



# Modern slavery statement

## Modern slavery and transparency in supply chains statement

This statement has been prepared for the year ending 31 December 2016 and is in accordance with the requirements of the UK Modern Slavery Act 2015 and the California Transparency in Supply Chains Act of 2010. The statement takes account of UK Government guidance<sup>1</sup>, has been approved by Coats Group plc Board of Directors and is applicable to all Coats business units and subsidiary companies.

### Our business and supply chain

Coats is the world's leading industrial thread manufacturer and a major player in the Americas textile crafts market. We operate in more than 60 countries, employing some 19,000 people across six continents and our products are sold in over 100 countries. Our Industrial business is the leading producer of industrial thread for the apparel and footwear industry, we have a leading and expanding position in the performance materials market and our Crafts business is the largest player in the Americas textile crafts market.

We have over 10,000 direct material and product suppliers, located in more than 70 countries worldwide, who supply raw materials, components and finished goods for our industrial and crafts business units. We also work with over 6,000 'indirect' suppliers providing, for example, equipment, consumables, agency workers, maintenance and cleaning services and a range of professional services.

### Our policies and principles

We operate to high ethical business and employment standards across all of our global operations. Our business reputation, together with the trust and confidence of the people we do business with, is one of our most valuable assets and one which we strive to protect. High ethical standards also make good business sense, they create value for our company, our shareholders and ultimately for society as a whole.

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<sup>1</sup> *Transparency in Supply Chains etc, A practical guide*, Guidance issued under section 54(9) of the Modern Slavery Act 2015, [www.gov.co.uk](http://www.gov.co.uk)

We have zero tolerance towards exploitative employment practices and our policies and codes of practice make specific reference to the avoidance of slavery, forced or bonded labour both in our own operations and in our supply chain. We uphold the aims of the California Transparency in Supply Chains Act of 2010 and the UK Modern Slavery Act 2015.

Furthermore, we support the UN Guiding Principles on Business and Human Rights throughout all our operations. Our global policies uphold the requirements of the UN Declaration of Human Rights and the Convention on the Rights of the Child, the core ILO<sup>2</sup> Conventions, and the OECD<sup>3</sup> Guidelines for Multinational Enterprises.

## 1. Our operations

At Coats, we all share the responsibility for developing and maintaining a working environment that we can be proud of. The foundations of this lie in everyone acting with honesty, integrity and fairness and speaking up if they feel this is not happening.

Our **Ethics Code** ([http://www.coats.com/assets/files/cms/Ethics\\_Code\\_2016.pdf](http://www.coats.com/assets/files/cms/Ethics_Code_2016.pdf)) sets out the basic principles and standards that we expect of all our employees and partners. The code applies to everyone who represents, or acts on behalf of, Coats and helps them to understand their role in upholding our values.

To supplement this, our worldwide **Employment Standards** ([http://www.coats.com/assets/files/cms/Worldwide\\_employment\\_standards\\_\\_\\_Oct\\_2015.pdf](http://www.coats.com/assets/files/cms/Worldwide_employment_standards___Oct_2015.pdf)) set out the principles which are observed across our global operations.

A **Whistleblowing Policy** ([http://www.coats.com/assets/files/cms/Whistleblowing\\_Policy\\_2016.pdf](http://www.coats.com/assets/files/cms/Whistleblowing_Policy_2016.pdf)) and process is in place to encourage the reporting of any possible occurrences of non-compliance with the code or any policy.

## 2. Our supply chain

It is vital that our relationships with business partners and suppliers are aligned with our own business principles and our approach to Corporate Responsibility. As a result, we continually review our approach to ethical and sustainable supply chain management.

We have developed a detailed **Supplier Code**, which outlines the expectations we have of our suppliers. The Supplier Code, which was piloted in 2015 and launched globally throughout 2016, is based on international standards and, in the absence of such standards, accepted good practice. The Code covers labour practices, environmental management, responsible sourcing of materials and products, and business conduct. It also contains specific requirements around human trafficking and forced and bonded labour:

*'Suppliers must not use slavery, forced or bonded labour or involuntary prison labour in their businesses. Suppliers must not directly or indirectly engage in or support human trafficking, by*

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2 International Labour Organisation

3 Organisation for Economic Cooperation and Development

*recruiting, transferring, harbouring or receiving a worker using threat, force, coercion or deception. Suppliers must have a system in place to check that employees have a legal right to work.'*

## **Due diligence and audits**

We have undertaken a human rights risk assessment to identify the areas of highest risk both in our own business operations and in those of our supply chain. We have mapped our operations and those of our supply chain to identify particular industry/sectoral risks as well as risks from their geographical location. We have also taken account of a number of external benchmarks and indices in our risk assessment process, including the UN *Human Development Index*, ITUC<sup>4</sup> *Global Rights Index*, Freedom House *Freedom in the World Civil Liberties*, UNICEF<sup>5</sup> *% of children aged 5-14 years engaged in child labour*, US State Department *Trafficking in Persons*, and Transparency International's *Corruption Perceptions Index*. Our assessments are reviewed on a regular basis.

The risk assessment helps to focus our efforts on internal communication and employee training and supports the rollout and monitoring of the Supplier Code across all our companies, with an initial focus on the higher risk areas of our business.

We carry out internal audits against our business principles to ensure that we are upholding our standards globally. In China specifically, we have a team of people who have been trained and certified as Corporate Responsibility Auditors and are now equipped with the skills to carry out their own social compliance audits. Furthermore, our manufacturing plants are regularly audited by our clients and global branded customers to ensure we are meeting their ethical trade standards.

We engage with our suppliers and partners around the issues outlined in the Supplier Code, and have developed a *due diligence and review protocol* for our procurement teams to use in assessing supplier credentials. A review of Supplier Code adherence will also form an integral part of our routine reviews of supplier performance. We have also reserved the right to audit our suppliers and partners, to the furthest extent permitted by law and any contract we have in place, to ensure compliance with the Supplier Code.

In the event that we become aware of any supplier company acting in contravention of the requirements in our Supplier Code, we reserve the right to demand corrective actions or ultimately to terminate the agreement.

## **Employee training**

We continually embed our Corporate Responsibility (CR) policies throughout our business. All senior employees and those with externally facing roles complete mandatory ethics and compliance training. We have an online training package covering the core themes of our CR programme, including anti-corruption, competition and ethics. In addition, we have held a number of face-to-face training sessions in key high-risk locations, such as Brazil, Bangladesh, Colombia, India, Turkey and Vietnam, to help

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4 International Trade Union Confederation

5 The United Nations Children's Fund

ensure that everyone at and associated with Coats continues to set, and live by, the highest ethical standards.

We are also developing a global 'train the trainer' programme for our procurement teams to support them in embedding the detailed requirements of our Supplier Code and the implications for them as employees and for our suppliers.

### **Specific activities during 2016**

During 2016 we undertook the global rollout of our [Supplier Code](#). We carried out over 30 face-to-face supplier engagement workshops across 15 countries, where we explained the reasons for developing the code and discussed in detail some of the key issues it covers. These workshops targeted over 80% of our medium/high risk suppliers. The remainder will be approached by our local procurement teams during 2017.

### **Future plans**

We realise that the risks to our business from Modern Slavery will continually evolve and we will continue to review our approach to tackling the issue. Our aim is to ensure that slavery does not exist in our business and our supply chains. This statement will be updated annually to reflect our ongoing focus.

**Rajiv Sharma**

**Group Chief Executive, Coats**