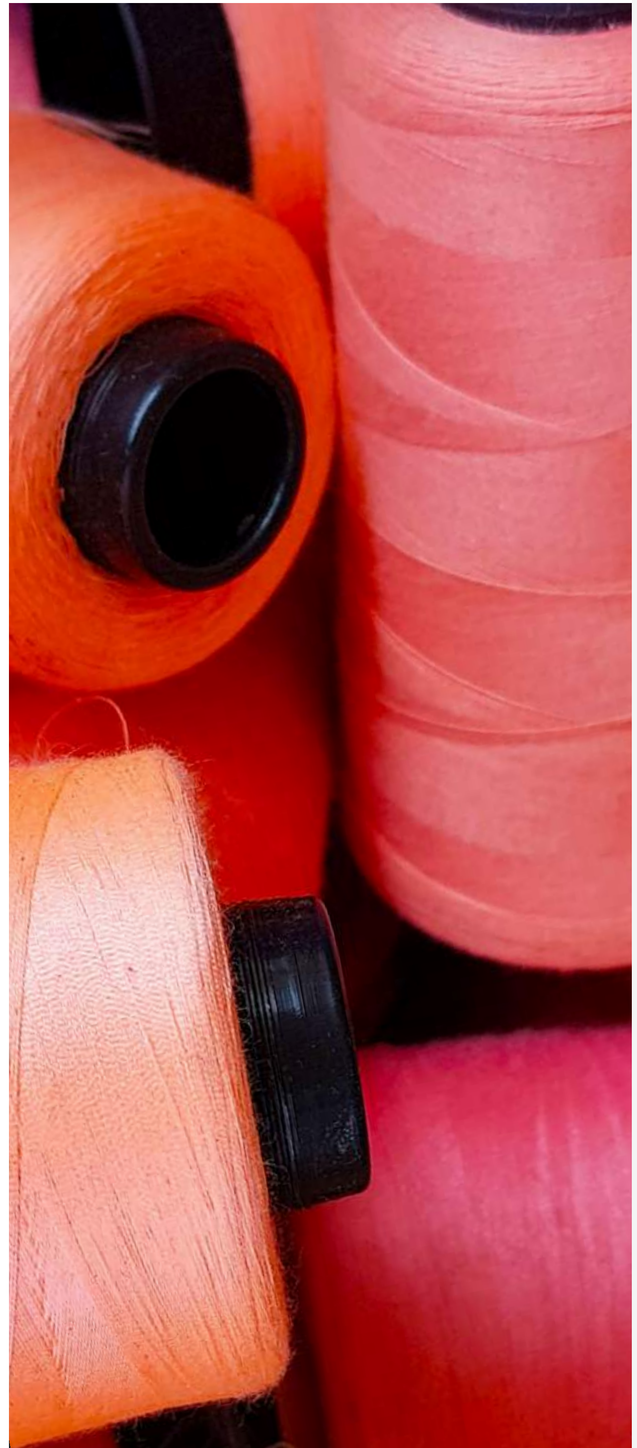
Reducing materials usage and minimising the impact of the materials that we consume is a very high priority for us. In 2019, we adopted the European Union's Waste Framework Directive as our basis for waste management and the resulting waste catalogue contains 35 different waste categories that cover all material items present in a Coats unit. This gives increased transparency and understanding of waste generation streams across our business, and assists us in identification of opportunities for reduction, and where possible, prevention.

Our strategy for reducing overall waste, is to prioritise reduction in its generation through process and product redesign, followed by implementation of reuse and recycling initiatives. We are committed to increase the degree of circularity at Coats, evolving our manufacturing processes, material flows and products from a linear (take, make, discard) to a circular (reduce, reuse, recycle) model.

During 2022, the total waste generated across Coats business units was 14.6 thousand tonnes, compared with 22.5 thousand tonnes in 2021. Analysis of waste generated in 2022 shows that 19% of waste material from our operations is linked directly to our products, with other high volume categories including paper, cardboard and wood packaging 18%, sludge 27% and plastic packaging 10%. Of our waste generated, 62% was recycled or reused, with 13% disposed of in landfill (this is down from 14% in 2021 and 19% in 2020). Globally, 58% of our units have achieved sending zero waste to landfill through 2022.

As per our 2019 to 2022 sustainability strategy, our target for waste reduction in 2022 was delivery of a 25% reduction in the percentage of waste generated from our 2018 baseline. Against this target, we are exceptionally proud to have fully achieved this target with a full 25% reduction delivered – a significant improvement from the 1.4% reduction reported for 2021.

Considerable progress was made throughout the year in working collaboratively with our supply chain partners to identify and implement new waste reduction and circularity initiatives. Examples of circularity on packaging materials have entailed us working closely with strategic suppliers where uplift programs have been instituted on our paper and cardboard waste, enabling it to be repulped and reconstituted into new paper and cardboard packaging materials. With plastic, many of our units now grind thermoplastic dye centres and customer returned thread supports into plastic chips and return these to suppliers enabling their melting and reformation into new plastic items. We have implemented tripartite service agreements with our primary chemical suppliers and a network of global specialist collection players, enabling recovery of



Waste Pillar

empty chemicals drums and plastic intermediary bulk containers and redistribution to our suppliers for their reuse.

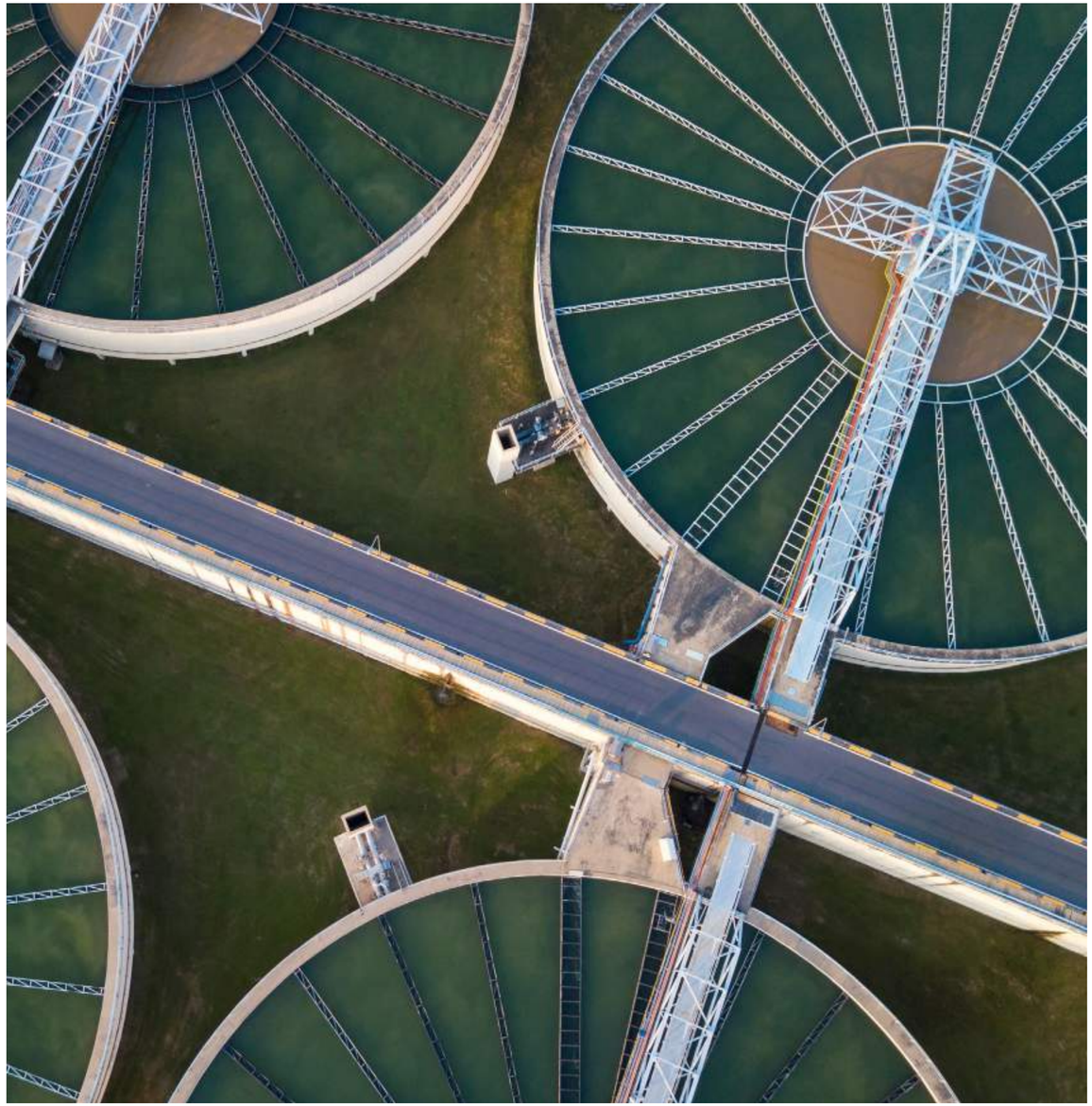
In our recently acquired footwear components business, structural components made from thermoplastic or cellulosic materials are supplied to the customer in a 'sheet' from which customers cut out parts which undergo secondary processing. This creates up to 20% waste, which is taken back by Coats to remelt/recycle.

Significant progress has also been made in reducing the packaging we supply with our products when shipped to customers. We have strategically eliminated use of plastic sleeves across black and dark coloured thread cones , resulting in elimination of 14.2 million plastic sleeves from our value chain, and have advanced the use of recycled plastic in cones and vicones, increasing recycled plastic use by 36% in 2022.

In 2022, further focus has been given to selection and optimised use of chemistry for physical/ chemical effluent treatment systems, resulting in enhanced efficacy in coagulation and flocculation, resulting in reduced generation of sludge. Good progress has also been made in weight reduction of sludge through optimisation of filter-press operation and enhanced sludge drying, resulting in more effective water extraction.

In our next strategy period from 2023 until 2026, our primary focus for materials waste will be elimination of waste to landfill across all units globally. Our target for 2026 is delivery of zero waste to landfill, and this will be achieved by higher granularity analysis of waste streams which today continue to be diverted to landfill, with improved segregation and identification of opportunities for circularity, recycling and reuse.

2022 Solid Waste Management	Non-hazardous Waste	Hazardous Waste	Total Waste
Tonnes to landfill	1,354	605	1,959
Tonnes recycled /reused	8,348	706	9,054
Tones incinerated	672	1,139	1,811
Total Tonnes	**10,875**	**3,729**	**14,604**
Waste %	**3.8%**	**11.0%**	**14.8%**



Waste Pillar

EFFLUENT WASTE

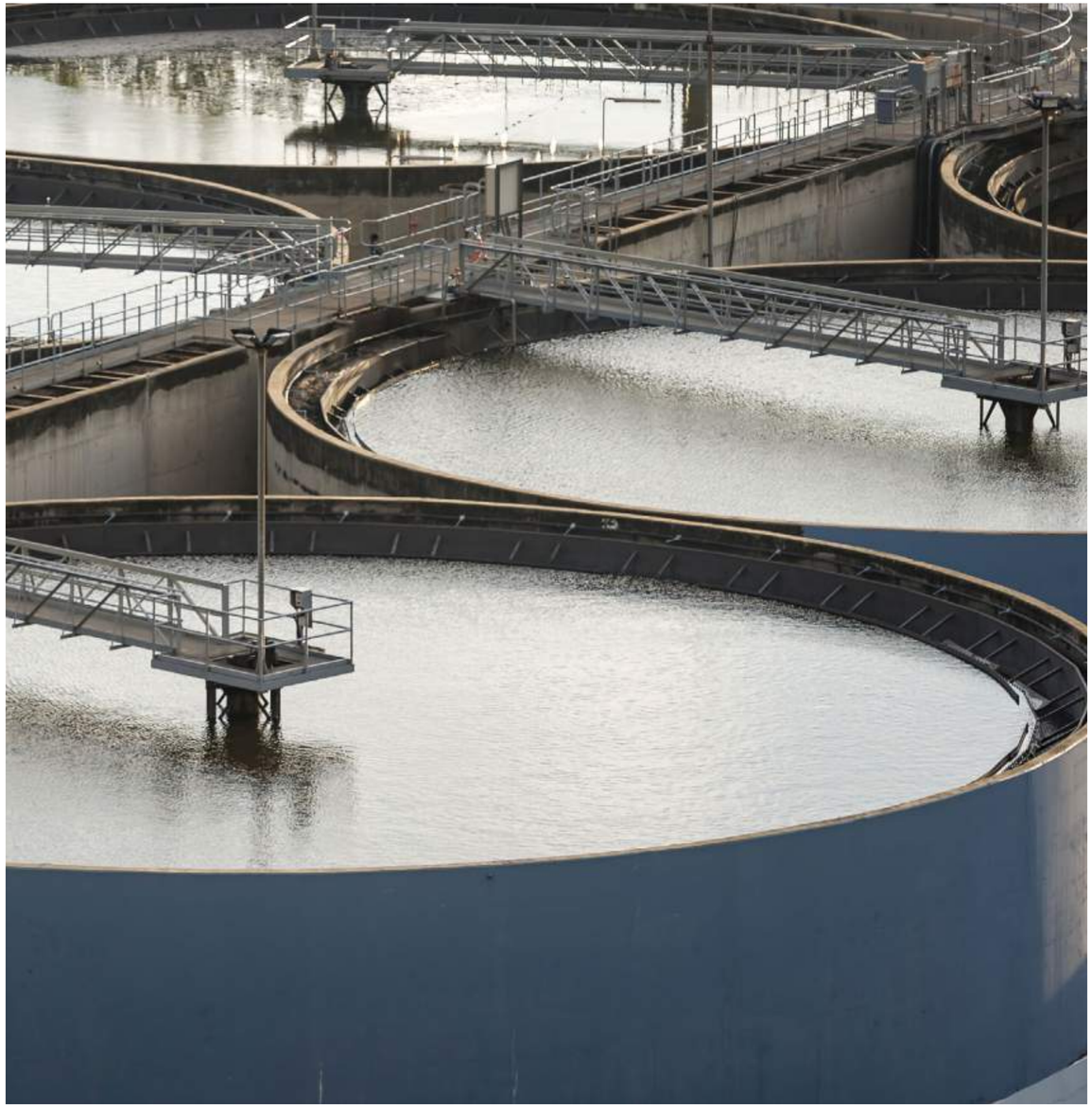
As outlined in our water pillar, our global network of dyehouses rely on use of large volumes of water to facilitate the thread colouration process, and post dyeing, the residual dyeing liquor is discharged from the dyehouse as effluent.

In 2022 we used 4.4 million cubic metres of water globally, and 76% of this was discharged as effluent. As temporary custodians of the water we use, we recognise our responsibility and are committed to ensure that this sometimes scarce resource is returned to the local communities in which we operate in a fit state.

Country or community-level discharge requirements are constantly evolving and we obviously need to keep abreast of actual and potential changes, especially as changes can sometimes trigger the requirement to upgrade effluent treatment plants, which takes time to plan and implement. For this purpose we use a global register of legislative changes which covers all the countries in which we operate and which also ensures that we have in place the correct operational permits for each of our locations, and that any incidents are reported.

As the chemical input load to an effluent treatment plant (ETP) varies depending on the upstream processes, continuous monitoring of key parameters is essential to ensure that the plant is meeting requirements at all times. All of our key sites have automatic monitoring systems in place that are constantly measuring five key criteria; temperature, pH, biological oxygen demand, chemical oxygen demand and total suspended solids. These measurements are taken at the final discharge point and are made every 30 seconds. These data are then fed to an online dashboard that issues alerts to nominated staff if warning limits for any of the criteria are triggered, allowing action to be taken before a discharge limit is breached. This highly responsive system has been important in ensuring that the root causes of any imbalances in the effluent treatment processes are quickly identified and addressed. This system has helped us ensure that we are always in compliance with national discharge regulations.

Waste Pillar



ZERO DISCHARGE OF HAZARDOUS CHEMICALS (ZDHC)

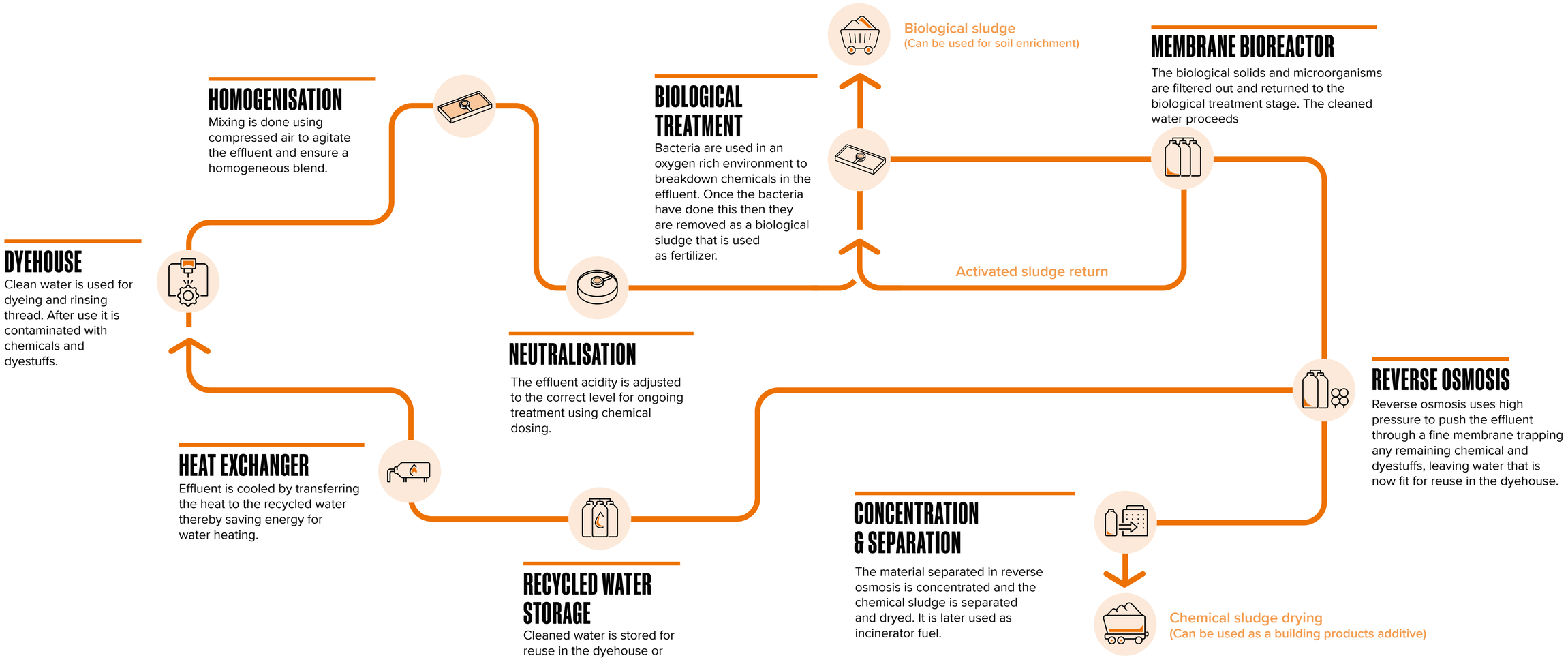
We signed up to the ZDHC programme in 2016 and committed to aligning our effluent standards with those of the programme in 2018. We adopted the ZDHC conventional parameters with foundational limits as our Coats internal standards in 2019.

Initially these limits were applied only to effluent discharged from the factory, but in 2019 the scope was expanded to include sludge. Sludge is essentially the solid residue created during the effluent treatment process, during which some chemicals are precipitated out of the effluent in order to clean it. While some contaminants in effluent can be destroyed through the treatment process, in other cases this is not possible as the chemical remains either in the effluent or in the sludge. Historically much effluent treatment technology has been aimed at removing chemicals that were unwanted in the effluent precisely by ensuring that they ended up in the sludge, however focus on analysis of effluent and sludge, means that for these durable chemicals the only option is to prevent them being used in processing in the first place. We are wholly supportive of this approach and continue to work closely with our key dye and chemical suppliers (many of whom are ZDHC affiliates themselves), to work out how to continue to reduce the chemical load needed to successfully process the fibres that we work with.

Our goal is to have all of our units meeting the ZDHC standards, and in 2022, 92% of our effluent and sludge in those countries where testing is possible was compliant with the ZDHC standard, up from 82% in 2021. Due to our strategic restructuring programme in the Americas and Mexico, we have seen significant changes in our manufacturing product range and mix in 2022 in Mexico, and this has driven a change in the composition of dyeing auxiliary chemicals in our Mexican Orizaba site, resulting in a small number of ZDHC parameters being marginally out of specification. Our leadership team in Mexico are actively addressing this situation through a comprehensive deep-dive of utilised chemistry as well as review of all effluent treatment plant sub-processes. We are confident that we will be able to progress to 100% compliance in 2023, and such is the importance of the ZDHC focus, we will continue to target 100% compliance through our 2023 to 2026 strategy period.

Waste Pillar

MODERN EFFLUENT TREATMENT



PEOPLE

People Pillar

2022 PERFORMANCE HIGHLIGHTS

21%
FEMALE EMPLOYEES - SENIOR MANAGEMENT

35%
FEMALE EMPLOYEES - TOTAL BUSINESS

>60
NATIONALITIES

86%
EMPLOYEES COVERED BY GPTW CERTIFICATION

We have refined our sustainability framework to better align with our material issues. As part of this, our Social pillar is now the People pillar. This recognises that all of our employees are the lifeblood of our organisation and their welfare and that of their families and the wider communities in which we operate is of utmost importance to us.

We have a comprehensive suite of **policies, procedures and programmes** in place to ensure that safety, wellbeing, fairness, equality, diversity and opportunity are an integral part of our relation with our people.

Through 2022, the impact of Covid on our business operations reduced significantly. As with the two previous years of the pandemic, we have continued use of our proactive contact tracing systems meaning virtually no cases of workplace infection in the company. In areas of higher risk, for example China, we have continued to implement rigorous workplace controls including Covid-related communications internally and to surrounding communities. Where possible, working from home has been supported and through our 2022 Future of Work programme we have implemented a new framework for remote and flexible working including development and rollout of training packages for business leadership on effective management of remote teams.

GREAT STARTS HERE

People are at the heart of our business at Coats, and this year we had 86% of our employees covered by the country level "Great Place to Work" certification, exceeding the target of 80% we set in 2019.

Great Place to Work (GPTW) is the world's most reputable global authority on workplace culture, enabling us to assess and benchmark engagement levels across our workplace. The GPTW assessment framework enables us to measure an index of Trust, enabling employee feedback to be given on the levels of respect, fairness, and pride they associate with working for Coats. In the next phase of our sustainability journey, we will continue to utilise Great Place to Work as the primary barometer to measure levels of employee engagement and trust, and are committed to further enhancing our current percentage of employees covered with certification to 88% in 2026 and aspirations to achieve 90% by 2030.

To complement our GPTW programme, we continue to evolve our employee-listening strategy, enabling us to better understand and take actions to further improve employee experience and engagement. Fran Philip is our designated Non Executive Director for workforce engagement and she continues to make contact with employee representatives around the world.

In 2022, Fran conducted 7 Employee Listening Sessions across business units in EMEA, Asia and the Americas. During these sessions Fran undertook to understand how employees feel about working for Coats, and obtained feedback on areas where Coats stands out as a great place to work as well as areas where employees feel improvement is required in the working environment. The output from these sessions were then discussed in a dedicated session at the December 2022 Board meeting. Fran also attended and contributed to 2 Diversity, Equity and Inclusion calls with strong global attendance of approximately 300 employees.

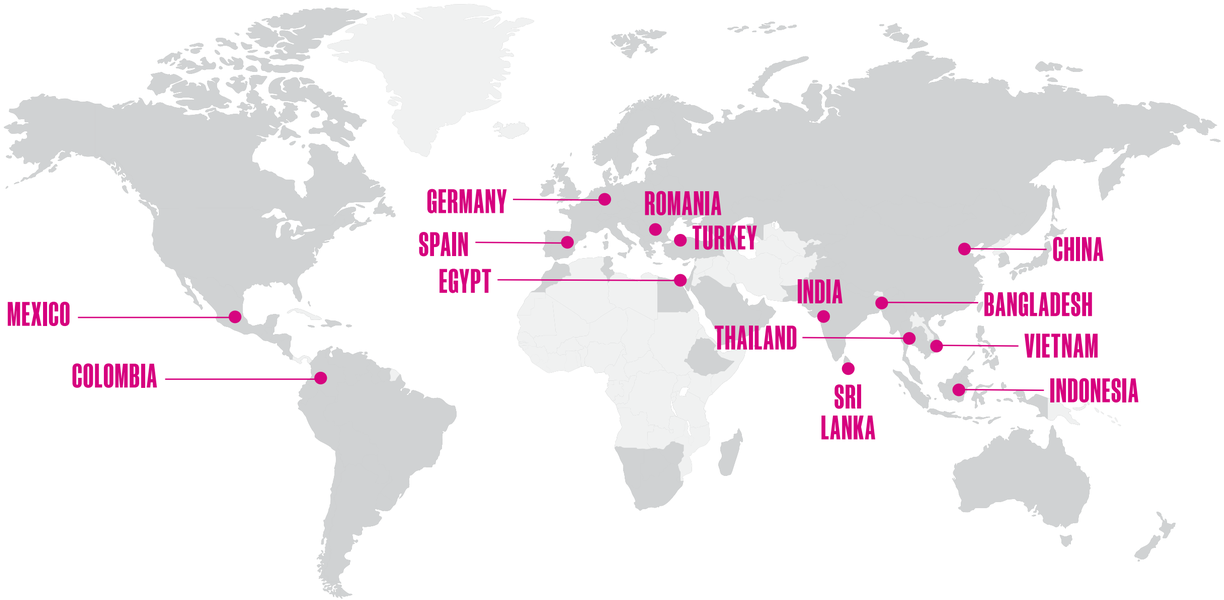
People Pillar

GREAT PLACE TO WORK CERTIFICATIONS

14 countries

86% OF EMPLOYEES COVERED

"We will continue to utilise Great Place to Work as the primary barometer to measure levels of employee engagement and trust"



People Pillar

DIVERSITY, EQUITY AND INCLUSION

As a global employer, Diversity, Equity and Inclusion (DE&I) is part of our DNA and a top priority on our social sustainability agenda. We employ more than 17,000 colleagues worldwide and are proud to bring together talented people from diverse backgrounds and identities.

We value the far-reaching commercial and cultural benefits of a truly diverse workforce. Our core principles highlight the need and responsibility we hold to create a great place to work for all; one that makes everyone feel safe, valued, confident and where they can be themselves.

Everyone, regardless of race, ethnicity, nationality, gender, age, social background, disability, pregnancy or maternity, sexual orientation, marriage or civil partnership, education, beliefs and political opinion, must be treated fairly and with respect. “Coats for All” approach ensures we apply consistent global practices and provide a positive employee experience not for a few, not for many, but for all members of our teams, no matter who they are, where they work or what they do for the organisation.

At a global level we employ people from over 60 nationalities and our gender balance is 35:65 female to male. At a Board level we have 6 nationalities and a gender balance of 44:56 female to male, meeting the Hampton Alexander Review and Financial Conduct Authority targets for female representation at Board level. Our Executive Management team has a gender balance of 29:71 female to male. Our goal is to improve gender diversity at all management levels with a particular focus on senior management levels where our balance at the end of 2022 is 21:79 female to male.

During 2022, the proportion of female senior managers has dropped as a result of strategic projects undertaken during the year and the impact of the new acquisitions made in the year. To accelerate the pace of gender equity at Coats, a female employee-focused programme was developed and launched in late 2022. Our “Coats for Her” programme sits under our umbrella “Coats for All” programme and encourages more women to consider a career with us and nurtures our female talent through five key initiatives: Female Recruitment Campaign, Women in Leadership Fast-Track Programme, Mentoring, Women’s Visibility and Return to Work Programme.

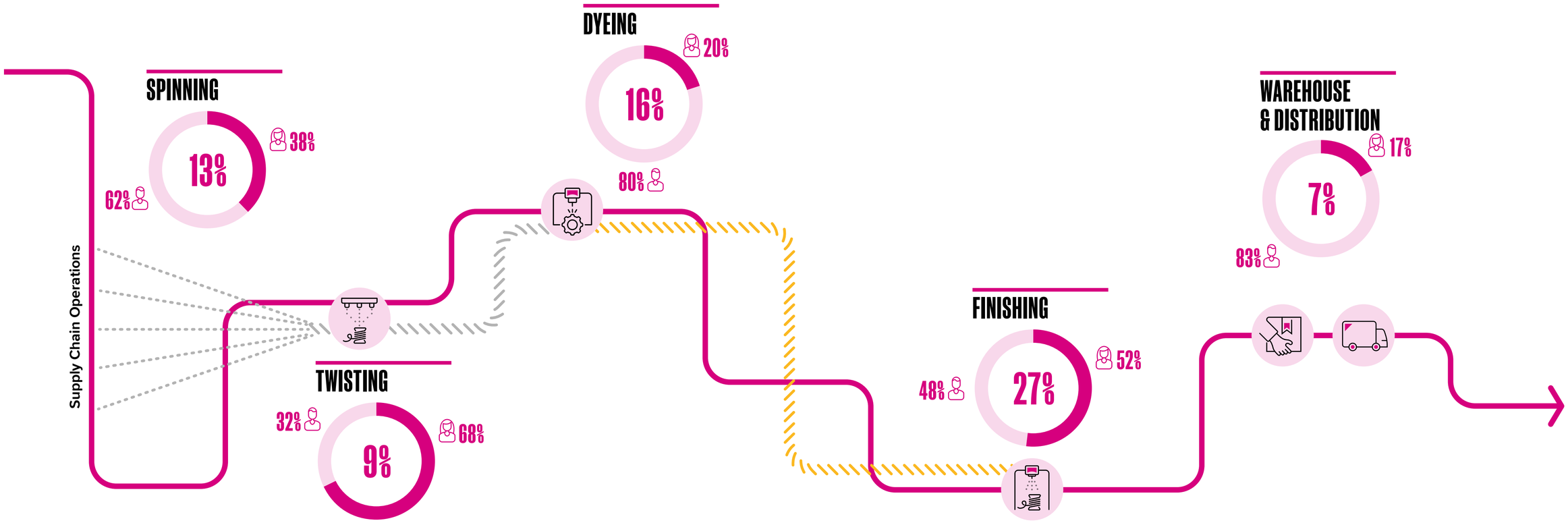
Our Female Recruitment Campaign encompasses our updated recruitment policy and hiring guide which seeks to ensure full female candidate representation at all stages of the recruitment process and our Women in Leadership Fast-Track Programme focusses on developing female employees into shortlists for new job vacancies across our business and ensures equal opportunities are given to women to grow into leadership roles.

Our Women’s Visibility Programmes seeks to increase the visibility and profile of Women across the business through spotlight campaigns of Coats Women on our Coats Link employee communication platform. Biannual Diversity, Equity and Inclusion calls will continue in 2023. Our Return to Work Programme is specifically targeted at supporting the return to work process for both Maternity and Paternity leavers, with return to work guidelines established and shared with Expectant Mothers, HR teams and Managers.

Our target for gender diversity is to achieve a level of 30% females in senior leadership roles by 2026, and to extend this target to 40% by 2030. This target not only subscribes to the United Nation’s goals of gender equality and women’s empowerment, but it also links strongly to Coats purpose of connecting talent, textiles and technology to make a better and more sustainable world.

People Pillar

COATS EMPLOYEE PROFILE



SUPPLY CHAIN OPERATIONS	72%	41%	59%
SUPPLY CHAIN SUPPORT	21%	33%	67%
COMMERCIAL	5%	23%	77%
GROUP	2%	44%	56%

People Pillar

HEALTH AND SAFETY

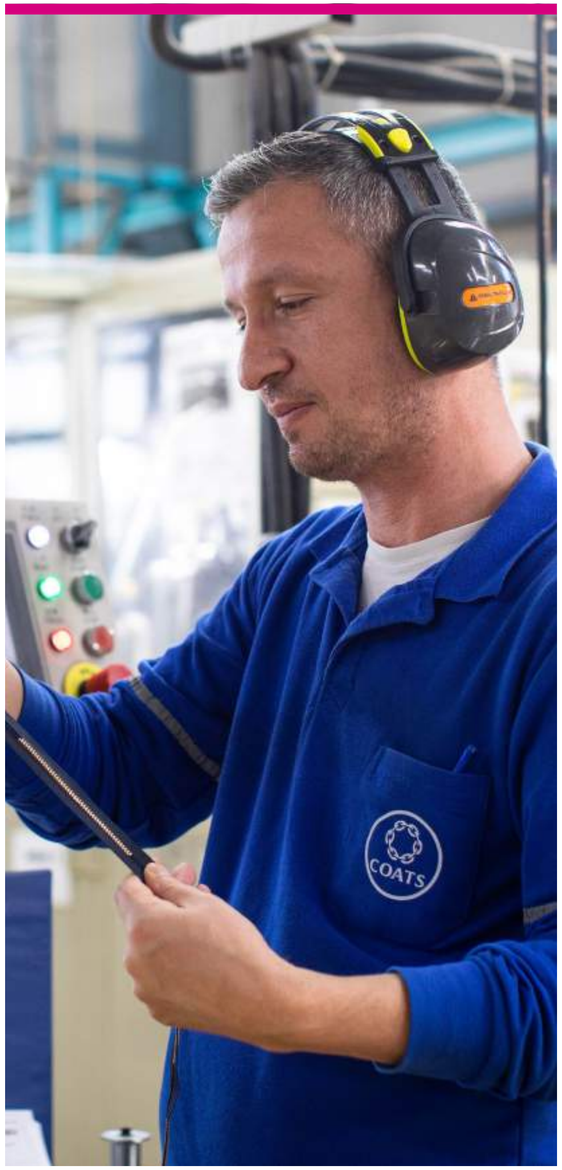
OCCUPATIONAL SAFETY

Our 'Journey to Zero' was launched in 2018 and continues to be at the heart of our business strategy. The focus of this programme is firmly on 'leading' measures that we take to ensure that safety behaviour, training and hazard identification are embedded in our daily business practices. 6 sites globally are covered by ISO 45001, ISO standard for management systems of occupational health and safety (OHS).

Leading measures are those which are aimed at identifying and reducing hazards, and improving safety related behaviour, and lagging indicators are incident rates and their outcomes, such as lost days.

Obviously the ultimate measure of success for this is consistent reduction in our 'lagging' indicators and primarily in our Lost Time Incident Rate (LTIR). At 0.4 (incidents per 100 employees) our LTIR is already significantly below equivalent textile industry rates (latest US rates are 1.9). The LTIR rate has increased as a result of our acquisitions in 2022 and improving the performance in these businesses is our current highest priority. We will also be continuing the focus we have on commuting safety as we continue to find that our employees' journey to and from work is a significant hazard in many countries.

Our **Health and Safety Policy** is available and is underpinned by a full suite of sub-policies and procedures which are rigorously applied across all Coats units and which are incorporated into our digital workflows in our Intelex Health and Safety cloud based reporting system. Health and Safety reports on leading and lagging indicators are made to every Board meeting which are scheduled at least 7 times per year.



HEALTH & WELLBEING

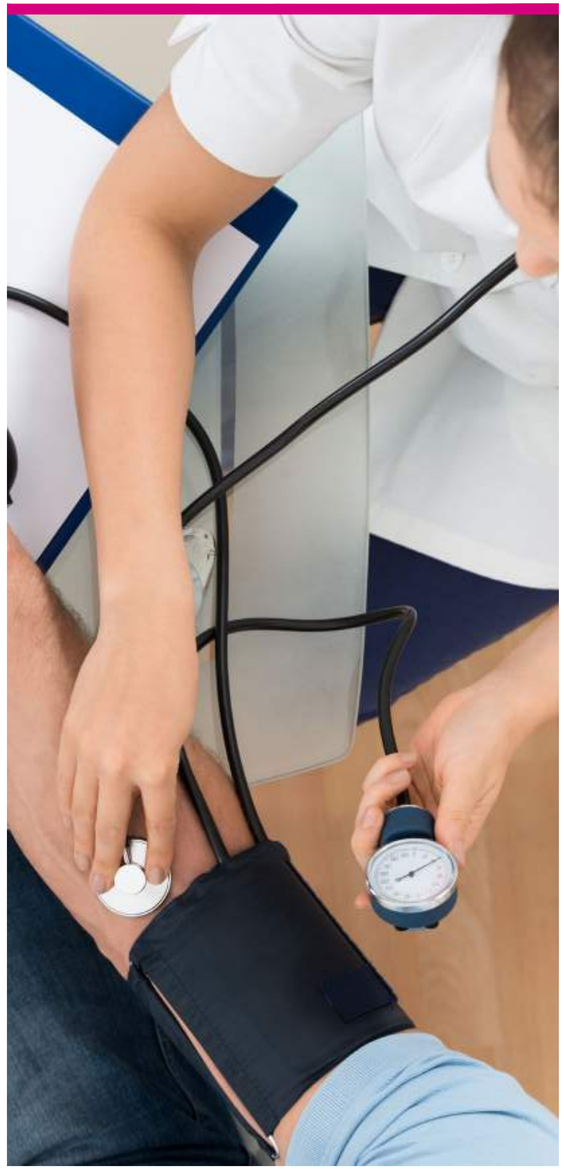
Coats is committed to the wellbeing of all employees, acknowledges workplace mental health as an important issue for the business and its employees, and takes a stand for employee wellbeing. Coats Board and senior management are committed to promoting mental health in the workplace.

Through our 'Energy4Performance' strategy we are seeking to ensure that our employees' health and wellbeing is supported through structured programmes covering physical, mental, emotional and personal zones. We have a long history of providing such interventions, and our new strategy builds on and enhances this.

Our Energy4Performance strategy provide a health-promoting workplace which aims to cover the following aspects:

- Health-related opportunities and risks being identified and regularly assessed
- Increased Employee awareness about the benefits of a healthy lifestyle
- Incentives being provided to local management to offer health-promoting programs
- Medical services in plants based on local law and regulations

Our Mental Health and Wellbeing Statement can be accessed at **https://coats.com/en/download-centre**



People Pillar

ETHICS

We are deeply committed to operating our business with the highest possible levels of ethics and integrity and fully expect all our employees and suppliers to deliver on this commitment. To ensure our high ethical standards are embedded across our supply chain, we make it our responsibility to provide our employees with the correct tools and training to achieve this.

We have an **Anti-Bribery and Anti-Corruption Policy, a Data Breach Notification Policy, a Data Protection Policy, a Whistleblowing Policy and an Anti-Retaliation sub-Policy**.

We have a comprehensive multi-language suite of mandatory compliance trainings covering Ethics at Work, Antibribery, Competition Law and Anti Slavery that are completed by all relevant employees on a biennial basis, and by all new starters. This training was scheduled across the business in 2022, with over 2,500 employees participating and undertaking short post training examinations to prove understanding. We continue to promote open discussions around the importance of ethics through pursuit of our global 'Doing the right thing' programme, led by members of senior management.

We fully support the United Nations (UN) Guiding Principles on Business and Human Rights in our operations. We uphold the UN Declaration of Human Rights and the Convention on the Rights of the Child, the core International Labour Organisation (ILO) Conventions and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the related Due Diligence Guidelines for the Garment and Footwear Sector.

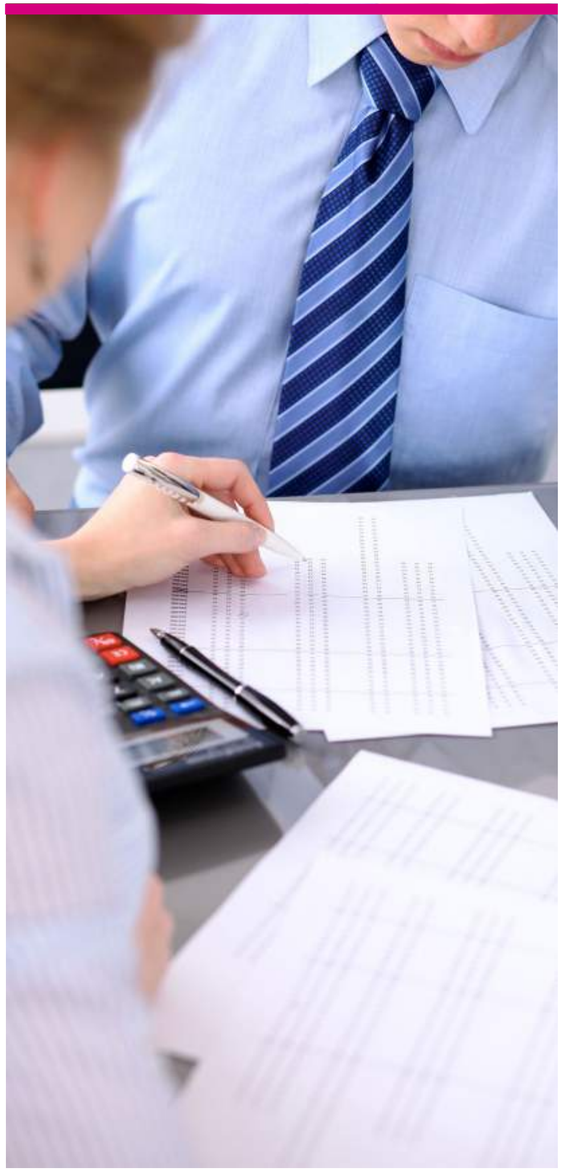
In line with our biannual cycle, in 2021 we carried out an update to our Human Rights Risk Assessment. As in previous years we used data on child protection from Unicef, the Human Development Index from the United Nations Development Programme, the Freedom in the World Index from Freedom House, the Global Rights Index from the International Trade Union Confederation and the Global Slavery Index from Walk Free.

All of these indices were updated in 2020 or 2021 except for the last one where the data has not been updated since 2018. We factor all of these indices by normalising them and weighting them all equally to produce a final score for each country in which we operate and then we apply the employee numbers to weight those scores into a global total. In our latest calculations the analysis is showing a deterioration in the external environment risk level in a number of countries in the Americas and Asia. By drilling into the detail we have identified that the bulk of this deterioration is driven by worse country level child labour risk ratings and is caused by the filling of gaps in the Unicef data sets as they improve their access to reliable data. This indicates that the overall risk level in these countries might not have actually deteriorated in the last two years, but that we are more accurately measuring the risk. We police employee age very rigorously and have had no cases of underage employment in our operations.

> "To ensure our high ethical standards are embedded across our supply chain, we make it our responsibility to provide our employees with the correct tools and training to achieve"

Nevertheless, this continues to highlight the necessity to ensure very robust application of the policies and procedures that we have in place to ensure that child labour, modern slavery, and human rights violations do not occur in our operations and that where legally permissible, freedom of association and access to collective bargaining are open to all our employees. This will be revisited in 2023.

People Pillar



Our Group Internal Audit (GIA) team include a series of 30 human resource audit areas in their audit templates. Most of these are related to compliance with our employment policies or directly with human rights issues. During 2022 they completed 8 audits (compared to 11 in 2021) and identified 10 minor issues requiring remediation within a number of people-related process areas, compared to 13 in 2021.

Following our earlier work on 'living wage' analysis across all our units, we completed the small amount of remedial action necessary to ensure that all employees met this benchmark. Our **Living Wage Policy** which describes our approach is available to download from our website. In addition, our membership of the Fair Wage Network, provides a source of information for our annual remuneration assessments.

We aspire for all our suppliers to be fully compliant with Coats' health and safety, labour and environmental standards, and will increasingly transfer our operational standards into firm targets for our suppliers. Having updated our Supplier Code in 2020 we have continued our programme of audits that are targeted at suppliers that have a high risk profile. We have implemented a system through Bureau Veritas that tailors audit frequency to supplier performance in the audit, with supplier's rated good visited every 3 years. Since we started this programme in 2021, 322 audits have been completed with 92% being rated good or acceptable. Of the 8% where improvement is required, or significant risks have been identified, there are 3 suppliers where we are currently requiring urgent amendments to their practices, and if these are not completed we will delist the supplier.

Prior to qualification of a new supplier, and on an annual basis thereafter, all suppliers are required to make a declaration that all materials supplied by them will be fully compliant with Coats Materials Restricted Substances List (CMRSL). The CMRSL is reviewed and updated on an annual basis and aligns to the strictest standards of all of our customers.

We uphold the aims of the California Transparency in Supply Chains Act of 2010 and the UK Modern Slavery Act 2015 and publish a statement on our website on what we are doing to prevent modern slavery in our business and supply chains. **Policies and downloads »**

Our annual Global Ethics Day took place in October and the theme was sustainability. Both ethics and sustainability are core to how we do business and embedded in our suite of policies reflecting our commitment to observing ethically and environmentally sound business practices throughout the world. To mark Global Ethics Day, multiple local team based activities took place as well as a global digital live event. In addition all employees were invited to make a pledge and commit to an action they could take at work, and in their personal life to either reduce waste or reduce energy or water usage.

The day was a great success with high engagement and many people across Coats either made their pledges on the Coats Link Community Wall or on posters.

Our **Whistleblowing Policy** has been updated in 2022. In 2022, we transitioned from an internally managed whistleblowing hotline to an external web-based channel to give our employees greater confidence that the process is secure and independent. As well as internal options for whistleblowing, we have 2 external options for whistle blowers to use; a confidential external voicemail system and a confidential multi-language external web-based reporting system. Our Whistleblowing Hotline has continued to provide support to our employees and received 91 incidents (compared to 98 in 2021). Of the investigations that have been completed 18 [20%] have been upheld (versus 30% in 2021).

Approximately one third of the upheld allegations were related to unfair employment practices while disrespectful behaviour, ethics code violations, conflicts of interest and health & safety issues make up most of the rest.

In all cases we take robust action, up to and including dismissal, where an incident is found to be justified. The geographical distribution of incidents by region is broadly aligned with our employee distribution which indicates that our work to broadly publicise the availability of the whistleblowing system is successful.

People Pillar

CAREER MANAGEMENT, TRAINING AND MENTORING

We are proud of the long tenure of many of our employees and our ability to match career development opportunities with their personal growth and development aspirations. This is managed through our annual performance review process.

We actively promote a safe, respectful and inclusive work environment and are dedicated to developing our employees through training and mentoring. In 2022 we continued to drive our “Unlock Your Potential” mentoring programme with 60 trained mentors and 134 designated mentees across the business. This programme promotes collaborative learning and development and brings together mentees from across the business to share knowledge, skills and perspectives to support personal development.

As the heart of our business, our employees are highly valued as it is only through their talent, knowledge and commitment that we are able to operate our business in the effective and efficient manner that enables us to remain leaders in our highly competitive industry. To ensure that we can supply high quality and competitive products and services alongside fulfilling high ethical, environmental and social standards our employees must be engaged and fully equipped, and maintain a growth mentality and a thirst for constant improvement. In return for this commitment we are dedicated to ensuring our people have a safe, respectful, fair and inclusive work environment and the ability to develop and progress.

Our Manager Excellence programme continued in 2022, with 88 training sessions delivered by our Talent Team and more than 100 managers completing the programme.

In 2022 we launched our Commercial Academy as part of our wider Commercial Excellence Programme. This delivered targeted training and provision of tools to aid sales competencies, with over 90 Managers completing the Sales Leadership Programme in Q4 2022. We plan further activities in this area, and across further markets in 2023.

Significant progress has been made through 2022 in consolidating our employee systems into our Success Factors platform. We now have all performance management, recruitment and learning activities integrated within a single system, improving accessibility and overall employee experience.

MANAGER EXCELLENCE

88 training sessions

DELIVERED BY TALENT TEAM

100 Managers

COMPLETED THE PROGRAMME

COMMERCIAL ACADEMY

90 Managers

COMPLETED THE SALES LEADERSHIP PROGRAMME

People Pillar

COMMUNITY - COATS CARES

Our community activities, many of which have been ongoing for many years, are now collected under our Coats Care programme which was launched late in 2022.

This programme encourages our employees to volunteer in their local communities and beyond, supporting everything from children's cancer care to homeless initiatives. Our Coats Cares program will highlight and recognize their efforts.

Across Coats we have many examples of employees dedicating their time outside work for volunteering activities in their local communities and beyond. Our plan is to build on this through country level high impact community interventions clustered under our 'Coats Cares' programme and underpinned by a small number of focussed global community initiatives such as on breast cancer awareness.

PAKISTAN

FLOODING

In August and September 2022, significant parts of Pakistan were affected by a series of devastating and unprecedented floods. This catastrophe left more than 1,500 people dead and millions homeless. Government and private sector welfare organizations worked to evacuate the affected people from flooded areas and provided them food, shelter, and basic medical supplies.

To play our role as a socially responsible organization, our Coats Pakistan team initiated a fund-raising campaign to help the flood victims, with all management employees voluntarily donating one days salary to the fund and many workers donating 1% of their gross salary. All donations to the fund were met by an equal contribution from Coats.

Our team were able to raise a combined donation of approximately PKR 840,000 (USD 5,000) for this cause, contributing to the to Edhi Foundations (https://edhi.org/) local provision of food and shelter to impacted community members.

MEXICO

SAVE THE CHILDREN

Through September and October 2022, employees at the Orizaba plant managed to collect 230 kilos of PET caps, which were donated to the Asociación Orizaba Propone AC (AOPAC) to support children and adolescents in their cancer treatment in the region of Orizaba and its surrounding neighborhoods. Through this donation - AOPAC will be able to fund operations and continue with its altruistic work. The total amount donated was $200,000 MXN that were delivered to AOPAC representative, in addition to the collected material which will be sold by the Foundation to continue funding children's treatments.

BANGLADESH

BOOK DONATION AND TREE PLANTATION PROGRAM FOR SCHOOL CHILDREN

In June 2022, Coats Bangladesh implemented another Coats Cares program at Utsho Biddyaniketon- a school for underprivileged children in Gazipur, Bangladesh. Coats donated books for school libraries and also gave away 500 tree saplings to the school and its students, connecting them with the green environment initiative. The program turned out to be one with significance as Bill Watson, COO - Asia was joined during his visit to Bangladesh and supported in tree planting.

Earlier, Coats supported to reorganize the school library, painting library room walls, reading chairs and also donated bookshelves with books. Coats and its employees will donate more books to further enrich the library.

The students enthusiastically displayed their creative skills and sporty attitude through participation in arts competitions and sports events. They also presented their drawings to Bill and Coats Management as souvenir. The initiatives were well appreciated by the school management and believed to be beneficial for the development of young minds.

People Pillar

SRI LANKA

SUPPORTING LEARNING FOR EMPLOYEES' CHILDREN

The Sri Lanka manufacturing team have organised a series of factory visits for the children of Coats Sri Lanka employees to teach them about the workplace of their parents and to provide exposure into the operations of leading multi-national companies such as Coats.

ORIZABA, MEXICO & ODORHEI, ROMANIA

REFORESTATION

Our teams in Orizaba, Mexico and Odorhei, Romania celebrated World Environment Day through tree planting and reforestation initiatives. The initiative in Mexico planted hundreds of Pinus hartwegii species in one of the most emblematic locations on the slopes of the Pico de Orizaba volcano, supporting local communities and helping reduce carbon footprint. Our team worked with a topical slogan: *"You must be the change that you want to see in the world!"*

In Odorhei, Romania, the Coats team supported a 16 hectare reforestation project through provision of packed lunches to approximately 100 local students as well as participating in planting hundreds of tree saplings. The event served as a great opportunity for participants to learn about the cities future forestation plans as well as the personal satisfaction of supporting such a beneficial local cause.

Students planting tree saplings, Odorhei, Romania

SRI LANKA & BANGLADESH

BEACH CLEAR-UPS

Our beaches are bridge between our world and the ocean. Summer weather attracts thousands of visitors to beaches and sometimes visitors bring waste. Beaches have fragile environment, and we must be attentive in how we treat these. Keeping our earth as well as the oceans clean is a great way to help us understand about the importance of having a sustainable earth.

On the occasion of World Ocean Day more than 30 employees from Coats Chattogram, Bangladesh plant volunteered in this community activity under Coats Care program and handed over collected wastes to a recycling unit.

Employees were very enthusiastic about such an amazing event as organizing such local beach clean-ups can help eliminate pollution from the marine ecosystem. We believe such program also causes a ripple effect by raising awareness and encouraging locals to take care of their environment.

In September our team in Sri Lanka organised a beach cleaning programme on Wadduwa Saffron Beach, removing many bags of plastic and discarded rubbish and returning the beach into a much cleaner and more attractive place of natural beauty. We aspire to organize such community activities in future.

MANAGING SUSTAINABILITY

Managing Sustainability

MATERIALITY ASSESSMENT

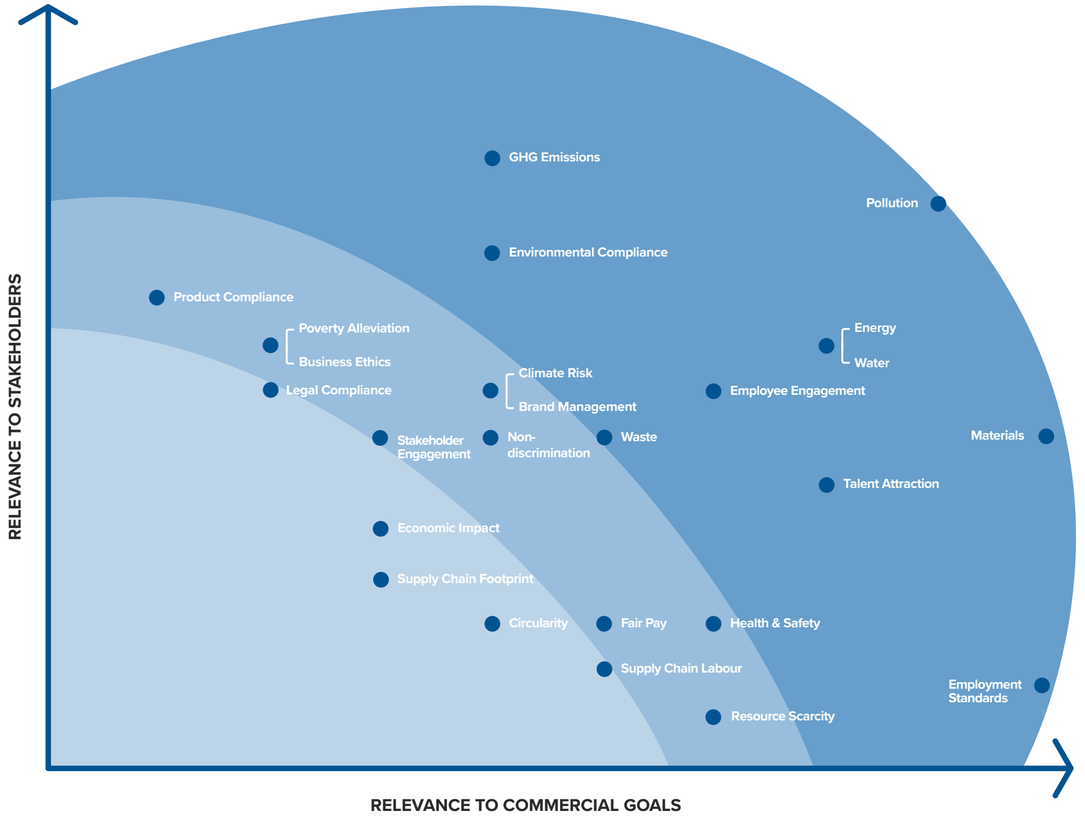
At Coats, identifying the sustainability issues that are of greatest importance to the company and are of most concern to our stakeholders are a vital building block of our sustainability strategy. These materiality assessments, carried out biennially since 2011, are used to inform our wider sustainability agenda, prioritising key sustainability themes to focus on in our strategy development and reporting.

The purpose of these is to identify and assess the environmental, social and governance issues of greatest importance to the company and its stakeholders. The final outcome of the assessment is used to inform our wider sustainability agenda, ensuring that our strategy continues to address the issues of greatest importance.

Nevertheless, in our 2021 review, our top ten issues remained quite consistent with only two new issues coming in (GHG emissions and employment standards) with business ethics and brand management being pushed out of that top tier. When reviewed against our current sustainability strategy we concluded there remains extremely good alignment to our material issues. We have now, at the end of 2022, completed our first set of milestone targets, and have needed to set new targets for our next milestone of 2026, as well as incorporating the new acquisitions made in 2022. In order to do that we have completed another review against our materiality assessment and have reconfirmed that the key material issues and broad strategy remain entirely appropriate, but have used the opportunity to increase the focus on both climate-related and social targets as described earlier in this report.

During 2023 we will complete another materiality assessment exercise.

Our top 25 issues are highlighted in the graph to the right, where the axes represent relevance to Coats Commercial Goals (X) and Importance to our stakeholders (Y).



Managing Sustainability

GOVERNANCE AND MANAGEMENT

The Board of Directors oversees and is ultimately accountable for the sustainability strategy and this involvement was strengthened in 2022 by the creation of a Sustainability Committee.

This Board Subcommittee, which met twice during 2022 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. Chris Dearing, 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. The Sustainability Director manages the Sustainability Delivery Team (SDT) which comprises senior business leaders from procurement, supply chain, finance, legal, and commercial functions who provide the right mix of experience and expertise to continue the effective implementation of our strategy. The SDT is sponsored by the Group Chief Executive and all GET members.

Managing Sustainability

STAKEHOLDER ENGAGEMENT

We recognise the importance of understanding our stakeholders' concerns and priorities and need to make sure that these are represented in our strategies. We do this formally through our materiality assessment as described above, but we also do it through the ongoing contacts that we have with many stakeholders during the year.

Our key stakeholders include our employees, our customers, both our direct customers and the brands that specify the use of our products, our shareholders, the environment around us, the communities in which we operate and our suppliers of products and services.

We maintain links with and seek to understand the views of all these stakeholders both at global and more local levels. More information on our stakeholders can be found in our **Annual Report** and on our website.

CASE STUDY BURSA CRECHE

We are acutely aware that working mothers are often fulfilling two full-time jobs in parallel; contributing to the success of Coats as employees, and ensuring the welfare of their children as mothers.

While at work, it is important that mothers know that their children are in an area where they are safe, in relative close proximity, and where the children can learn and have fun. Through provision of creche facilities for working mothers, our female employees feel more relaxed and comfortable while at work, enabling them to focus more fully on high levels of delivery for the business.

Our creche at Coats Bursa has capacity to accommodate a total of 99 children, with ages ranges from 4 months to 6 years receiving special care for their age group. Pre-school children are prepared for primary school by their teachers and have a lot of fun at the same time. Our motto for the creche children is "Learn while having fun" and all learning activities are aligned with the national pre-school curriculum.

Our creche facility operates across two shifts (from 06:46-14:45 and 14:45-22:25), and gives much wider childcare access than the majority of creches across the city which operate only through typical office hours of 08:00 - 18:00. This high level of flexibility allow working mothers to work across shifts knowing that their most near and dear are in the safest of hands and having fun.

> One of the biggest advantages of working at Coats as a female employee is the availability of a nursery. It's very valuable to be able to see my child whenever I want"

Burcu Kulcu, Personal Protection Technologist

PERFORMANCE SUMMARY

Performance Summary

PILLAR	INDICATOR	UNIT	2014	2015	2016	2017	2018	2018 RESTATED[1]	2019	2019 RESTATED[1]	2020	2020 RESTATED[1]	2021	2021 RESTATED[1]	2022*	2022 TARGETS	2022 RESTATED[9]	2026 TARGETS	2030 TARGETS
ENERGY	Total energy used in operations	Million kWh	858	833	829	823	865	858	831	826	670	661	801	792	692		774		
	Energy intensity	kWh/kg produced	13.2	12.2	11.9	11.5	9.3	9.1	9.4	9.1	9.1	8.9	8.6	8.5	8.2				
	Energy intensity movement compared to 2018	% movement							1%	0%	-2%	-3%	-7%	-7%	-10%	-7%			
	Non-renewable electricity used	%	31%	32%	30%	29%	32%	27%	34%	28%	32%	29%	32%	28%	25%		24%		
	Natural gas used	%	33%	33%	35%	34%	29%	33%	28%	32%	30%	33%	31%	34%	33%		34%		
	Oil used	%	11%	6%	6%	7%	5%	5%	4%	5%	4%	4%	4%	4%	3%		5%		
	Coal used	%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%		0%		
	Renewable energy used	%	25%	29%	29%	30%	34%	34%	34%	35%	33%	34%	34%	34%	38%		36%		
	% Electricity covered by renewable certificates	%					3%	5%	5%	7%	6%	8%	7%	7%	25%		29%		100%
	Total carbon footprint, Scopes 1, 2 & 3[2]	Thousand tonnes CO_2e	322	305	319	311	303		1,123.1		900.7		1,157.0		985.2				
	Scopes 1 & 2 footprint[2]	Thousand tonnes CO_2e	321.9	305.4	318.5	310.6	303.3		273.8	269.2	217.2	212.8	253.4	246.8	207.6		212.3	160.6	147.3
	Scope 1 emissions footprint[3]	Thousand tonnes CO_2e	81.5	67.8	70.9	71.8	67.1		64.6	62.26	51.3	48.7	62.7	58.2	50.0		60.48		
	Scope 1 CO_2 emissions	Tonnes CO_2							63,153	60789	49,743	46935	60,106	56,925	48,585		58,862		
	Scope 1 CH_4 emissions	Tonnes CH_4							83.7	80.7	67.2	63.68	82.8	78.5	66.7		81.0		
	Scope 1 N_2O emissions	Tonnes N_2O							76.6	75.2	47.3	45.86	58.4	56.6	52.7		66.5		
	Scope 1 HFCs emissions	Tonnes HFCs							1,339.2	1317	1,494.5	1470	2,476.8	1,174.8	1,159.8		1,159.8		
	Scope 1 PFCs emissions	Tonnes PFCs							0.0	0	0.0	0	0.0	0	0		0		
	Scope 1 SF_6 emissions	Tonnes SF_6							0.0	0	0.0	0	0.0	0	0		0		
	Scope 1 NF_3 emissions	Tonnes NF_3							0.0	0	0.0	0	0.0	0	0		0		
	Scope 2 emissions footprint (location based)[4]	Thousand tonnes CO_2e	240.4	237.6	247.6	238.8	236.2		235.3	232.9	186.2	184.3	216.1	213.9	195.8		206.288		
	Scope 2 CO_2 emissions	Tonnes CO_2							233,974	231,625	185,116	183,278	214,905	212,741	194,754		205,198		
	Scope 2 CH_4 emissions	Tonnes CH_4							277	275	216	214	234	232	216		224.961		
	Scope 2 N_2O emissions	Tonnes N_2O							1,047	1,043	833	829	948	944	815		864.459		

Performance Summary

PILLAR	INDICATOR	UNIT	2014	2015	2016	2017	2018	2018 RESTATED[1]	2019	2019 RESTATED[1]	2020	2020 RESTATED[1]	2021	2021 RESTATED[1]	2022*	2022 TARGETS	2022 RESTATED[9]	2026 TARGETS	2030 TARGETS
ENERGY	Scope 2 emissions footprint (market based)[5]	Thousand tonnes CO_2e							209.2	206.9	165.9	164.1	190.7	188.6	157.6		151.8		
	Scope 2 CO_2 emissions	Tonnes CO_2							206,858	204,510	164,160	162,323	188,666	186,503	156,004		150,222		
	Scope 2 CH_4 emissions	Tonnes CH_4							155.8	153.8	129.9	128.1	128.7	126.6	114.6		112.7		
	Scope 2 N_2O emissions	Tonnes N_2O							626.8	622.7	529.8	526.3	589.3	585.2	671.6		644.6		
	Out-of-scope biofuels, Scope 2 CO_2 emissions	Tonnes CO_2							38,163.0	38,163.0	26,960.0	26,960.0	32,789.0	32,789.0	19,900.0				
	% scope 2 emissions covered by renewable certificates	%					4%		5%	5%	6%	6%	7%	8%	25%				
	Emissions volume intensity (location based)	CO_2e kg/kg production	4.9	4.5	4.6	4.3	3.1		3.0	3.3	3.1	3.1	2.7	2.9	2.9				
	Emissions value intensity (location based)	CO_2e tonnes/$m sales	210	208	219	206	192		185	223	202	209	176	188	154				
	Scope 3 emissions footprint[6]	Thousand tonnes CO_2e							849.2		671.0		891.3		777.6				560.5
	Scope 3 CO_2 emissions	Tonnes CO_2							722,740		579,979		738,782		641,210				
	Scope 3 CH_4 emissions	Tonnes CH_4							6,748		4,419		7,106		7,589				
	Scope 3 N_2O emissions	Tonnes N_2O							30,525		23,590		31,994		26,128				
MATERIALS	% of sustainable raw materials	%													11%		26%	60%	
	% premium polyester sales from recycled material	%									13%		19%		23%				
	Total materials purchased by Coats	Tonnes	132,694	136,249	146,394	138,589	139,399		144,802		115,302		133,062		107,052				
	Process chemicals used	Tonnes					18,213		16,034		13,820		17,101		13,577				
	Packaging materials used	Tonnes					27,062		24,077		22,486		22,482		23,878				
	Materials used in Coats products	Tonnes	87,002	90,444	95,261	93,268	94,125		104,691		78,996		93,479		73,010				
	Textile fibres used in Coats products	Tonnes					89,329		99,880		74,942		88,536		69,045				
	Dyes and chemicals used in Coats products	Tonnes					4,796		4,811		4,054		4,943		3,965				

Performance Summary

PILLAR	INDICATOR	UNIT	2014	2015	2016	2017	2018	2018 RESTATED[1]	2019	2019 RESTATED[1]	2020	2020 RESTATED[1]	2021	2021 RESTATED[1]	2022*	2022 TARGETS	2022 RESTATED[9]	2026 TARGETS	2030 TARGETS
WATER	Total water used	Million cubic metres	8.3	8.3	8.2	7.9	8.3	8.0	7.6	7.3	5.8	5.5	6.5	6.0	4.4		4.7		
	Water intensity	Litres/kg produced	127	121	118	112	86	85.2	83.0	80.3	76.0	73.5	67.0	64.5	52.5				
	Water intensity movement compared to 2018	% movement							-4%	-6%	-12%	-14%	-22%	-24%	-38%	-40%			
	% of water recycled	%	2%	4%	8%	11%	18%	18%	22%	22%	19%	20%	22%	23%	25%		23%	31%	
	Withdrawal from municipal supply	Million cubic metres	3.3	3.2	3.1	3.0	2.8	2.7	2.7	2.6	2.2	2.1	2.5	2.4	1.8		1.9		
	% water from municipal supply	%	41%	39%	36%	37%	35%	34%	37%	36%	40%	38%	41%	40%	41%		40%		
	Withdrawal from ground water sources	Million cubic metres	2.1	2.6	2.1	1.9	1.9	1.9	1.6	1.5	1.2	1.2	1.4	1.4	1.0		1.1		
	% of water from ground water sources	%	27%	26%	27%	24%	23%	24%	21%	21%	22%	22%	23%	23%	23%		23%		
	Withdrawal from natural watercourses, reservoirs and rainwater harvesting	Million cubic metres					1.6	1.9	1.4	1.5	1.2	1.1	1.0	0.8	0.5		0.6		
	% water from natural watercourses and reservoirs and rainwater harvesting	%	30%	30%	28%	28%	24%	24%	20%	21%	18%	20%	13%	13%	11%		13%		
	Total water withdrawal	Million cubic metres	8.0	8.3	7.5	7.1	6.7	6.5	5.8	5.6	4.6	4.4	4.9	4.6	3.3		3.6		
WASTE	% of water discharged as effluent	%	87%	80%	79%	77%	65%	65%	61%	62%	69%	68%	68%	68%	76%		76%		
	Treated effluent discharge to surface water course	Million cubic metres					4.0	4.1	3.2	3.2	2.7	2.7	3.0	3.0	2.5		2.5		
	Effluent discharge to offsite treatment plant	Million cubic metres	1.5	1.6	1.4	1.4	1.3	1.1	1.3	1.3	1.1	1.0	1.2	1.1	0.9		1.1		
	Total effluent discharge	Million cubic metres	6.9	6.5	6.4	6.2	5.3	5.2	4.5	4.5	3.8	3.7	4.2	4.1	3.4		3.6		
	Environmental prosecutions	No.	0	0	0	0	0	0	0	0	0	0	0	0	0		0		
	% effluent that is compliant with ZDHC	%							63%	63%	74%	74%	82%	82%	92%	100%			
	Investment in effluent treatment plants and technology	Million $	3.4	0.9	1.6	2.2			4.6	4.6	1.5	1.5	2.2	2.2	1.5				
	Total waste generated	Tonnes					24,288	23,072	25,322	24,207	18,499	17,558	23,425	22,530	14,604				
	Hazardous waste generated[8]	Tonnes					7,150	6,924	8,171	7,905	4,031	4,074	5,868	5,754	3,570				
	% total material waste	%					20.2%	19.7%	21.4%	21.1%	19.4%	19.0%	19.6%	19.4%	14.8%				
	% movement in waste % compared to 2018	% movement							6%	7%	-4%	-3%	-3%	-1%	-25%	-25%			
	Reused or recycled waste	% of waste				76%	69%	69%	67%	67%	62%	61%	67%	67%	62%				
	Waste going to landfill	Tonnes						3,060		3,700		3,532		2,977	1,959			0	
	% units sending zero waste to landfill	%						61%	65%	58%	47%	49%	45%	46%	58%				

Performance Summary

PILLAR	INDICATOR	UNIT	2014	2015	2016	2017	2018	2018 RESTATED[1]	2019	2019 RESTATED[1]	2020	2020 RESTATED[1]	2021	2021 RESTATED[1]	2022	2022 TARGETS	2022 RESTATED[9]	2026 TARGETS	2030 TARGETS
PEOPLE	Permanent employee headcount[7]	No.	19,204	18,985	19,079	19,419	18,239		17,725		17,943		18,811		16,709				
	Permanent employee average tenure	Years				10.4	10.3		11.1		10.3		9.7		10.0				
	Permanent employee turnover	%				19%	27%		25%		20%		23%		28%				
	Permanent employee turnover (voluntary)	%													19%				
	Permanent employee turnover (involuntary)	%													9%				
	Temporary Employee Headcount	No.					-		-		3,163		4,104		3,702				
	% female permanent employees	%	40%	41%	40%	41%	39%		41%		42%		42%		38%				
	% female senior managers	%	19%	19%	21%	22%	23%		24		22%		20%		21%		21%	30%	
	% female Board members	%	13%	11%	22%	30%	30%		33		40%		50%		44%				
	Employee engagement score	%	81%	83%	83%	83%	83%		N/A		N/A		83%		N/A				
	Safety training	Hours/employee									23		29		30				
	Sites accredited to OHSAS 18001	No.									7		7		5				
	Sites accredited to ISO 45001	No.									4		5		6				
	Near misses reported	No.				1,583					1,320		1,765		1,653				
	Near miss reporting rate	No./100 FTE				5.4					6.1		6.6		6.9				
	Hazards reported	No.				33,112					35,083		47,400		47,369				
	Hazard reporting rate	No./100 FTE				114					162		179		196				
	Improvement actions completed	No.				36,014					39,689		54,228		53,389				
	Improvement actions completion rate	No./100 FTE				124					183		204.3		221.3				
	Work related incident rate	Incidents/100 FTE			0.56	0.56							0.45		0.4				
	Number of recordable incidents	No.			163	163			135		129		120		97				
	Average lost days per lost time incident	Days			17.9	34.1	16.8		19.7		24.3		20.69		13.31				
	Total lost days from incidents	Days			2,015	2,320			1,672		1,699		1,916		785				
	Lost time case rate	Lost time incidents/100 FTE			0.26	0.24	0.37		0.31		0.36		0.34		0.24				

Performance Summary

PILLAR	INDICATOR	UNIT	2014	2015	2016	2017	2018	2018 RESTATED[1]	2019	2019 RESTATED[1]	2020	2020 RESTATED[1]	2021	2021 RESTATED[1]	2022*	2022 TARGETS	2022 RESTATED[9]	2026 TARGETS	2030 TARGETS
PEOPLE	Work related fatalities	No.	0	0	0	1					0		0		0				
	Health & safety prosecutions	No.	0	0	0	0					0		0		0				
	Commuting incident rate	Incidents/100 FTE									0.37		0.37		0.38				
	Number of commuting incidents	No.									80		98		92				
	% workforce with 'Great Place to Work' or equivalent certification	% workforce									6%		83%		86%	80%	83%	88%	
	Permanent employees subject to a collective agreement	%				38%	37%		43%		46%		53%		50%				
	Permanent employees that are members of a union	%				34%	38%		43%		47%		40%		44%				
	Diversity in employees	No. of nationalities				68	63		60		60		62		57				
	Diversity in senior managers	No. of nationalities				43	32		31		31		32		30				
OTHER	Employees completing compliance training	No.	>4,000	>4,500	>4,500	>4,500	>4,000		>4,000		>4,200		>4,700		>2,500				
	Employees completing modern slavery training	No.							3828		699		>700		>2,500				
	Number of colours dyed	Thousand	156	164	162	171	174	174	176	176	158	158	178	179	185				
	Number of dye batches produced	Million	3.5	3.6	3.7	3.9	3.8	3.8	3.8	3.8	3.1	3.1	3.8	3.8	3.8				
	Direct economic value generated and distributed	$ million	1,033	1,558	1,459	1,501	1,543		1396		1166		1508		1614				
	% Economic value distributed to suppliers	%	65%	65%	63%	61%	62%		60%		62%		60%		61%				

Performance Summary

FOOTNOTES

[1] Due to the sale of our Brazilian and Argentinian businesses in 2022 all years from 2018 to 2022 have been restated to exclude these businesses.

*2022 Data - All data excludes Brazil/Argentina, except emissions data, H&S data and economic value data.

[2]Total carbon footprint includes Scope 3 from 2019 and include market based Scope 2 from 2019. Prior years only include scopes 1 & 2 and location based for Scope 2. The boundary methodology for our emissions is based on financial control for all companies that are consolidated in the company financial statements and equity share for 2 joint venture operations.

[3]Scope 1 methodology - Fuel consumption data is collected from all units monthly, based on metred or invoiced consumption coverted into kWh. This is converted into emissions using DEFRA gross calorific value conversion factors published each year. This is then consolidated as per the boundary methodology.

[4]Scope 2 Location based methodology. Electricity or steam purchase volumes are collected from all units monthly in kWh. For location based calculations, all electricity kWhs are converted using IEA country level conversion factors for the year in question, and purchased steam or heating is converted using DEFRA conversion factors for the year in question. Data is then consolidated using the boundary methodology explained in note 2.

[5]Scope 2 Market based methodology. Electricity or steam purchase volumes are collected from all units monthly in kWh. For market based calculations, electricity kWhs that are covered by energy attribute certificates directly from suppliers or purchased on official markets are removed and the remainder are converted using supplier level conversion factors, if available or IEA country level conversion factors for the year in question. Purchased steam or heating is converted using DEFRA conversion factors for the year in question except for biogenic steam volumes where the CO_2 component of the emissions is removed and reported separately. Data is then consolidated using the boundary methodology explained in note 2.

[6]Scope 3 methodology. Scope 3 emissions are calculated annually using multiple sources for data (base activity data comes from internal data sources and conversion factors are generated from various sources, including suppliers, life cycle assessment data providers and industry data sources). The most critical data, covering primary raw materials, is largely sourced from suppliers. Each Scope 3 category is calculated with the best available set of data sources, and is consistent over the 3 reported years in this table.

[7]Permanent headcount includes JV operations in China so the numbers don't reconcile exactly to the statutory headcount in the Annual Report.

[8]Hazardous waste includes all of the following categories: dyes, chemicals, solid and aqueous sludge, fuels, oils, toner cartridges, hazardous packaging waste, hazardous cleaning cloths, items containing CFCs, HCFCs & HFCs, batteries, inorganic waste, organic waste, laboratory waste, medical waste, construction materials containing asbestos, fluorescent tubes, paints, inks, adhesives, resins and electrical and electronic equipment.

[9]Some 2022 data has been restated to include group acquisition in 2022 of Texon and Rhenoflex.