



PIONEERING A SUSTAINABLE FUTURE: MAKING IT HAPPEN



ABOUT COATS

Coats is the world's leading industrial thread company. Headquartered in the UK, our products are sold in over 100 countries with digital platforms enabling us to serve customers wherever they are located. We give employment to nearly 18,000 people across six continents, and we operate in some 50 countries which provides an unrivalled global footprint.

We work with nearly 30,000 apparel and footwear manufacturers and 4,000 retailers and brands globally, as well as with over 7,000 performance materials customers. In 2019, our group revenue was \$1,389 million with operating profit of \$198 million

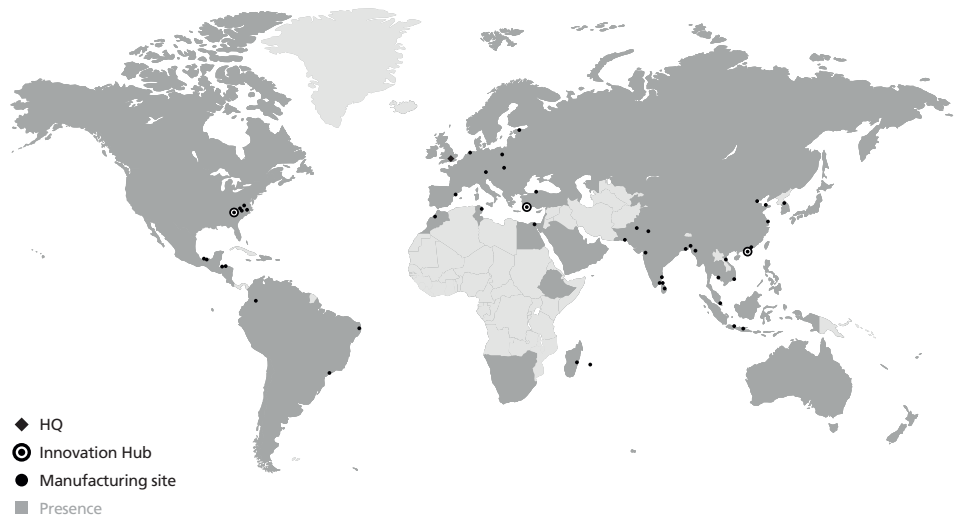
Revenue (\$m)¹



Operating Profit (\$m)¹



¹ Revenue and adjusted operating profit are from continuing operations excluding NA Crafts which was sold on 20/02/19. In the data in the report 2018 has been restated to exclude NA Crafts but to include Gotex and Patrick Yarn Mills.



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About this report

The information in this report covers the period from 1 January 2019 to 31 December 2019. Unless otherwise specified data relates to all operations owned and controlled by Coats Group Plc and joint ventures.

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.

We continue to report in line with the requirements of the Global Reporting Initiative (GRI) and for the second 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.

Coats Group Plc was extremely proud to maintain our place in the FTSE4Good Index for the second consecutive year.



FTSE4Good



For more go online



www.coats.com/sustainability

WELCOME FROM OUR GROUP CHIEF EXECUTIVE



WE HAVE MADE PROGRESS IN THE FIRST YEAR OF OUR STRATEGY, BUT WE RECOGNISE THE SCALE OF THE CHALLENGES AHEAD OF US.

Last year I was proud to announce the launch of *Pioneering for a Sustainable Future*, our new strategy that places sustainability at the very heart of our business, influencing the decisions we make each and every day and setting out ambitious targets for the next four years. I am pleased that we have made good progress in the last year and the business now has considerable momentum to its sustainability journey. This report details what we have achieved so far and our ongoing activities towards our targets and beyond. I am happy that, as befits our position in the market, we continue to lead our industry in addressing the challenges of sustainability.

For over 250 years Coats has worked closely with its customers making the threads and materials that literally hold together the fabric of our lives. This longevity has been no accident, as we have continually changed, adapted and responded to the needs of our customers and societal changes. And it is vital for the future success of our business that we respond again in a robust and positive way to new challenges.

The world is changing. The effects of climate change and damage to our planet are becoming more apparent; the resources we use are becoming scarcer; and we need to find new ways to operate more efficiently and reduce our waste. We need to embrace diversity and difference, using this as a way to innovate and create better products and services for our customers around the world. And we must attract the most talented people and build a company of which they can be proud. If we fail to recognise and respond to these challenges, then we risk our future growth and commercial success.

I want Coats to be part of the solution, working with customers and partners, to create new ways of working and products to protect the environment and the fragile world we share. I want us to be recognised by society as a business with high standards and levels of respect, made up of talented and motivated people supporting the hundreds of local communities of which we are a part. I want our investors to know that we

are managing our risks well and seizing the opportunities to be better and to innovate.

Setting ourselves a bold new strategy last year was the first step. This year I am pleased to announce we have gone further and confirmed our participation in and commitment to the United Nations Global Compact (UNGC). We are fully committed to the UNGC Principles on Human Rights, Labour, the Environment and Anti-Corruption, and will continue to progress the implementation of these Principles in our operations and through our supply chain. We have also identified the most relevant Sustainable Development Goals (SDGs) to our business operations and will continue to ensure that our activities are contributing towards the achievement of these goals. This report combines a broad overview of our sustainability activities with our first formal Communication on Progress (COP) as UNGC participants. As a COP, the report describes our actions and performance in relation to the Principles and our progress towards our sustainability targets and the relationship that these bear to the SDGs.

In 2019 our production levels were slightly lower than in 2018. We have now fully developed our action plans for most of our targets and so have laid the foundations on which we can start to accelerate to deliver them over the coming years. As a result we made modest reductions in our use of water and energy in the year. We expanded our use of renewables, and are getting increasingly knowledgeable about the complexities of this market. We are getting much more management control of our waste – a particularly complex area for any textile business. We have stepped up our efforts to identify areas for improvement in terms of the efficiency of our plants, continued our programme of investments in advanced effluent treatment facilities and introduced real time monitoring of wastewater effluent. I am happy to say that while we recognise that progress in 2019 has been modest in some areas, we have laid strong foundations that will allow us to accelerate towards our targets in 2020 and beyond.

We are also scaling our community investment programmes, offering more focus while boosting the impact of our activities through vital partnerships, the first of which will be announced in 2020. In 2019, 19% of our employees were working in Great Place to Work or equivalent certified locations, and we have continued to strengthen our approach to training and development. This includes over 40 diversity and inclusion training modules, plus quarterly network calls where we discussed progress, shared best practice, and brought in relevant guest speakers to discuss topics relevant to our 18,000 employees located around the world.

We have also continued our *Journey to Zero* and have seen another improvement in our health and safety figures, as well as implementing more activities to enhance the wellbeing and health of employees.

One of our most ambitious goals is to make 100% of our premium polyester products from recycled material by 2024. Although we have made progress, this is proving to be as challenging as we expected, because although demand for our recycled products is growing very rapidly, the quantity of good quality recycled materials available to us is limited. We are working with partners along the supply chain to address this and support the development of a more circular supply chain for textile materials, as we believe that is the long-term future for our industry. We will report more on this over the coming year.

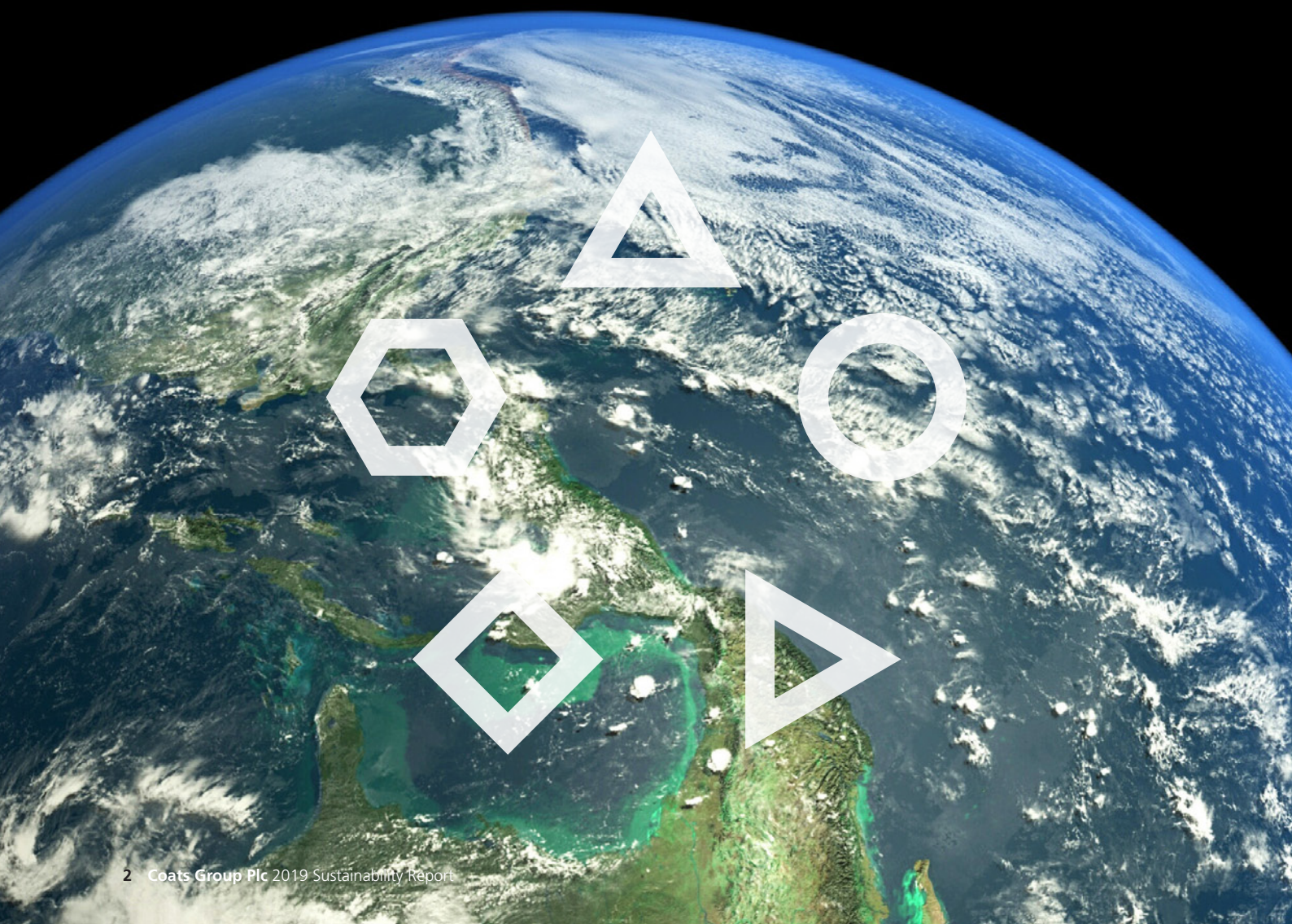
I am satisfied with the headway we are making as we pioneer our sustainable future. The commitment and enthusiasm of our employees, management teams and partners give me huge confidence that the progress we have made will continue over the next year as we undertake this vital journey for our business and our stakeholders.

Rajiv Sharma
Group Chief Executive
10 March 2020

PIONEERING A SUSTAINABLE FUTURE

Coats' new strategy has built on the strong sustainability foundations laid in the past, and has accelerated the company towards its ambitious targets.

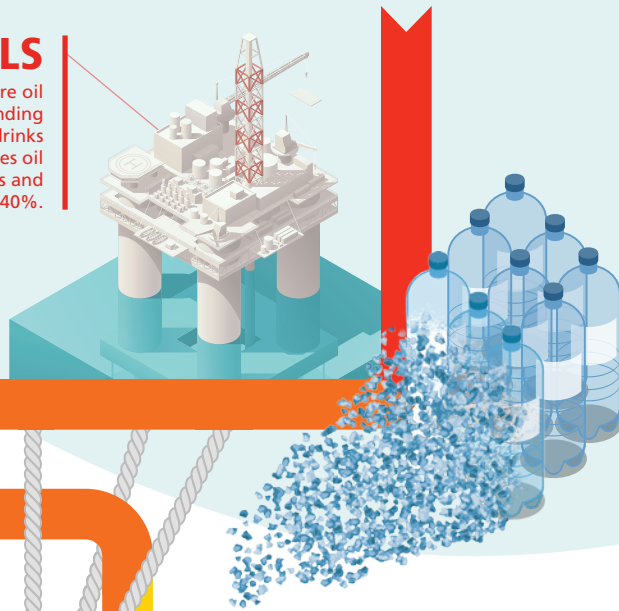
With the launch of our strategy at the beginning of 2019 we have seen huge support within the organisation at all levels and very positive feedback from our external stakeholders. Overall our targets are challenging and there is much work still to be done, but the preparations done during 2019 will allow us to accelerate in our delivery over the next three years.



RAW MATERIALS

Over 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 CO2 emissions in the fibres by 40%.

UPSTREAM



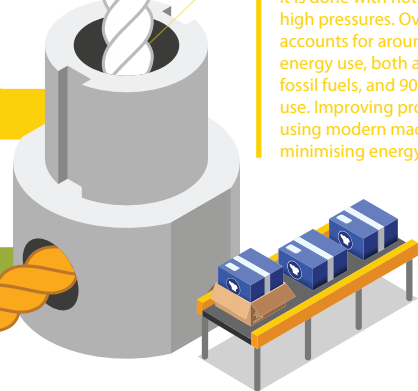
SPINNING & TWISTING

This process converts the raw fibres into yarns and threads. The process uses a lot of electrical energy, accounting for about 30% of our total energy use. Good production planning and machine maintenance is key to minimising energy use.



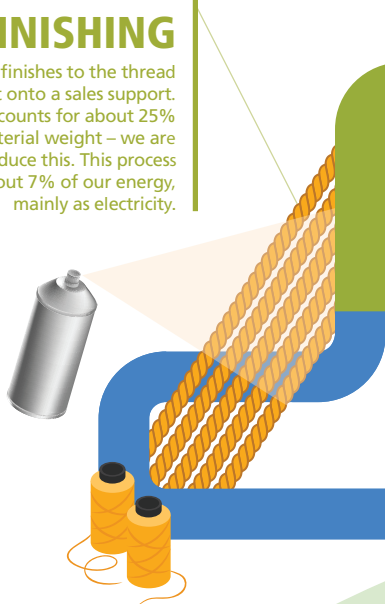
DYEING

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 25% of sales material weight – we are working to reduce this. This process uses about 7% 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.







COMMITTED TO THE UN GLOBAL COMPACT

During 2019, we were delighted to have joined, as a Participant, the UN Global Compact (UNGC). We are fully supportive and committed to the ten principles of the Compact, covering issues around human rights, labour, environment and anti-corruption.

We are taking an active role in helping extend the UN Principles, which are already embedded in our business, and promoting action in both our business and across our supply chain to help deliver the 2030 Sustainable Development Goals (SDGs).














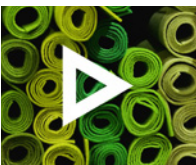

This report is our first Communication on Progress (COP) and we will continue to align our Sustainability Report to the COP reporting obligations of the UNGC in the future.

The Ten Principles and Coats' policies and examples of activities against them:

	UNGC 'Ten Principles'	Coats actions and/or relevant policies	
HUMAN RIGHTS 	PR1 Businesses should support and respect the protection of internationally proclaimed human rights	<ul style="list-style-type: none"> Biennial Human Rights Risk Assessment repeated in 2019 New Key People Principles policy published in 2019 Supplier Code update 	14, 18 14 18
	PR2 Make sure that they are not complicit in human right abuses	<ul style="list-style-type: none"> Supplier code implementation and audits Group Internal Audit audits cover internal compliance 'Living wage' analysis Anti-Modern Slavery activities Anti -Bribery and corruption training Unionisation and collective bargaining performance 	18 15 15 15 15 16
LABOUR 	PR3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	<ul style="list-style-type: none"> Unionisation and collective bargaining performance 	16
	PR4 The elimination of all forms of forced and compulsory labour	<ul style="list-style-type: none"> Anti-Modern Slavery Training Supplier Code and implementation 	15 18
	PR5 The effective abolition of child labour	<ul style="list-style-type: none"> Supplier Code and implementation Group Internal Audit audits 	18 15
	PR6 The elimination of discrimination in respect of employment and occupation	<ul style="list-style-type: none"> Diversity and inclusion programme Diversity statistics 	16 16, 24
ENVIRONMENT 	PR7 Businesses should support a precautionary approach to environmental challenges	<ul style="list-style-type: none"> Coats Restricted Substances List Water stress analysis Environmental policy – www.coats.com/en/Sustainability/Policies-and-downloads 	13 8
	PR8 Undertake initiatives to promote greater environmental responsibility	<ul style="list-style-type: none"> Online system for tracking legislation, permits, incidents and projects Online Monitoring of effluent Adoption of ZDHC standards Investment in ETP plants 	13 13 13 13
	PR9 Encourage the development and diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> Ecoverde Twine Reducing packaging Renewables 	20 9 21 11
ANTI-CORRUPTION 	PR10 Businesses should work against corruption in all its forms, including extortion and bribery	<ul style="list-style-type: none"> Group Internal Audit audits Whistleblowing Anti-Bribery and corruption training 	15 15 15




OUR STRATEGY: PROGRESS AGAINST PIONEERING A SUSTAINABLE FUTURE

During 2018, we launched our ambitious new strategy for Coats called 'Pioneering a sustainable future'. This focusses on five priority areas where we can accelerate progress, through targeted investment of capital and resource. One year on, the table below summarises the progress we have made:

Pillar	Why is this a priority?	2019 highlights	UN SDG	Target
 <p>WATER</p> <p>Page 8</p>	<p>Water is a precious resource and is coming under increasing pressure globally. Textile manufacturing uses a lot of water, especially for dyeing processes. To ensure that sufficient water is available for everyone and the natural world, we have to ensure that we use no more than is necessary and use it as efficiently as possible. Not prioritising this would entail risks for business continuity and rising costs.</p>	<p>Our focus in 2019 has been on detailed analysis of water balances by site, focus on areas of potential wasteful use and exploration of machine and process modifications that will allow us to significantly reduce the baseline of water use using our current equipment. All new dyeing machines are already significantly more water efficient. 2% reduction vs 2018.</p>		<p>By 2022, we will reduce the amount of water used per kilogram of thread produced by 40% against our 2018 baseline.</p>
 <p>ENERGY</p> <p>Page 10</p>	<p>Climate change is a real and growing risk for our business, as for many others. Reducing our energy demand and ensuring that as much as possible comes from renewable, carbon neutral sources will ensure that we are contributing to global efforts to combat climate change, while also reducing our operating costs.</p>	<p>We have initiated three pilot projects using advanced digital energy management systems which will allow us to evaluate in more depth than ever before the opportunities for real-time energy management. 1% reduction vs 2018.</p> <p>We have expanded our use of renewable energy with a new roof-top solar array in Vietnam and are currently working on a long-term agreement in Mexico. We have also installed a small pilot wind plant in Bangladesh. 32% renewables in 2019.</p>	 	<p>By 2022, we aim to be sourcing renewable energy wherever that is feasible.</p> <p>By 2022, achieve a 7% reduction in energy used per kilogram of product made against our 2018 baseline.</p>
 <p>EFFLUENT & EMISSIONS</p> <p>Page 12</p>	<p>While we continue to use water in our processes we will generate effluent. It is essential that any water we return to the environment is properly treated to ensure that there is no damage to the watersheds that we and our communities rely on.</p>	<p>We have updated our Coats effluent standards to incorporate the Zero Discharge of Hazardous Chemicals (ZDHC) standards, and have continued our investment programme in treatment plants. 63% compliance in 2019.</p> <p>All of our major plants now have automatic monitoring and alert systems to ensure that parameters are continuously achieved.</p>	  	<p>By 2022, we will build on Coats global standards by complying with the Zero Discharge of Hazardous Chemicals (ZDHC) effluent standards.</p>
 <p>SOCIAL</p> <p>Page 14</p>	<p>We operate across 6 continents with employees from over 60 nationalities. As our business becomes more digitally enabled ensuring that we are able to attract, retain and upskill our diverse people becomes ever more important. High levels of engagement are essential to our performance.</p>	<p>Ethical behaviour underpins everything we do, and is managed through our "Doing the right thing" programme.</p> <p>We have continued to embed our health, safety and wellbeing programmes across the organisation.</p> <p>We have revised and simplified our policy structure to make it more transparent.</p> <p>We will be launching pilot community projects with a global partner in 2020.</p> <p>19% employees working in certified units in 2019.</p>	  	<p>By 2022, we will have 'Great place to work' or equivalent awards for all our key sites.</p> <p>By 2022 we aim to have all employees contributing to community activities.</p>
 <p>LIVING SUSTAINABLY</p> <p>Page 20</p>	<p>Our products are produced largely from synthetic materials that are oil based. Because these materials don't biodegrade, and the raw material source is finite, we must ensure that we develop towards circularity of use.</p> <p>Waste is both a misuse of scarce material and a serious loss of value, so our focus must be on reducing it, and then reusing or recycling what we cannot prevent.</p>	<p>We have continued the expansion of our EcoVerde supply and widened the markets into which we supply it. 1.5% recycled sales in 2019.</p> <p>We have trained staff globally to use our new waste management system. 6% increase in reported waste in 2019.</p>		<p>By 2022, we will reduce our waste percentage by 25% against our 2018 baseline.</p> <p>By 2024, all our premium polyester threads will be from 100% recycled material.</p>

COATS AND THE SUSTAINABLE DEVELOPMENT GOALS

Most of the SDGs can be linked to some aspect of our company activity, but we have focussed here on the 7 SDGs that are central to our sustainability strategy and to which we consider that we can make a material impact.

UN SDG	Why is this SDG relevant to Coats, what are our opportunities and responsibilities?	Our priorities and actions	Our goals and indicators, our desired outcomes and impact								
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>We employ nearly 18,000 people in multiple countries, many of them developing, and operate in communities that often depend on our activities for their economic wellbeing. Our business is dependent on having access to healthy and motivated employees. Ensuring the health and wellbeing of our employees, their families and neighbouring communities is good for our business and good for them.</p>	<p>That our employees are able to return home safely every day. That their health is maintained and improves while working with us. That we foster the health of future generations who will be our future employees.</p> <p>Programmes supporting this are described in the following sections of the report, with page numbers;</p> <table border="1"> <tr> <td>Journey to Zero programme</td> <td>17</td> </tr> <tr> <td>Health programmes</td> <td>17</td> </tr> <tr> <td>Commuting training</td> <td>17</td> </tr> <tr> <td>Partnership programme</td> <td>18</td> </tr> </table>	Journey to Zero programme	17	Health programmes	17	Commuting training	17	Partnership programme	18	<p>Our goal is to have zero incidents for both workplace and commuting, and we measure both of these rates and publish them.</p> <p>We are planning to work with external expert partners on health and wellbeing programmes aimed at employees and communities.</p>
Journey to Zero programme	17										
Health programmes	17										
Commuting training	17										
Partnership programme	18										
 <p>5 GENDER EQUALITY</p>	<p>Accessing the highest quality of employees globally should give us a broadly neutral gender balance at all levels. At global company levels our balance is 41:59 (female:male), and at senior management levels the ratio is 24:76. This indicates that we are not succeeding yet in fully promoting female talent throughout the organisation. This is an opportunity for us and we have a responsibility to our female employees to further enhance their prospects.</p>	<p>Our priority has been to lead our Diversity and Inclusion network programme from the very top of the organisation. Regular global calls are led by our CEO and with guest internal or external speakers on all calls. Board members frequently participate on calls.</p> <p>Recruitment consultants are routinely instructed to ensure that all short lists for management posts have female candidates.</p>	<p>Gender equality at Board and senior management levels. Ability to attract and retain higher skilled employees. Increased productivity and greater company competitiveness.</p> <p>At Board level this has led to an increase in female representation from 0% in 2012 to 33% in 2019</p> <p>At senior management levels our actions have led to an increase from 18% in 2012 to 24% in 2019. Our desired outcome is to see both these numbers continue to increase until there is a broad gender balance in the organisation.</p>								
 <p>6 CLEAN WATER AND SANITATION</p>	<p>As a textile dyer we currently use a lot of water. Our use of water inevitably reduces the availability for others of this fundamental and finite resource. Our use of it also has the potential to degrade the quality of water returned to the environment. Our responsibility is to minimise our use of water, especially in areas of high water stress and to ensure that water we have used is returned to the environment in a good condition for use by others. The opportunity we have lies in the development of technologies to reduce, or completely eliminate, our reliance on water</p>	<p>Our principle areas of focus have been on reducing water use in our production processes and on ensuring that our treatment of effluent meets high standards. A long term aspiration is to eliminate the use of water in as many of our processes as is technically feasible.</p> <p>Our programmes supporting these aims are described in the following sections;</p> <table border="1"> <tr> <td>Water reduction activities</td> <td>8</td> </tr> <tr> <td>Water recycling</td> <td>9</td> </tr> <tr> <td>Development of water-free processes</td> <td>9</td> </tr> <tr> <td>Treatment of effluents</td> <td>12</td> </tr> </table>	Water reduction activities	8	Water recycling	9	Development of water-free processes	9	Treatment of effluents	12	<p>Our goals are;</p> <ul style="list-style-type: none"> To reduce our water intensity by 40% by 2022 (compared to 2018) To be compliant with ZDHC effluent standards by 2022 We monitor and report on water recycling also, but we have no specific goal for this. <p>Our desired outcome is not to have any harmful impact from our use of water on our stakeholders (especially Communities and the Environment)</p>
Water reduction activities	8										
Water recycling	9										
Development of water-free processes	9										
Treatment of effluents	12										

UN SDG

Why is this SDG relevant to Coats, what are our opportunities and responsibilities?

Our priorities and actions

Our goals and indicators, our desired outcomes and impact

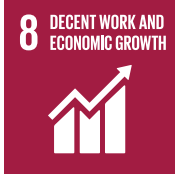


We use energy mainly for process heating and for powering machines. The former is mainly achieved by burning fuels to generate steam, while the latter relies mainly on electricity supplied by third parties. Our principal responsibilities are to ensure that we are using cleaner energy in our steam boilers and that we source electricity from sources that use clean or renewable energy. The opportunity we have is to substantially convert our electricity to renewable generation sources.

We have been focussing for several years on decreasing the use of coal in our operations and on developing sources of clean renewable electricity for our plants. These activities are described in the following sections;

Renewable energy projects	11
Reduction in coal use	11

Our goal is to switch to renewable energy wherever possible. Evaluation of the scope of what is feasible is ongoing because of the complex and rapidly changing situation in many national energy markets, but our intention is to make this target explicit during 2020. We are happy to confirm that we have now completed the transition away from coal.



We directly employ nearly 18,000 people and many more are dependent on our employment. Many of these are in emerging markets. Our responsibilities are to ensure that we and our supply chains are providing decent work conditions and that one effect of our operations is to promote economic growth for our employees and their communities. Our opportunity is to progressively extend decent work conditions along our upstream supply chain.

Ensuring that all of our direct employees are employed in good conditions and are properly remunerated is a principal priority. Extending this concern to our tier one suppliers is also a high priority for us. Our activities to support these priorities are described in the following sections;

Great Place to Work	15
People principles	14
Living Wage	15
Whistleblowing hotline	15
Group Internal Audit	15
Supplier Code	18
Modern Slavery programme	15

Our goal is to have all of our key units externally certified under the Great Place to Work scheme by 2022. Internally, for monitoring compliance against our policies and standards we rely on the transparency provided by our global employee data system, our Group Internal Audit checks, and our whistleblowing system.

We monitor supplier compliance with our Supplier Code on a risk based approach using internal and external audits.



Textile production is currently linear for both natural and synthetic materials. This means that waste is generated during production and products become waste at the end of life. Our responsibilities are to ensure that we minimise the materials we need to produce our products and that we are designing products that are made from the most sustainable material sources. The opportunity we have is to participate in the development of circular product lifecycles that enable the continuous recycling of materials.

Our current priorities are to reduce the generation of waste in our operations and those of our direct customers and to move our primary raw materials to more sustainable sources.

The actions underpinning these priorities are described in the following sections;

Ecoverde	20
Packaging project	21
Waste reduction	20

Our goals are to reduce our internal waste by 25% by 2022 and to convert all of our premium polyester products to recycled raw material by 2024. In addition we are currently working on programmes to introduce more sustainable product packaging to reduce waste potential for our customers.



The emissions from our activities are a contributor to climate change. Our responsibility is to ensure that we significantly reduce our energy requirements and that we use as much renewable and low carbon energy as possible

Our priorities are to reduce our energy use, to shift to lower emission fuels and to convert more of our electricity supply to renewable sources.

The projects behind these priorities are described in the following sections of the report;

Energy reduction	10
Conversion to cleaner fuels	11
Renewable energy promotion	11

We currently measure Scopes 1 & 2 emissions. We have done some discrete Scope 3 element inventories, and are reviewing whether to undertake a full Scope 3 inventory. At the moment we do not have emissions reduction targets, although these are implicit in our targets around energy reduction and conversion to renewables. During 2020 we will complete a review of emissions target setting and will decide whether Science Based Targets will be the route that we adopt.

WATER



LEADER'S VOICE

Water is currently an essential resource in our processes, principally for dyeing. We know that increasing global demands on water use for domestic and industrial purposes are likely to make this already precious resource scarcer in the future, and we therefore take our responsibilities in this area very seriously. Our approach is to use as little water as we can and to make sure that we then recycle as much of that water as possible. Periodically we assess the water stress level and availability for each of our plants, and this informs our investment strategy. We recognise that this is a shared resource and that we must ensure that our use does not lead to shortages for others.

Our long-term vision is to largely eliminate water from our processes, and we are investing in the development of the technologies that look likely to deliver this goal. In the short-term our target for water reduction is very ambitious but we believe it is achievable through the concerted work of our process engineers across the globe.

Michael Schofer
Chief Supply Chain Officer



REDUCING WATER USE IN TRADITIONAL DYEING MACHINES

The new generation of dyeing machines are more water efficient than older ones. The intrinsic water efficiency of a machine is measured by the liquor ratio. This is the ratio of water to thread once the machine is filled, and typical older machines will operate at a ratio of 8:1 while more modern machines, can operate at 4.5:1. This is a 44% saving in water for the same output, and is largely achieved by improved design of pumps and pipework. However, while all our new machines are low liquor ratio designs, with almost 2000 dyeing machines in use, we have a lot of older machines that still have years of life in them.

Our team in Bangladesh have been challenging themselves to find ways to achieve lower liquor ratios on old machines without modifying the machines themselves. Through a combination of maximising the thread load, optimising the water level, rationalising flow direction and adjusting the pump speeds they have managed to reduce the liquor ratio from 8:1 to 6.5:1, a 19% reduction in water used. The water saving also impacts on energy use as a lower water volume takes less heat energy to raise it to operating temperatures.

We will be spreading this innovative approach across other dyehouses in 2020.

A vital resource

Without water we cannot, today, make thread. Water is predominantly used in our dyeing processes. It either acts as the medium for applying the dyes to our yarns or is used for rinsing and washing yarns before and after dyeing. In addition to water use in our dyeing process, we use steam in processing or for applying curing heat in some coating processes.

We recognise the importance of water for our business but also the value of water for the communities in which we operate. In some locations where we operate, water is scarce, and so we have a responsibility to reduce our own consumption and return what we do not need to the environment after suitable treatment. In some cases, this includes recycling the water we extract and reusing it in our manufacturing processes.

Taking a risk-based approach

To identify those water stressed locations, in 2019 we have undertaken an updated water stress analysis using the Aqueduct methodology. Overall, our review indicates that 30% of our water demand is in high or extremely high water stress areas (water stress measures the demand versus the availability in an area). This analysis reinforces the need to ensure that we continue our current strategy of reducing the water we use, recycling as much as we can and returning it to the environment in a state where it can be used by others. With this approach we can help to de-stress water in these locations. At the moment 70% of our water recycling is in locations with a medium to extremely high water stress, and decisions on future recycling projects will be informed by stress levels.

The Aqueduct methodology also assesses water depletion which can become an issue as that will reduce availability (and hence increase the stress). The analysis indicates that only 2% of our demand is in areas of high depletion.

A small number of our units rely on ground water supply, and we have also assessed the risk of water table decline for these units. One unit, Faridabad in North India, is in an area of high water table decline but this is a unit where we have long been aware of water supply issues and we are already recycling up to 90% of our water in order to minimise our need for fresh water.

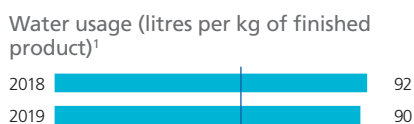
We will continue to update our water stress review on a regular basis and re-assess the risks if need be.



Reducing our consumption

Our global goal is to reduce our water used per kilogram of thread produced by 40% by 2022 against our 2018 baseline. In 2019, we consumed 7.4 million cubic metres of water, which equates to 90 litres per kilogram of product. This is a

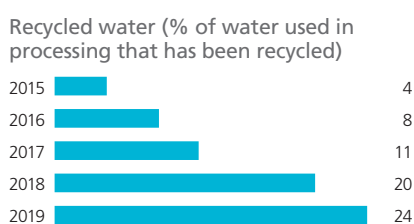
2% reduction compared to 2018 and highlights the ambitious nature of our target. Because of changes in scope in our business (the sale of our North American Crafts business and the incorporation of Gotex and Patrick Yarn Mills), we have restated our 2018 baseline to exclude the former and include the latter, and changed the production basis to finished product to reflect that we have more proportionately more product that is not dyed. The graph below has therefore been reduced to show like-for-like. Full historical data is shown in the data table at the back of the report.



¹ The vertical line shows our target

In 2019, we have undertaken detailed water balance studies at 31 of our major plants, accounting for 62% of our total water usage. This includes detailed assessments at Sevier, Horana, Ambas and Odorhei. We have also delivered five training sessions with colleagues on how to undertake a water balance analysis. These studies are now delivering projects with savings opportunities. To help us accelerate our process we intend to conduct water balance assessments in the rest of our sites by the end of 2020. This will enable us to identify areas of improvement and target our resources into those projects that enable the most significant water saving projects.

Of the water we used, over 24% was recycled and reused (up from 20% in 2018). Of the remaining amount required 52% was sourced from the local environment and 48% was supplied from municipal sources.



Utilizing new technology

We continually seek to improve the efficiency and competitiveness of our manufacturing sites, especially around our dyeing processes. Technologies such as reverse osmosis improve the quality of water we use, giving us alternatives to using water from municipal supply and/or helping us achieve a high level of water recovery from process effluent. In addition, some of our sites have implemented Zero Liquid Discharge (ZLD) systems, whereby the remaining effluent is dried to make for easier disposal of the residue.

Our sites at Ambas and Faridabad, in India, have ZLD systems, which has considerably reduced the water sourced externally as 77% and 74% respectively of the water used has been recycled. Similarly, in Sri Lanka, at our Horana site, 69% of water was recycled in 2019 with only 31% going to effluent.

At Coats Vietnam, we have successfully reduced our water consumption by 42% in the last five years, which is equivalent to 310 million litres saved. This was achieved by using a combination of approaches; including a move away from underground or hidden pipes susceptible to undetected leaks; an investment on modern dye machines which utilise lower liquor volume (around 44% reduction compared to a conventional dye machine); the implementation of a dyehouse cooling water recovery process and through the harvesting and recycling of rainwater.

Eliminating the need for water altogether

Our long-term vision is of dyeing processes that are waterless. To help promote the development of such processes, in 2018, we invested \$5 million in Twine, a start-up company developing digital yarn dyeing that uses no water. Twine launched their first generation of sampling machines in June 2019, and have supplied their first operational units to pilot customers.

Digital fabric dyeing has been around for some years and is beginning to supply substantial volumes across the textile supply chain. However the challenges of yarn dyeing are much greater for several reasons. Firstly, the three dimensional nature of yarn (which needs to be dyed on all surfaces), is very different to the large flat surfaces that are the substrate for fabric dyeing. Secondly, the physical scale of a yarn (which typically has a diameter that is well below a millimetre), requires very precise control of the flow of dyes and very accurate application systems. Finally, getting acceptable productivity, and hence low processing costs, when dyeing single yarns (where it might be necessary to dye 10 or more kilometres of yarn to produce a single kilogramme of yarn requires high running speeds and reliable and automated processes.

Twine have focussed on addressing all these issues, and have made substantial progress. We are planning to undertake running trials with their technology during 2020 so that we can start to plan the implementation across our operations. We expect that as the technology matures it will not only benefit our processing, but will have a significant impact across many other parts of the textile industry. It is also worth noting that, while we are focussed on the water benefits here, digital dyeing will also reduce process energy use significantly and will eliminate the need for many chemicals in the dyeing process.

MAKING IT HAPPEN!

40% REDUCTION IN WATER INTENSITY (LITRES/KILO) BY 2022

Reducing water use requires detailed monitoring of actual consumption at all stages of our operations. The bulk of water use is in our dyeing operations, where it is used as the medium for applying dyes to fibres and for pre- and post-dyeing washing stages, where necessary. We also use water as the principal source of heating (in the form of steam) in processes that require heat. This includes autoclaving yarn to stabilise it, for dyeing and washing, and for the curing of thread coatings. Water is also used for humidification purposes in spinning and twisting operations (in order to improve the behaviour of the fibres during processing). Finally, water on our sites is also used for domestic purposes. Identifying opportunities for reducing water consumption starts with a water balance that allows us to track the use of water through all the processes on site. This detailed analysis is best done with multiple metering points in order to get exact volumes at all the key stages. Once we have a detailed water balance then we can see where there is excess consumption and which processes are open to modification in order to reduce water use. Most chosen solutions can be applied across all of our units that have the same processes, but we also look out for unique opportunities on a site. At the same time as we are looking for ways to reduce the water in use, we are also looking for ways to recycle more water so that we can use it multiple times in our processes and hence reduce even further our need to use fresh water.



Stephen Cox
Group
Manufacturing
Director

ENERGY

BUILDING NEW RENEWABLE CAPACITY IN VIETNAM

In 2019 we have completed the first phase of a long-term Power Purchase Agreement (PPA) for electricity generated from photovoltaic panels. The agreement was signed in July and the first phase was completed and switched on in October. These panels are installed on many of the roof areas in our Ho Chi Minh City plant. Phase 2 of the project will be undertaken in 2020 using the roof area of the new effluent treatment plant that is currently being built on that site.

The full array will have a capacity of 1mW, and the first phase is slightly more than half of that (553 kW). The agreement will run for 20 years and we anticipate that it will reduce our CO₂ emissions by 850 tonnes/year.

This project has been exemplary in terms of the speed and efficiency of the installation and start-up and has shown that in the right circumstances it is possible to complete such projects in a very short timeframe.



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Less energy and more efficiency

In 2019, we used 770 million kWh of energy (electricity and fossil fuels) to manufacture our products. This equates to a reduction of 3% in total energy compared to last year. Our energy use per unit of production has also reduced to 9.3 kWh per kg of production, (2018: 9.4 kWh per kg). This is a reduction of 1% vs 2018.

As for water, we have restated 2018 to provide like-for-like comparison with 2019. Full historical data is shown in the data table.

Graph Energy Use (kWh per kg of finished product)¹



¹ The vertical line shows our target

Over the last twelve months we have continued to invest in new technology and processes, and stepped up our focus on energy efficiency, finding ways to improve our productivity whilst reducing our energy use. Over the last 2 years we have undertaken detailed energy audits. At each of those sites we are working on tailored energy saving plans, most of which will be implemented in 2020. These include energy saving opportunities ranging from increasing metering, to equipment replacement to optimise energy savings, to new waste heat recovery processes.

At the end of 2019, we had our first pilot site certified to ISO 50001. This is the international standard for Energy Management Systems, created by the International Organisation for Standardisation. The standard specifies the requirements for establishing, implementing, maintaining and improving an energy management system and continual improvement of energy performance, including energy efficiency, energy security, energy use and consumption.



LEADER'S VOICE

The risks associated with climate change continue to grow and the window of opportunity for reducing damaging global warming is closing. While we have considered aspects of climate change risk discretely, we now regard climate change as a unitary Emerging Risk which is reviewed at Board level. We are also looking closely at how we can report progress transparently and in line with the recommendations of the Task Force on Climate Related Financial Disclosures, Addressing energy consumption and the sources of energy used in our business are therefore very high priorities for us.

Having done a lot in terms of reducing energy use in prior years we need now to focus on real-time optimisation of demand and will be running pilot programmes for this in 2020. We have made significant progress in 2019 on renewable energy, with a new onsite solar array in Vietnam and negotiations underway in other locations. We have been progressively transitioning off coal as a fuel source, and this was completed during 2019.

While climate change is a major driver for our energy strategy, it is also very important in terms of cost management as energy is a major cost driver in our processes. Clearly reducing energy consumption generates a direct benefit, and we have also found, so far, that transitioning to renewable energy can be done without a negative cost impact.

Kevin Finn

President, Business Operations

And these efforts are paying dividends, in Mexico, following a recent energy audit, we identified 24 energy conservation measures totalling potential savings of 32% of the total energy use. The top 4 measures have been implemented, which included boilers optimisation, improving chilled water pump requirements, reducing the pressure for compressed air provision, and avoiding using large well pumps during peak demand periods.

In Bangladesh, two of our sites focussed on heat waste recovery processes both from the boilers' exhausts and from the water jackets of the gas generators. Both sites saw a reduction in energy used, one site successfully reduced their fossil fuel use by 12% whilst the other was able to reduce their energy use intensity from 5.36 kWh per kg of thread to 4.71 kWh per kg.



Investment in renewable energy

Over the past year, in line with our intention to be using renewable energy whenever that is possible, we have continued to both review the opportunities to install renewable energy generation facilities on and off our sites and purchase those Renewable Energy Certificates (RECs).



MAKING IT HAPPEN!

SOURCING RENEWABLE ENERGY WHERE POSSIBLE

Our target is to increase our use of renewable energy mainly through projects with suppliers where we contract with them the creation of new renewable generation capacity, through long term purchase commitments. In this way we are able to ensure that the renewable energy we are using is additional new capacity and hence actively contributes to de-carbonising energy supplies. The renewable energy market is developing very rapidly at the moment, and there is some variation in the quality of suppliers, so it is important that we do a lot of due diligence on the partners that we are working with, and that our contractual terms ensure that we have any rights to Renewable Energy Certificates or other equivalent attributes.



Frank Hoffmann
Global Procurement Director Indirect Spend and Digitisation

Just under a third of the energy we use comes from renewable energy sources. Our assessment has shown that we could significantly increase this, and we are evaluating potential targets over the coming months.

We have several rooftop solar arrays now operating on Coats sites and most of these are through long term PPA arrangements. We are finding this to be a very effective way to establish new renewable energy capacity rapidly and are evaluating potential partners in a number of countries. We have also found that there can be unexpected hurdles, especially in markets that are liberalising their energy markets. In Mexico we were quite advanced in discussions on a large off-site wind energy PPA when an unexpected change in approach by the government effectively halted the project. We are currently working on a new project proposal for Mexico, and also exploring projects in India and Indonesia.

We have adopted a diversified approach that enables us to be flexible depending on the type of renewable technology available. For example, at our Tamil Nadu site in India, we have chosen a solar plant. This plant provides 3.7% of the energy we need for both our sites in Ambas and Madurai, approx. 150 kWh per day. Another 90% of the energy we need comes from renewable energy generated offsite and is provided by the Tamil Nadu Electricity Board. In the coming years, we are aiming to add another 750 kWh to our solar plant here.

We are also proposing to increase the use of biofuel in our sites alongside entering more long-term Power Purchase Agreements (PPAs) for onsite and offsite generation of renewable energy.

Renewable energy (% of total energy used in the year)¹



¹Not all of this energy is underpinned by Renewable Energy Certificates or other Green Attributes. We will be reporting on the basis of certified renewable energy from 2020



Reducing our Greenhouse Gas emissions

As a significant user of energy, climate change and our emissions of greenhouse gases (GHGs) are a key concern for us. In 2019, the total carbon footprint of our operations (Scopes 1 and 2) was 275 thousand tonnes. This is a 5% decrease compared to 2018 on a like-for-like basis. We have reduced the energy we use and continued our transition to renewables sources.

Our emissions intensity, measured in kilograms per kilogram of production, went down by 3% compared to 2018; 3.3 kg CO₂e per kg compared to 3.4 in 2018. Again, we have restated 2018 to make for a like-for-like comparison. These calculations are done on a location basis.

We have been progressively eliminating the use of coal in our factories. In 2011 coal accounted for 3% of our direct energy use and for 2019 overall this had been reduced to 0.4%, with coal use being terminated by the end of the year.



Greenhouse gases per unit of production (kg CO₂e per kg finished product)



MAKING IT HAPPEN!

7% REDUCTION IN ENERGY INTENSITY (KWH/KILO) BY 2022

Having an Energy Management System (EnMS) in place is the basic requirement for taking a structured approach to achieving energy efficiencies. We have a programme to progressively implement an EnMS aligned to ISO 50001 in all of our key manufacturing sites over the next 3 years. This programme is based on the work that we have already undertaken in our Romanian plant, which has been developing a comprehensive system over the last 18 months, with considerable success. Through the EnMS and with more meters strategically located in plants, we will identify all the significant energy users in our plants and develop the options for optimising energy use in those processes. At the same time we are continuing to implement the opportunities that were identified from the energy audits that were done in 2018. These energy audits were useful in highlighting some opportunities, but are a snapshot assessment and are not as effective as having continuous management of actual energy demands.



Paul Prendergast
Global Environmental Manager

EFFLUENT & EMISSIONS



LEADER'S VOICE

We have long taken a precautionary approach to the environment. This was the reason we developed and started to implement our own global effluent standards in 2011, as we recognised that simply complying with national effluent standards was not enough.

Since then legislative limits around the world have been progressively tightening and in some locations have superseded our global standards.

Complying with government standards is always a given for us, and continues to be a driver of our investment plans, but we still believe that wherever we operate the environment is equally precious and that we must therefore apply global standards to our operations. For this reason we have now adopted the Zero Discharge of Hazardous Chemicals standards as our global standards. This allows us to continue to be a leader within our industry and to work to a set of commonly accepted standards that did not exist in the past.

A huge step forward has also been the implementation of online monitoring of effluent to ensure that our treatment plants are operating within limits 100% of the time.

Stuart Morgan
Chief Legal & Risk Officer and
Group Company Secretary



ZERO LIQUID DISCHARGE AT AMBASAMUDRAM

In 2019, we completed the implementation of a very significant Zero Liquid Discharge (ZLD) system at our largest site in India at Ambasamudram, Tamil Nadu.

This site consumes approximately 3,500 tonnes of water per day, which previously was treated and discharged into the environment. To achieve zero liquid discharge, the existing wastewater treatment plant was modified to incorporate new cutting-edge technology, including ultrafiltration, reverse osmosis and multi-effect evaporators. As a result around 95% of the water entering the treatment plant is returned for reuse in the factory and the remaining 5% is evaporated to leave a solid waste, which is used as a cement additive by a local cement company. The steam required for the new evaporators is generated using biomass, ensuring carbon neutrality for this process.

In February 2019, we successfully closed down our treated wastewater discharge channel in a ceremony witnessed by the Tamil Nadu Pollution Control Board.



Maintaining high standards through a continuous approach

Our long-term vision is to stop using water for dyeing. But there is currently no technology available at industrial level to achieve that goal. So, while we continue to use aqueous technology, our diligent and continuous approach helps to avoid any negative impacts on the environment from our wastewater.

Of the water used in 2019, 62% was discharged as waste effluent (down 9% from 2018). Any effluent that we discharge needs to comply with local legislation and discharge limits and meet our internal global effluent policy, which now incorporates ZDHC standards (see below). This policy has been developed to ensure that all our operations, regardless of location, will meet a high standard in terms of the effluent they discharge. During 2019 we have established an online and dynamic register of legislative changes in all the countries that we operate in which includes control of operational permits, incident reporting and control of improvement projects.

To improve monitoring of our wastewater discharges and ensure continuous compliance, new sensors have been installed in the final discharge point of 12 sites, including all sites where treated wastewater is released directly into the environment, giving immediate feedback on parameters that would normally take up to five days to test in laboratory. These sensors monitor the quality of effluent discharges every 30 seconds measuring against five criteria, including temperature, pH, biological oxygen demand, chemical oxygen demand and total suspended solids. The data is sent to a 'real-time' dashboard and if the levels of any of the parameters gets close to or exceed a limit, the operational team will be notified immediately. This enables us to respond rapidly to mitigate any issues and provides the detailed information we need to investigate the root cause of the issue, remedy the situation and ensure no future incidences take place. During 2019 we also ran a successful pilot in Shenzhen whereby, if target parameters for online tests are in danger of breach, the discharge valve is closed and the treated effluent is routed back to the start of the treatment process. This process will be implemented in other units during 2020.

As an unexpected benefit, the new sensors also allowed us to see spikes in suspended solids when the power supply was re-established after a power cut. Recognising this trend enabled us make some key adjustments to stop those spikes from happening at the start up. In 2020, additional sensors will be employed, including a new conductivity probe in Chittagong in Bangladesh.



Over the past five years, we have spent over \$13 million on new effluent treatment plants and related technology and this spend will continue. During 2019, two new wastewater treatment plants came into service in Honduras and in Mexico.

Zero Discharge of Hazardous Chemicals (ZDHC)

In 2016, we signed up to the Zero Discharge of Hazardous Chemical (ZDHC) programme, which aims to unify efforts to eliminate hazardous chemicals from the global footwear and textile supply chain. Launched by six leading brands, the ZDHC programme has since grown to 30 signatory brands, 114 value chain affiliates and 21 associates. Coats is a value-chain affiliate.

In 2019, we adopted the ZDHC conventional parameters with foundational limits as our Coats internal standards across all our direct discharge sites. This applies to all sites, including those that are not part of the apparel and footwear supply chain. We aim to have all units meeting the ZDHC standards by 2022. As of the end of 2019, over 60% of our effluent was compliant with ZDHC standards, putting us on track to meet our target. The ZDHC standards have been extended to include sludge analysis and we will be assessing this change and addressing compliance for sludge during 2020.

ONLINE MONITORING OF KEY EFFLUENT PARAMETERS AND AUTOMATIC VALVES TO PREVENT DISCHARGE WHEN PARAMETERS ARE BREACHED ARE KEY TO BUILDING RESILIENCE IN EFFLUENT TREATMENT PLANTS.

MAKING IT HAPPEN!

MEETING ZERO DISCHARGE OF HAZARDOUS CHEMICALS EFFLUENT STANDARDS BY 2022

Our aim is to progressively reduce the use of chemicals in our processes. The very comprehensive Coats Restricted Substances List system that we have had in place now for 15 years and which at least aligns with the tightest requirements from any of our customers has been instrumental in ensuring that we have reduced or eliminated hazardous chemicals from our operations. The Zero Discharge of Hazardous Chemicals system is a very welcome next step as it will drive improved chemical management across the supply chain, and we are delighted to be participants in the programme. Our approach essentially rests on three pillars; tight control of input chemicals, appropriate design of effluent treatment plants and continuous automated monitoring so that we can be confident that our effluent treatment plants are always functioning optimally.



Eric MacDonald
Head of Insurance, Property, Product and Environmental Safety

SOCIAL



BUILDING A MORE DIVERSE AND INCLUSIVE BUSINESS IN SRI LANKA

For many years after operations commenced there in 1981 the bulk of our employees in Sri Lanka were men. Attempts to change this had previously faltered on cultural and organisational barriers. By 2015 only 4.5% of employees, and only 3% of shop floor employees were women, with none working on production machines. A new campaign was started in 2015. A number of structural and organisational changes were made to ensure that women felt comfortable and supported working in production environments. Initially the changes provoked some resistance from existing employees and unions, but through dialogue and training and a focus on the need to provide employment opportunities to women for the benefit of all, this resistance was rapidly turned into full support for the programme.

In 2016 the first women started operating production machines, and working on all three shifts and there has been steady progress since then. Initially women were integrated into winding operations, and in 2019 this was extended to operating dyeing machines, and there are now women representatives on the company H&S committee also. The percentage of women employees has risen to 16% and 18% of shop floor operators are now women. Importantly this progress is not limited to factory roles; in 2015 there were no women in the field sales team and now it is 40% women, and 25% of executive roles are now held by women, up from 8% in 2015.

This shows that rapid progress in gender diversity can be achieved with a clear programme and full management support.



High ethical standards

Underpinning all of our sustainability effort is a deep commitment to running our business in an ethical, responsible and transparent way. We expect our employees and our suppliers to behave ethically in all their dealings relating to our business.

Our employees are core to the business, and we value them highly. Their leadership, talent and commitment ensure we remain leaders in our sector, are competitive in the marketplace, and operate our businesses effectively and efficiently. In return, we offer a safe, respectful and inclusive environment in which our employees can thrive.

Similarly, as a supplier of yarns, threads, zips and related products to a range of manufacturing industries and retailers, we play a key role in the industry supply chain. As such, one of our responsibilities is the maintenance of high environmental and social standards within the supply chain.

We support the UN Guiding Principles on Business and Human Rights throughout our operations. Underpinned by our global policies, we uphold the requirements of the UN Declaration of Human Rights and the Convention on the Rights of the Child, the core ILO Conventions and the OECD Guidelines for Multinational Enterprises. Every two years we update our Human Rights Risk Assessment and this was done in 2019. We use a range of external data sources to identify country risk levels and then we weight the risk by our employee numbers by country. Our 2019 assessment shows a marginal (4%) reduction in the weighted risk compared to our 2017 assessment. This change is not enough to warrant any change in our strategy or actions. The risk assessment helps us to ensure that we can focus activities where the risks are highest. Also in 2019, to improve the transparency of our employment practices we have introduced an overarching People Principles policy which is available along with other policies at <https://www.coats.com/en/Sustainability/Policies-and-downloads>



LEADER'S VOICE

Our recently completed biennial Materiality Assessment has highlighted the increasing importance of Social issues, with talent attraction and retention, training, engagement and employment conditions all increasing markedly in importance. This is a clear reflection on the key role that skilled and motivated employees play as our business becomes more digitally enabled.

The foundations that we have laid over many years and which underpin our strong engagement levels are robust and remain at the core of what we do, and our new functional structure is enabling us to be agile and globally consistent in developing and supporting our people with the capabilities, skills and mindset that they need to prosper in an increasingly fast moving and complex environment.

We are a hugely diverse organisation, employing over 60 nationalities around the globe and speaking many languages. While that diversity enriches the business in many tangible and cultural ways, it is the development opportunities that the company can offer to employees from many backgrounds, and which mean that we have over 30 nationalities in our senior management group, that underpin our employee engagement and performance.

Monica McKee

Chief Human Resources Officer

Our Group Internal Audit team are a key resource for policing our internal compliance with employment and human rights standards. Included in their audit scope are 30 human resource audit areas and many of these focus on compliance with policies or directly with Human Rights issues. They normally complete 10-15 audits per year (10 in 2019), and areas of non-compliance, if found, are rigorously addressed.

During 2019 we initiated a detailed assessment of our global remuneration policies against 'living wage' methodologies. During 2020 this work will continue, building our approach to ensure our remuneration policies are globally consistent and align with 'living wage' concepts.

Our global Ethics Code, Business Code of Conduct, Supplier Code and our raft of policies covering the full range of ethics and compliance issues set out what we expect from our employees, our suppliers and our partners. 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. (<https://www.coats.com/en/Modern-Slavery-Act-Statement>)

In early 2019 we launched an internal training programme on Modern Slavery. The purpose of this was to inform employees about the profile of modern slavery in industrial environments, to highlight the areas of risk in our operations and to help people identify the signals and to guide them on the action to take if they have any concerns. By the end of 2019 over 3800 employees have undertaken the training and it is now a mandatory training module for new starters in roles for which it is appropriate.

As the training cycle is biennial, in 2019 only new starters or those moving into new positions were required to undertake our compliance training modules (Anti-Bribery, Ethics and Competition Law), so slightly over 300 people completed the three training courses. In addition, all senior and customer facing employees (more than 3,700) were required to self-certify their continued compliance to our Ethics Code in 2019. New, updated compliance training packages will be released for completion by all relevant employees in 2020.

This year, through our global 'Doing the right thing' programme, we ran several Compliance, Controls and Culture Workshops. These workshops, led by members of the senior leadership team were used as an opportunity to share real life experiences. In 2019, more than 600 employees participated in the 10 sessions held at various Coats sites located in Brazil, Bangladesh, Mexico, Honduras and India. These workshops will continue in 2020. We continue to actively promote our Whistleblowing Hotline through numerous ways and the number of incidents reported in 2019 increased to 119 (99 in 2018). All reports are fully investigated and the number that have been upheld has reduced from 39% in 2018 to 30% (provisionally) in 2019. This means an absolute reduction in detected infringements. Group Internal Audit also look at a range of corruption issues during their audits and identified 3 minor policy infringements in audits during 2019, none of which were evidence of corruption.

'Great Place to Work'

We aspire to have all of our key units certified as a Great Place to Work® (GPTW) or equivalent awards. We are focussing on getting GPTW certification for our top 16 countries, which account for approximately 85% of our workforce. We should successfully have certified all those sites by 2022. Those certified will then be reviewed every two years.

In 2019, so far, we have 19% of our employees working in a GPTW, or equivalent, certified location, which puts us on track to meet our target.

Continuously listening to our people

Consistent with the cultural oversight and direction coming from our Board, it is important we continue to provide opportunities to listen to our people.

Over the last eight years, we carried out an annual global employee engagement survey. In 2019, we decided to enhance our approach moving towards a 'continuous listening' model which will include a series of digitally enabled pulse surveys for every stage of the employee experience. This will enable us to track real-time results so we can make immediate corrections and improvement where we need to. This year we held three pulse surveys on key areas of employee engagement – Health and Safety, Communications, and Ethics and Compliance. In the H&S survey the results continued the



SOCIAL

positive progress from previous years, with 99% of units recording results above the benchmark industry average and 62% of units improving their score from the previous year. In the case of the Communications survey, 95% of respondents confirmed they get effective communication while 85% felt that they get enough communication. Regarding the Ethics and Compliance survey 95% of respondents confirmed that they were trained and motivated to deal effectively with workplace ethics and compliance challenges.

We actively support employees who wish to join labour unions. 43% of our employees are members of a labour union and 43% of our workforce are subject to collective bargaining agreements. Both of these rates have increased substantially in 2019 due to the inclusion of sites in China where union membership and collective bargaining have been implemented.



Promoting a diverse and inclusive workforce

It is important for us to create a respectful and inclusive environment, and we strive to be an organisation in which our employees come from diverse background. We want our employees to feel valued, respected and supported, and for the right conditions to be in place for everyone to be confident and authentic at work.

Coats employs people from 60 countries and we had 31 nationalities represented in our senior management group (2018: 32). In the last year, we rolled out and assessed 40 Diversity & Inclusion (D&I) training modules, and around 400 people have completed the unconscious bias training. Our D&I network continues to grow. We continued to have our quarterly network calls where we discussed progress, shared best practice, and brought in relevant guest people. We've had over 200 people joining those calls with a gender split that is generally about 50:50. In March 2019, we marked International Women's Day across our business, using the theme

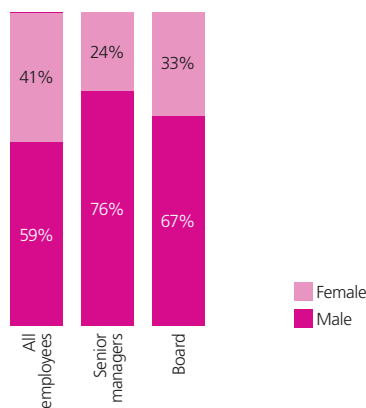
#BalanceforBetter. On the occasion, we asked our teams to consider which local actions could have the capability to be rolled out globally for more impact. We've had a high level of engagement from our employees, and events took place globally in 28 countries and with a great degree of involvement online.

We have continued to run unit-level D&I resource groups to share best practice. This year, we particularly focused on building out our flexible working initiatives both globally and locally through our cluster D&I groups.

In 2019, our Digital and Technology function has started its own focus effort to encourage more women to enter the world of technology. Through actions including mentoring and closer partnerships with recruitment agencies, our 'Women in Tech' programme is starting to break down the myths often associated with working in technology. We have also started to engage with external organisations who are known to have well established D&I programmes.

As part of approach to D&I, we aim to regularly measure our demographics to track progress and establish talent acceleration programmes to develop female, multicultural and millennial leaders of the future. In 2019, the percentage of females at board level increased by 3% to 33%, and the percentage of females at senior levels increased by 1% to 24%. This will continue to be an area of focus in 2020.

Gender diversity (%)



Attracting talent and enabling them to grow

It is important to Coats that we harness and nurture the best talent amongst our workforce and provide them with the skills and opportunities to succeed. In 2019, we reviewed and refreshed our Recruitment Policy and guidelines to help us retain our best people and acquire specialist talent. As part of the update, we reconfirmed our commitment to diverse candidate pools and refreshed our new process for sharing roles internally to make open roles more visible and support employees in their career development.

We also continued to embrace the digital age and to leverage the power of growth mindset across our business. To support this, our 'SuccessFactors' tool, launched in 2018, has given us better visibility of our talent pool globally, and insights on talent utilisation, requirements, attraction, development and retention. Building on this in 2019, we have started to articulate a clearer message on career development, moving away from linear career paths towards more modern career paths designed around learning experiences that focus on the importance of gaining a set of key experiences to build necessary capabilities towards a key organisational role.

To embrace the digital age, we have also been working in partnership with the Neuro Leadership Institute to deliver growth mindset training to our employees. In 2019, we delivered this training to over 100 employees who have responded positively to the training and provided very positive feedback, with 80% of participants feeling better prepared to embrace a growth mindset after having taken the training. It will be rolled out systematically to more people during 2020.

We also added 'Learning zones' to our in-house portfolio of training in 2019. These are delivered both virtually and face to face to allow as many people as possible to benefit from them. These sessions covered 10 different topics, including an introduction to our refreshed Leadership Capability Framework (LCF), interviewing

HEALTH & SAFETY REMAINS OUR TOP PRIORITY AND OUR FOCUS ON DEVELOPING A PROACTIVE SAFETY CULTURE IS BEARING FRUIT.

MAKING IT HAPPEN!

"GREAT PLACE TO WORK" OR EQUIVALENT AWARDS FOR ALL OUR KEY SITES BY 2022

We have worked with Great Place to Work® (GPTW) for some years in Brazil and with HR Asia in Vietnam, and have found their approach to workplace assurance to be rigorous and insightful, and where feasible we intend to work with them to validate all of our major employment locations. Our certification programme will spread across 16 units over the next three years to ensure that around 85% of our employees are in units that have external validation. The benefits of working with a recognised provider with a reasonably global footprint, like GPTW, is that we can ensure that the same criteria are being used in assessments in different countries, while also being able to draw on their skills in terms of assessing our company-wide performance and identifying areas for improvement.



Quyen Le
HR Business
Partner, Vietnam
Cluster

and coaching skills. More than 1,000 people attended these sessions in 2019. The refreshed framework is centred around four capabilities; innovating with the customers through disruptive thinking, digital and data to drive sustainable value; collaborating to connect and share learnings and create value together for One Coats; energising for change to drive outcomes and shape Coats for the future; and developing diverse talent to build a robust talent pipeline.

We have continued to roll out our Transcend leadership programme, targeted at our senior managers which aims at developing the essential leadership competences that will drive success for Coats in the coming years. This includes topics such as coaching, digital learning, case studies and peer learning, and also innovative use of social networking. Over the last two years, 29% of participants were women, 44 employees have graduated from the programme and, of those, 47% have started new or expanded roles.

In support of our continual learning imperative, our online learning platform, Minerva, continues to be a popular way for our employees to develop their skills and capabilities.



Health, Safety and well-being: our number one priority

In 2018, we launched our 'Journey to Zero' strategy, which provides a clear roadmap for the long-term approach to health and safety. It focuses on the identification and management of risk, taking a much more proactive approach to safety management and placing more emphasis on 'leading' indicators rather than 'lagging' indicators. In other words, with our approach, we are targeting the root of potential health and safety risks and addressing them hopefully before any injuries ever happen.

In 2019, we rolled out our digital incident reporting tool 'Intalex', including a mobile version that allows employees to spot and immediately report anything of concern as soon as they observe it. Supported by the use of these tools we developed over 46,000 improvement action plans and increased the rate of 'near miss' reporting by 36%.

We also held the inaugural 'Journey to Zero' week, our first ever global week of events dedicated to Health and Safety. The week generated great levels of engagement with activities about health,

safety and wellbeing, taking place in more than 24 countries and over 200 conversations on our enterprise social networking tool Yammer. Following from the success of this week, we will be organising these once a year from now on.

In 2019, we also provided 29 hours of safety training per employee, a 2% increase on 2018, including extensive NEBOSH and IOSH training. 9 of our sites are also accredited to the international H&S standard OHSAS 18001 and 3 of our sites have upgraded their accreditation to the international ISO 45001 standard. Our aim is to have implemented ISO 45001 to all our sites by 2025.

With all the above focus on accident prevention, we are very pleased to see strong progress in terms of the 'lagging' incident rates. There were no fatalities within our business in 2019 and there was a 24% reduction in the number of recordable incidents and a 20% reduction in the number of lost time incidents during the year. This led to a 19% reduction in the work-related recordable injury rate, from 0.62 to 0.50.

While we understand that we cannot control every aspect of our employees' commute to work, we take safe commuting very seriously and we have also been working actively to help our employees reduce the number of commuting to work incidences across all of our sites. In 2019, we delivered driving lessons, defensive driving training and driver awareness training to equip our employees with the skills they need to reduce their risks. As a result of this increased focus we have improved the reliability of our reporting in this area and the number of incidents reported to us has increased from 96 in 2018 to 114 in 2019. In 2020 we will continue to invest in making the journey to and from work safer for our employees.

Over recent years, we have placed greater emphasis on health and wellbeing and have introduced several programmes across the business. This year, we have again increased our activity in this area. For example, in Vietnam, China and India, we have included health checks for our employees; in Brazil and China we offered various, healthy eating and fitness activities. We aim to continue to build both proactive health monitoring and healthy lifestyle programmes across all our sites in 2020.

SOCIAL



Responsibility in our supply chain

Our success in the marketplace relies on responsible behaviour and good corporate citizenship. Therefore, it is vital that our relationship with business partners and suppliers is aligned with both our business principles and our sustainability approach.

Our Supplier Code, updated in 2018 and due for update again in 2020, outlines the issues we engaged our suppliers and partners on. It covers labour practices, including specific requirements around human trafficking, forced and bonded labour, environmental management, responsible sourcing of materials/products and business conduct more generally. To engage with them, we have a due diligence and review protocol for our procurement teams to use when assessing supplier credentials. To build on the opportunity for collaborative work with our suppliers we have initiated in 2019 a programme that seeks to ensure that their sustainability activities are aligned with ours. This will lead to much greater transparency on impacts along the whole supply chain and will make it much easier for us to start building a full Life Cycle Assessment for our products and to quantify the upstream Scope 3 emissions attached to our purchased materials. We will continue to develop this programme in 2020.

Our human rights risk assessment, mentioned earlier, also helps us identify the areas of highest risk in our supply chain, initially on a geographic basis. We also assess our supply chains to identify industry/ sectoral risks as well as risks from their geographical location, and will be revisiting this assessment in early 2020 based on the latest geographic review. Based on this assessment, we have a programme of engagement with suppliers, providing support and guidance on our expectations and compliance with our Supplier Code. This includes face to face workshops and supplier audits for 'high risk' suppliers.

Being a part of the communities where we operate

At Coats, we always try to be an active corporate citizen and encourage our teams to engage with their local communities in ways that best suits them and the circumstances. We recognise the prosperity of our business is closely aligned to the health and well-being of the communities in which we live and work. This is why we have a specific target to get all our employees involved in community activities by 2022.

In 2019, to strengthen our approach to community engagement we started to align all our local and global actions toward three areas of focus: 'Education'; 'Health & Wellbeing' and actions related to our 'Business and Textiles'.

During 2019, we ran well over 400 activities in 19 different countries worldwide. We have been developing improved tracking mechanisms to be able to more accurately identify the level of input activity for these projects, and will be able to give more accurate information for 2020.

Measuring the impact of our community activities has always been challenging for us, as it is for other organisations, and we are also conscious that we are not experts in identifying needs and developing solutions, so we have been working during 2019 to develop global partnership relationships with organisations that do have this expertise. We are looking forward to launching the first such partnership in 2020 with the aim being to run pilot projects during 2020 and then to extend the partnership more widely in subsequent years.



MAKING IT HAPPEN!

ALL EMPLOYEES CONTRIBUTING TO COMMUNITY ACTIVITIES BY 2022

Our target is to substantially increase the number of our colleagues who are involved in community engagement projects while also increasing the level of beneficial impact that these have on our surrounding communities. This means increasing the number of projects that we undertake, broadening the opportunities for our employees to get involved and also targeting more precisely the projects to meet community needs and delivering impact. To achieve this we have expanded the scope of our programmes to cover three pillars; Education, Health & Wellbeing and Business & Textiles. We have been working towards establishing global external partnerships to ensure that we maximise the impact of our activities and can measure the results, and we are planning to launch the first pilot projects with an external partner in 2020.



Ialis Iorio
HR Business
Partner, South
America

BEING PART OF OUR LOCAL COMMUNITIES



Coats Bangladesh partnered with Brands to help paint the building of a school for underprivileged children, and distribute educational accessories to the pupils.

In Romania, 38 Coats employees took part in the annual 'Run for It' charity sporting event, running a combined 470km in total to raise money for local community projects.



Coats Ambas organised a half day free health care camp offering an eye check-up as well as on the spot blood sugar and blood pressure tests to more than 100 people in the local community.

In celebration of "Tree Day" in Brazil, the South America Cluster took joint action to promote the importance of reforestation to increase biodiversity, through lectures and tree seedling donations.



The Coats Shenzhen Volunteer Team were awarded the '2019 Excellent Volunteer Team' award by the local Fuhai Community.



Children of our **employees at the Coats Bursa** crèche presented Rajiv Sharma with a gift made from threads, yarns and zips manufactured in Coats Bursa.



Team Members at the **Sevier Plant in Marion, North Carolina** donated blankets to the Friendship Home for Women and Children. The Friendship Home opened in 1999 and can shelter up to 41 women and children to help them get back on their feet socially, financially and spiritually.



LIVING SUSTAINABLY



LEADER'S VOICE

We are largely a plastics company, with polyester our principal product material, and with current technology options that it likely to continue for the foreseeable future.

Our products are engineered to have a life span of many years. In most cases the seams made using our threads will still be in good condition at the end of a garment's life. That is a good use for a highly engineered plastic material, but it is important for us to think beyond that single, extended lifecycle as the polymers used in our threads can be used virtually indefinitely. The challenge we, and the textile industry in general, face is how to achieve repeated circular recycling of our products. The hurdles are both technical and organisational, spanning complex supply chains. We must continue to work in collaborative partnerships to establish this circularity. Meanwhile we continue to develop our EcoVerde products which use recycled materials from other industries to produce high quality threads, thus giving a second lifecycle to these polymers.

Our focus on waste is crucial as it reduces the amount of material we need to make our threads. Waste is both an excess use of resources and a loss of value.

Adrian Elliott

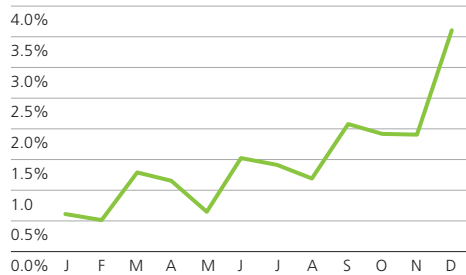
President, Apparel and Footwear

USING PREMIUM QUALITY SUSTAINABLE MATERIALS TO MAKE OUR THREADS

We launched our premium recycled polyester products in early 2019. These are Epic EcoVerde and Gramax EcoVerde. More product types will be added as we develop more fibre and filament types. Demand has been strong, consistently outstripping our supply. We have been working very closely with our upstream supply chain partners to ensure that as more high quality material becomes available we can continue to increase the availability of our products.

Over the course of the year we have gone from a rate of about 0.5% of sales of these brands to 3.6% and expect to continue this strong growth in 2020 as we have new supply scheduled to come on stream during the year.

RECYCLED POLYESTER SALES



Generating less waste, and recycling more



In 2018, we rolled out a new waste management system across the business. This required each manufacturing site to identify their source of waste, develop a detailed action plan to reduce this waste, and put in place processes to collect data and monitor performance. To strengthen the system, in 2019, we have implemented a global standard approach to waste categorisation, adopting the European Union's Waste Framework Directive and the European Waste Catalogue. Training across all our sites is underway.

In 2019, we generated 12.5 thousand tonnes of waste, including all elements of our own waste even if they can subsequently be recovered by reprocessing. This is a 2% increase against our 2018 figures. This small increase is driven by the improved reporting put in place in 2019 and we are in the process of trying to restate 2018 data to provide a true like-for-like comparison. With a more comprehensive measurement of waste now in place we are able to identify more clearly the areas of opportunity for substantial reductions, and will be working on these during 2020.

Of our waste generated, we reused or recycled 71% (73% in 2018), for example the majority of cotton waste extracted during the early stages of fibre preparation is used in lower grade products by other companies, and 67% of our units send zero waste to landfill. Our actions for 2020 will focus on reducing packaging material waste, especially from our suppliers, as well as identifying and addressing the major product waste generation points in our plants.

Using fewer, better raw materials

In 2019, we used over 102 thousand tonnes of direct raw materials. 95% of our products are made from plastic materials that are derived from oil and 5% are made from cotton.

Oil-based materials are used in our wide range of products, from our industrial threads to our more specialised threads

such as FireFly, meta-aramid sewing thread recommended for protective garments, threads for automotive industry, medically approved threads, and many more. Our cotton derived thread remains a small proportion of our product portfolio. Having said that, we understand the social and environmental risks associated with this supply chain, which is why we are supportive of the key global partnerships trying to address these risks, including the Better Cotton Initiative (BCI), and have long had restrictions in place to prevent the use of cotton sourced from areas of high social or environmental risk like Uzbekistan and Xinjiang.

Although we have very few product lines that are derived from animal sources (limited to wool products that account for 0.01% of our sales), we understand the importance of ensuring that these are sourced responsibly. This is why we have a specific policy on Animal Welfare.

MAKING IT HAPPEN!

REDUCE OUR WASTE BY 25% BY 2022

Essentially there are two types of waste that we generate; planned waste and unplanned waste. Planned waste is that which we know that we are going to generate as part of our normal operations. This includes packaging materials that we receive with our raw materials and short staple cotton fibres and leaf matter that we extract from raw cotton before we can prepare it for spinning. Unplanned waste is created when optimal process parameters are breached or when residual material is left in a process which cannot be processed. For both types of waste our approach is to rigorously document, categorise, and determine the root cause of the waste generation and then to follow a standard hierarchy whereby we seek to prevent the waste being generated, followed by minimisation, reuse, recycling and finally disposal by the most suitable means. When dealing with planned waste we consider our raw materials specifications and work with our suppliers to seek the best approach to packaging. We also look at our own product specifications with a view to minimising waste generation for our customers.



Chris Dearing
Group
Manufacturing
Technology
Director

Towards circularity

The majority of our products are made from synthetic oil-based polymers. We recognise that these resources are finite. Clearly, it is vital that we use these materials in the most efficient way possible, looking at both reducing and reusing our waste, as well as continuously assessing alternative raw materials that might be more sustainable solutions.

At Coats, we believe that considering the large amount of plastics used in the textile industry, the best strategic direction for the industry is to replace virgin plastics with recycled ones. At the moment, the limited amount of recycled material we use comes from polyethylene terephthalate (PET) beverage bottles. This is a good short-term approach; however, we are limited by the amount of PET bottle material available on the market as this material is in high demand across different industries. We expect that availability of this material is unlikely to grow much beyond the current level, which accounts for about 15% of global textile feedstock.

Given this, it makes sense for us to explore other options and to work with others to develop technologies that would enable circular reprocessing of plastic textile products at the end of life back into new textiles, this is not yet viable on an industrial scale, but, many companies like us are working on tackling this challenge.

At Coats, we will continue to develop our high-quality recycled polyester from PET bottles and aim to meet our 2024 target to have all our premium polyester threads made with 100% recycled material. In 2019, 1.5% of our premium polyester sales were from recycled material. Our demand has increased rapidly as multiple customers are looking to switch to recycled materials and by the end of the year the sales of recycled materials were running at 3.6%.



Working with our customers

Our Sri Lanka business has been working as our test-bed for new and more sustainable approaches to product packaging. Our thread product packaging has three core elements; the support on which the thread is wound, a protective sleeve over the wound package, and the cartons in which a number of packages are stored and transported. Currently the support and the sleeve are made from synthetic plastic materials while the cartons are made from cardboard. In 2019, globally, we used 7,100 tonnes of plastic in supports, 1,400 tonnes of polyethylene sleeves and 10,900 tonnes of cardboard packaging. Where possible we already use recycled materials for our packaging, but in Sri Lanka we are now trying to redesign, in collaboration with our customers, our approach to packaging.

In terms of supports this is currently focussed on the recovery and reuse of supports. This is a more sustainable option than recycling. We are incentivising customers to collect used supports with a nominal payment for returned material and we then clean and reuse those that are in good condition and the rest are sent for recycling. Since we started this pilot, in 2017, we have reused 7.6 million cones (105 tonnes), and recycled another 2.4 million (33 tonnes). We are finding that customers often use the income from returned cones for community purposes, which is an added bonus.

Our approach to sleeves is to work with customers to see if we can remove them entirely from at least some of our products. The main purposes of the sleeves are to protect the packages in transit and to keep the thread clean when in storage in the customer's premises. We have been trialling the removal of sleeves for dark colours, and from early results this looks like a viable option. We are now also looking at replacing the synthetic material used for these sleeves with a compostable biopolymer material so that for the colours that still need protection we can provide a more sustainable option.

We will continue to develop these trials during 2020 and look to broaden the geographic scope for them.

MAKING IT HAPPEN!

ALL PREMIUM QUALITY POLYESTER THREADS TO BE RECYCLED BY 2024

Premium quality recycled polyester chip supply is currently very limited. Existing recycling technology means that the only source of material we can use comes from recycled PET bottles that have been processed through rigorously controlled sorting processes. Even if the collection rate increases and the bottle sorting and recycling systems improve there will never be an adequate supply from this source on its own. Chemical recycling of textile materials to produce new high quality textiles is the likely solution, but the technology for this is still at a pilot plant stage of development. Our objective is to strengthen our links directly to the chip producers so that we can work closely with them on increasing the supply while also ensuring that we get access to material while there are shortages.



Eng Soon Teoh
Global
Procurement
Director, Raw
Materials, Apparel
& Footwear

MANAGING SUSTAINABILITY

Materiality

We update our materiality assessment on a biennial basis.

In 2019, we identified 69 issues to review and map (up from 66 in 2017). This year we added 'Fair Pay', 'Profit Sharing' and 'Animal Testing' to our list. We evaluated each issue against its relevance to Coats' three commercial goals (i.e. Profitable Sales Growth, Increased Productivity and Value Delivery) and their importance to each of our key Stakeholder groups (i.e. Employees, Customers, Shareholders, the Environment, Communities and Suppliers). Our stakeholder groups were updated from those used in the previous assessments which focussed on Shareholders, Customers, NGOs, Regulators and Consumers. This change

reflects the changing nature of our business and the stakeholders with whom we work most closely. This grouping also aligns with the stakeholders identified in our Annual Report.

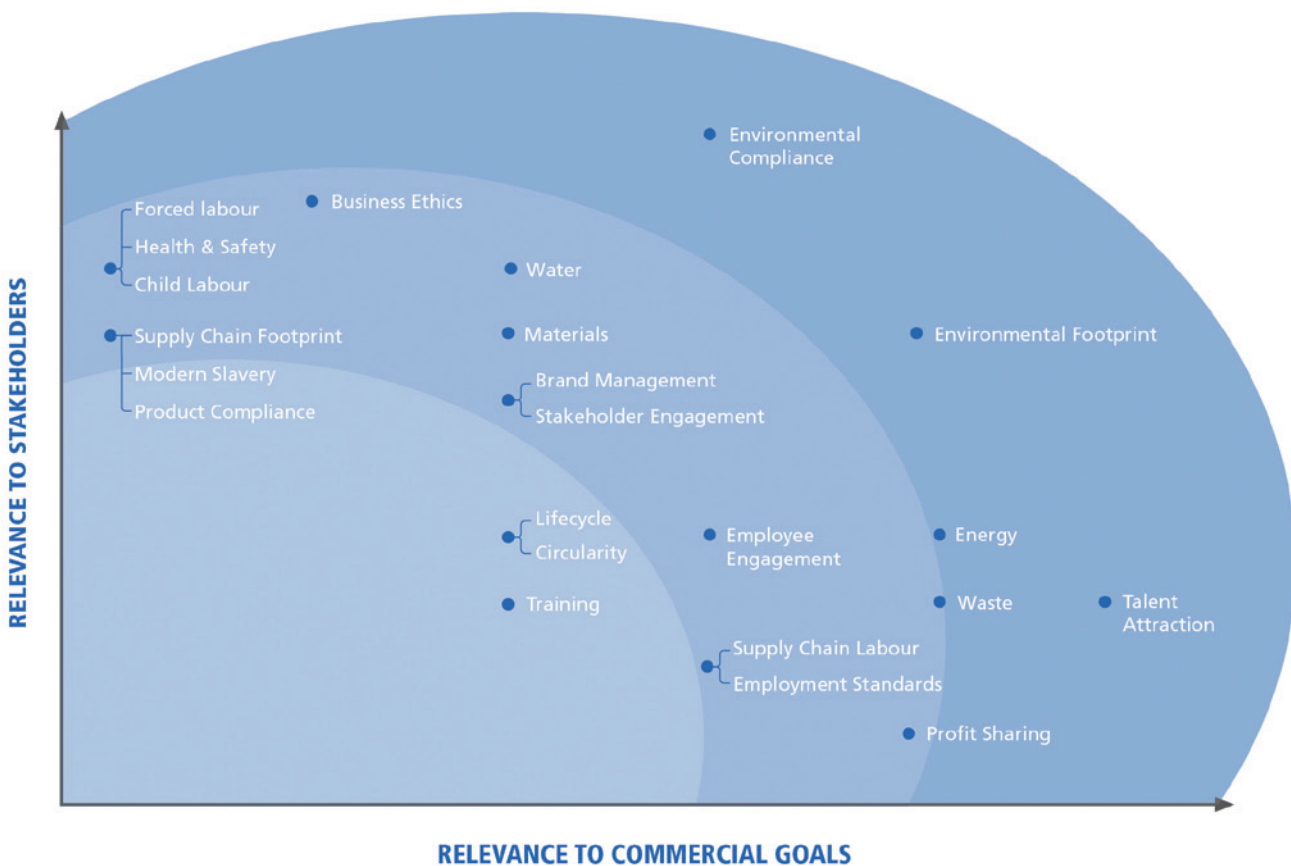
This process allows us to rank these issues by level of importance to both our business and stakeholders.

Comparing our 2017 and 2019 assessments there have been a number of changes in terms of the list of key issues. In part these reflect the new balance in our stakeholder grouping, but changes to our business profile and to the external environment also have had a clear impact. We have also seen a tightening of the alignment of issues with our commercial goals, which reflects the clarity of direction

provided by our "Pioneering a Sustainable Future" strategy. In broad groupings we have seen a marked upgrading of Social issues, especially those related to employee attraction and retention, training and engagement. The range of Environmental issues has also increased slightly. While we have seen a slight downgrading of Governance issues at the top of the list, more specific issues have been replaced by more generic ones, and we interpret this as a recognition of the maturing of our governance policies and procedures.

The graph below shows the top 23 issues for 2019 with the axes representing relevance to Coats goals (x) and importance to stakeholders (y)

2019 TOP 23 ISSUES



The table below compares the top material issues in 2019 against the 2017 assessment

Top Material Issues Ranking

2019	2017
Environmental compliance	Water
Environmental footprint	Energy
Talent attraction	Environmental footprint
Energy	Waste
Water	Health & Safety
Business ethics	Resource scarcity
Materials	Child labour
Waste	Forced labour
Employee engagement	Transparency & reporting
Brand management	Environmental compliance
Stakeholder engagement	Economic environment
Profit sharing	Legal compliance
Employment standards	Consumer health & safety
Circularity	Anti-competition
Life cycle	Data protection & privacy
Child labour	Materials
Forced labour	Modern slavery
Supply chain labour	Bribery & corruption
Health & Safety	Diversity & Inclusion
Training	Stakeholder engagement
Supply chain footprint	Supply chain labour
Product compliance	Economic impact
Modern slavery	Local community



LEADER'S VOICE

Our sustainability strategy involves everyone at Coats in one way or another, and our formal sustainability management structure described here is really just the tip of an iceberg. We are fortunate that a culture of sustainability has been part of Coats from the very start – for example the original factory in Paisley in the 19th century had a free company school for employees where they could spend half their working week furthering their general education – and therefore building support and alignment for sustainability projects has never been difficult. However the extensive work leading up to the development of our sustainability strategy and action plans has led to a much wider recognition internally and throughout our supply chain of the key issues we face and has strengthened our commitment to address them vigorously and through collaborative action.

Andrew Morgan
Head of Sustainability

We have reviewed our sustainability strategy in the light of the changes to our materiality assessment and have concluded that the strategy continues to address the right issues and that the targets continue to be appropriate. We will continue to review this over the life of the strategy.

Governance and management

Sustainability is one of the foundations guiding all that we do. It is not a siloed activity and the delivery of our strategy demands the participation and support of the whole organisation. It needs to be woven through our business and incorporated into every decision we make.

Sustainability is regularly on the Board agenda and is championed by our Group Chief Executive and the whole Group Executive Team (GET). The Group Chief Executive, supported by the GET has the ultimate responsibility for setting the direction, monitoring the performance and the long-term success of our sustainability programme.

The delivery of our strategy is managed by our Head of Sustainability who is responsible for the management of our Sustainability Delivery Team (SDT). This team is sponsored by the Chief Supply Chain Officer, the Chief HR Officer, and the President of Apparel & Footwear, all GET members, and brings together colleagues from across the business to provide the right mix of experience and expertise to continue the implementation of our strategy in an efficient and effective manner. The SDT meets regularly and creates distinct subgroups to focus on specific projects when needed.

Stakeholder engagement

Recognising and understanding our stakeholders and their opinions continues to play an important part in our business strategy and our approach to sustainability. Engaging and communicating with them helps us to identify issues of importance and helps us to determine the right response.

Our key stakeholders include our employees, our customers –the apparel and footwear industry and brands that buy or specify our threads and our performance materials customers– our shareholders, the environment in general, the communities in which we live in and our suppliers.

Each of these stakeholders places different expectations upon our business. This is why we endeavour to connect with our stakeholders across many different channels at both global and local level. Our stakeholders and the way we engage with them is described in more detail on our website www.coats.com/sustainability.



LEADER'S VOICE

Our sustainability track record, and ambitious future targets we have set ourselves, is also very important to our shareholders and other financial stakeholders. They understand the critical need to do business “the right way” from a corporate social responsibility standpoint, as well as the commercial benefits this can deliver. Global financial institutions are increasingly making Environmental, Social & Governance (ESG) performance by corporates, and commitment to progress in this area, at the forefront of their investment decisions and we expect this trend to continue.

In June 2019, Coats hosted its first ESG focused investor event which was held at the London Stock Exchange. On this occasion, we presented our sustainability strategy along with our ambitious 2022 targets and covered the manufacturing processes used at Coats and the progress made to date. Our investor event is described in more detail on our website; <https://www.coats.com/en/Investors/Results/2019/Investor-Event---ESG/ESG-Article>

Rob Mann
Head of Investor Relations

PERFORMANCE SUMMARY

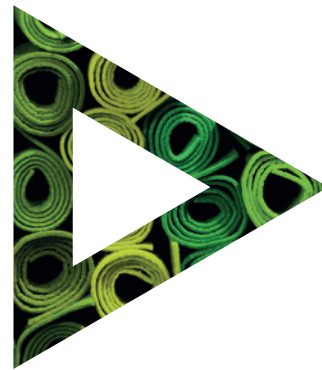
Indicator	Unit	2014	2015	2016	2017	2018	2018 restated ¹	2019
WATER Managing a precious resource wisely								
Total water used	Million cubic metres	8.3	8.3	8.2	8.0	7.9	7.7	7.4
Water intensity (dyed product)	Litres per kg product	127	121	118	112	109	92	90
% of major plants where detailed water balance studies were conducted						2		29
% of recycled and reused	%	2%	4%	8%	11%	20%	20%	24%
% of water from municipal supply	%	41%	39%	36%	37%	37%	36%	36%
% of water from ground water sources	%	27%	26%	27%	24%	23%	24%	21%
% water from natural watercourses and reservoirs	%	30%	30%	28%	28%	20%	20%	18%
ENERGY Renewables for a sustainable future								
Total energy used in manufacturing	Million kWh	858	833	829	823	810	792	770
Non-renewable electricity used	%	31%	32%	30%	29%	28%	29%	31%
Natural gas used	%	33%	33%	35%	34%	35%	33%	32%
Oil used	%	11%	6%	6%	7%	5%	5%	5%
Coal used	%	0%	0%	0%	0%	0%	0%	0%
Renewable energy used	%	25%	29%	29%	30%	31%	32%	32%
Energy intensity	kWh per kg dyed product	13.2	12.2	11.9	11.5	11.2	9.4	9.3
No of sites with detailed energy surveys conducted								20
% of plants who have implemented ISO 50001								1
EFFLUENT & EMISSIONS Working for a cleaner world								
% of water discharged as waste effluent	%	87%	80%	79%	77%	68%	68%	62%
Environmental prosecutions	No	0	0	0	0	0	0	0
% of effluent compliant with ZDHC	%							63%
Money spent on new effluent treatment plants and technology	Million \$	3.4	0.9	1.6	2.2	3.6	3.6	4.6
Total carbon footprint (scope 1 and 2)	Thousand tonnes CO ₂ e	322	305	319	311	302	288	275
Emissions volume intensity	CO ₂ e kg per kg of product	4.9	4.5	4.6	4.3	4.2	3.4	3.3
Emissions value intensity	Tonnes CO ₂ e/\$m sales	210	208	219	206	196	204	198

¹ 2018 data has been restated without NA Crafts, with Gotex and Patrick Yarn Mills and with finished goods output basis to help with like for like comparisons to 2019

² 2018 accident statistics have been marginally restated because of the analysis lag on some incidents

³ Headcount includes JV operations so the numbers don't reconcile exactly the statutory headcount in the Annual Report

Indicator	Unit	2014	2015	2016	2017	2018	2018 restated ¹	2019
SOCIAL Safe and sustainable workplaces and communities								
Headcount ²		19,204	18,985	19,079	19,419	18,802	18,239	17,725
% female employees	%	40%	41%	40%	41%	39%	39%	41%
% female senior managers	%	19%	19%	21%	22%	23%	23%	24%
% female board members	%	12.5%	11.1%	22.2%	30%	30%	30%	33%
Employee engagement score	%	81%	83	83	83	83		NA
Amount of safety training	Hours of training per employee					28		29
Sites accredited OHSAS 18001 standard	No of sites							9
Sites accredited ISO 45001 standard	No of sites							3
Near Misses reported						1,485		1,900
Hazards reported						41,583		39,471
Improvement Actions completed						41,034		46,377
Incident rate	Injuries per 100 FTE	–	–	0.56	0.56	0.62 ²		0.50
Number of recordable incidents	No			163	163	178		134
Average lost days per reportable incident	Days per incident	–	–	12.4	14.7	10.0 ²		12.3
Lost days caused by work related accidents	No of days	–	–	2,015	2,320	1,778		1,650
Work related fatalities	No	0	0	0	1	0		0
Health & safety prosecutions	No	0	0	0	0	0		0
Commuting incident rate	Commuting injuries per 100 FTE					0.33		0.42
Number of commuting incidents	No					96		114
% workforce with 'Great Place to Work' or equivalent certification	% workforce							19%
Permanent employees subject to a collective agreement	%	–	–	–	38%	36%	37%	43%
Permanent employees that are members of a union	%	–	–	–	34%	37%	38%	43%
Diversity in employees	No of nationalities				68	63	63	60
Diversity in senior management	No of nationalities represented				43	32	32	31
LIVING SUSTAINABLY Protecting our planet								
Total waste generated	Tonnes	–	–	–	–	12,000	12,232	12,450
% total material waste	%						9%	9%
% of premium polyester sales from recycled material								1.5%
Reused or recycled waste	% of waste generated						73%	71%
% of units sending zero waste to landfill	%							67%
Total materials purchased by Coats	Tonnes	132,694	136,249	146,394	138,589	144,318	136,705	142,398
Materials used in Coats products	Tonnes	87,002	90,444	95,261	93,268	97,370	91,431	102,287
OTHER								
Senior employees and those with externally facing roles who have successfully completed compliance training	headcount	4,000+	4,500+	4,500+	4,500+	4,000+	4,000+	4,000+
Number of different colours dyed	Thousand	156	164	162	171	174	174	176
Number of dye batches produced	Million	3.5	3.6	3.7	3.9	3.8	3.8	3.8
Direct economic value generated and distributed	\$ million	1,033	1,558	1,459	1,501	1,543	1,417	1,396
% economic value distributed to suppliers	%	65%	65%	63%	61%	62%	62%	60%



FOR MORE INFORMATION ON OUR APPROACH TO SUSTAINABILITY

www.coats.com/sustainability

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