



**PIONEERING A SUSTAINABLE FUTURE**

# **Sustainability at Coats**

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**3 JUNE 2019 – LONDON STOCK EXCHANGE**





**PIONEERING A SUSTAINABLE FUTURE**

# **Introduction**

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**Rajiv Sharma, Group CEO**



# OBJECTIVES OF TODAY

Outline our sustainability strategy



Hear the views of our customers



Meet management

Understand the business benefits



# A GLOBAL MANUFACTURING BUSINESS LEADING IN SUSTAINABILITY



FTSE4Good

**Industry leader**

**Robust financial footing**

**c.40% of CAPEX on CSR\***

**18,000 workforce**

**40,000 customers**

**15,000 suppliers**

\* Includes H&S, environment, legal, compliance, HR

# UNDERPINNING OUR STRATEGY

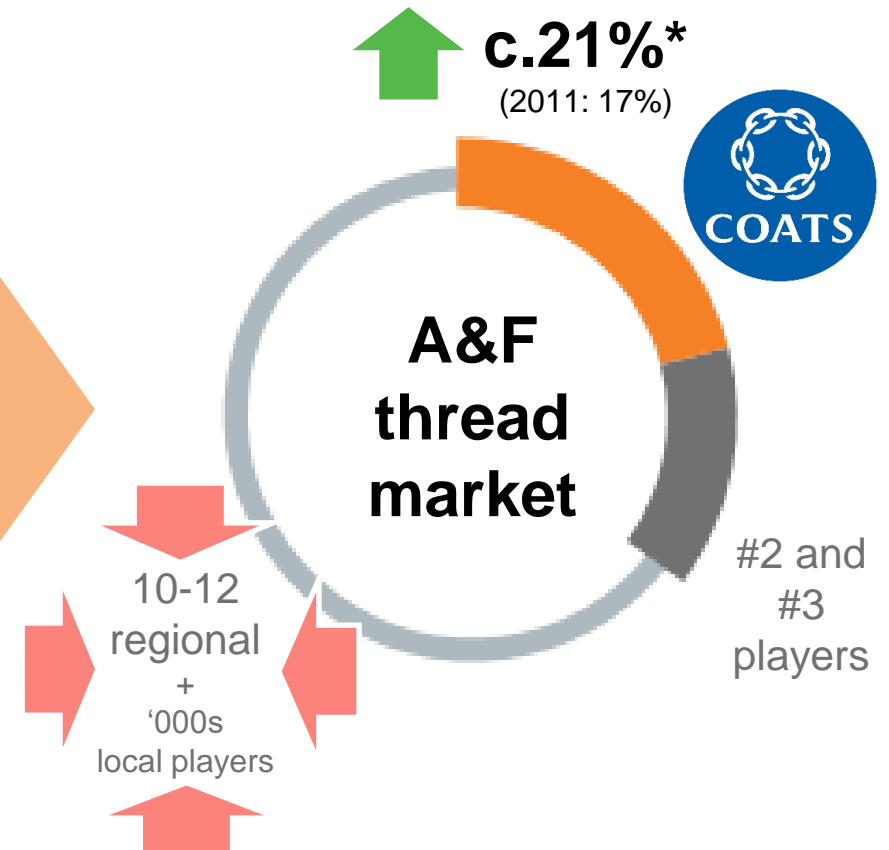
Sustainability has always been core to our values

Sustainability is a source of competitive advantage in our industry

Sustainability is a key part of our wider business strategy

We are building on our excellent progress to date and accelerating

A KEY FACTOR UNDERPINNING OUR STRONG FINANCIAL DELIVERY



AND SUPPORTING CONSISTENT MARKET SHARE GAINS





**PIONEERING A SUSTAINABLE FUTURE**

# **A commercial perspective**

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**Adrian Elliott, President Apparel and Footwear**



# THE WORLD WE LIVE IN?





# INDUSTRY CONTEXT





# A FEW WORDS ON FAST FASHION

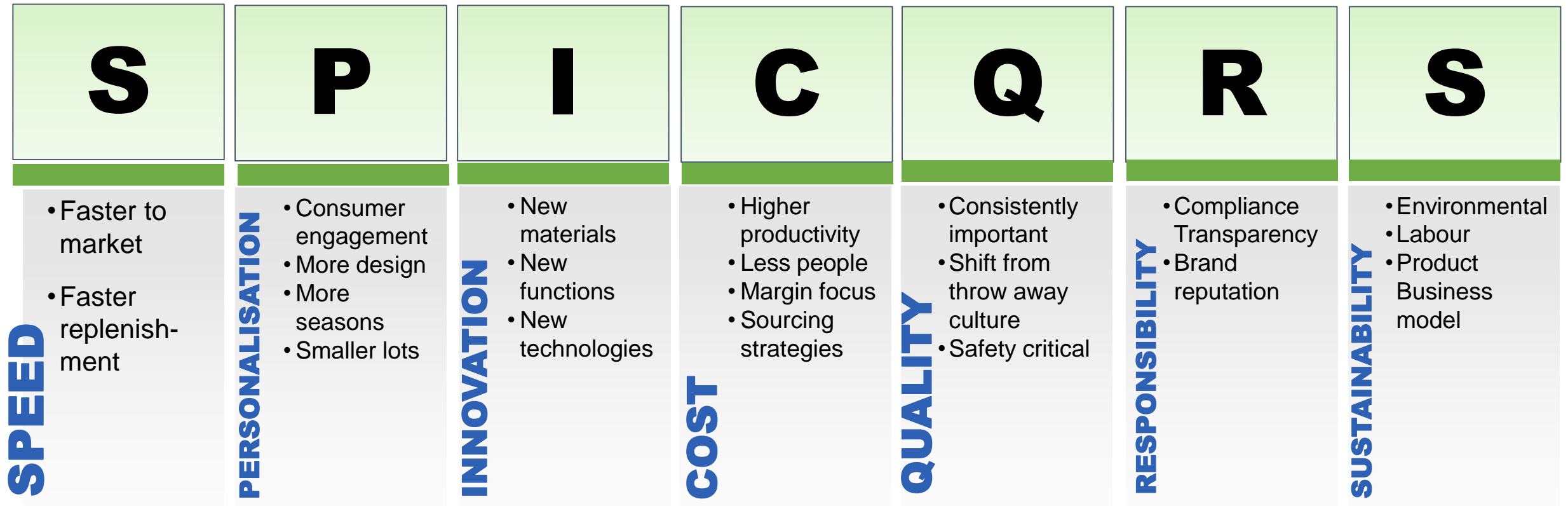
## What is fast fashion?

'Fast fashion' is a term used to describe a new accelerated fashion business model that has evolved since the 1980s. It involves increased numbers of new fashion collections every year, quick turnarounds and often lower prices. Reacting rapidly to offer new products to meet consumer demand is crucial to this business model.





# OUR 'SPICQRS' MODEL – A&F INDUSTRY IMPERATIVES





# INDUSTRY CONTEXT - CHANGE IS HAPPENING

No single body represents or governs the A&F industry – diverse range of standards and approaches



Sustainable  
Apparel Coalition



The world's largest brands are leading the way in the sustainability space.....

- Audits
- Testing
- Product compliance
- Accreditation
- Supplier Codes

## In our Asia business:

- c.2 customer audits per week
- c.1 customer certs. per day
- c.1 government audit per week



## BRANDS ARE LEADING THE WAY

Recognising impact on brand and reputation and relevant to all stakeholders –  
Customers / Employees / Investors





# PIONEERING A SUSTAINABLE FUTURE



## WATER

**40%** reduction in water used in litres/kg thread produced



## ENERGY

**7%** reduction in energy used in kwh/kg thread produced

Source **renewable energy** where feasible



## EFFLUENT & EMISSIONS

**ZDHC** effluent standards



## SOCIAL

**Great place to work** or equivalent awards for all key sites

**All** employees involved in community activities



## LIVING SUSTAINABLY

**25%** reduction in waste

All premium polyester thread **100% recycled** by 2024





# COMMERCIAL IMPACT

S	P	I	C	Q	R	S
<ul style="list-style-type: none"> <li>• Faster to market</li> <li>• Faster replenishment</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer engagement</li> <li>• More design</li> <li>• More seasons</li> <li>• Smaller lots</li> </ul>	<ul style="list-style-type: none"> <li>• New materials</li> <li>• New functions</li> <li>• New technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Higher productivity</li> <li>• Less people</li> <li>• Margin focus</li> <li>• Sourcing strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Consistently important</li> <li>• Shift from throw away culture</li> <li>• Safety critical</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance Transparency</li> <li>• Brand reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental</li> <li>• Labour</li> <li>• Product Business model</li> </ul>
<b>SPEED</b>	<b>PERSONALISATION</b>	<b>INNOVATION</b>	<b>COST</b>	<b>QUALITY</b>	<b>RESPONSIBILITY</b>	<b>SUSTAINABILITY</b>

Sales of recycled EcoVerde range by 2020

**\$15m**

Sustainability as a key enabler of growth with China's new breed of super brand

**China**

Share and price protection positive impact with major global brands

est. **\$10-15m**

Major European retailer specified Coats product due to sustainability

**'Share gain'**

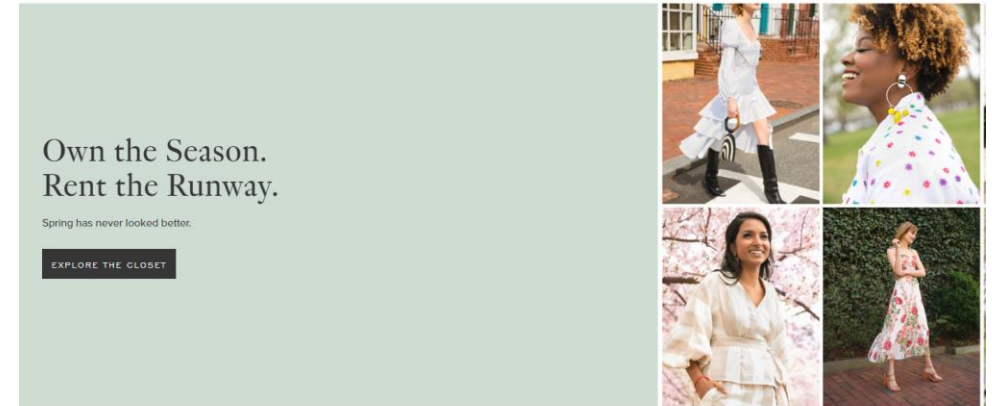
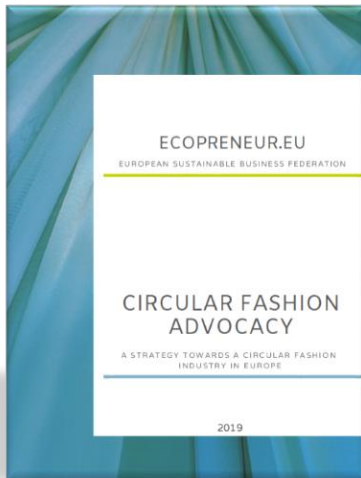
Rapidly becoming the key factor for many leading industry players

**'Right to compete'**



# WHERE IS THE INDUSTRY HEADING?

Different business models are emerging – away from recycling to rethinking circular economy



## CLOSING THOUGHTS

**BlackRock**

“I do believe that the demand for ESG is going to transform all investing. Now, that may be one or five years away from now, but it’s not that far away.”







# Pioneering A Sustainable Future

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**Andrew Morgan, Head of Sustainability**



# PIONEERING A SUSTAINABLE FUTURE



## WATER

**40%** reduction in water used in litres/kg thread produced

6 CLEAN WATER AND SANITATION



## ENERGY

**7%** reduction in energy used in kwh/kg thread produced

Source **renewable energy** where feasible

13 CLIMATE ACTION



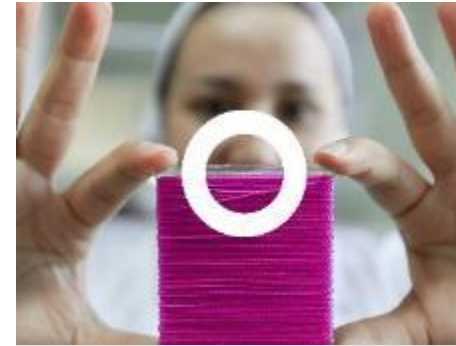
## EFFLUENT & EMISSIONS

**ZDHC** effluent standards

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



## SOCIAL

**Great place to work** or equivalent awards for all key sites

**All** employees involved in community activities

3 GOOD HEALTH AND WELL-BEING



5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



## LIVING SUSTAINABLY

**25%** reduction in waste

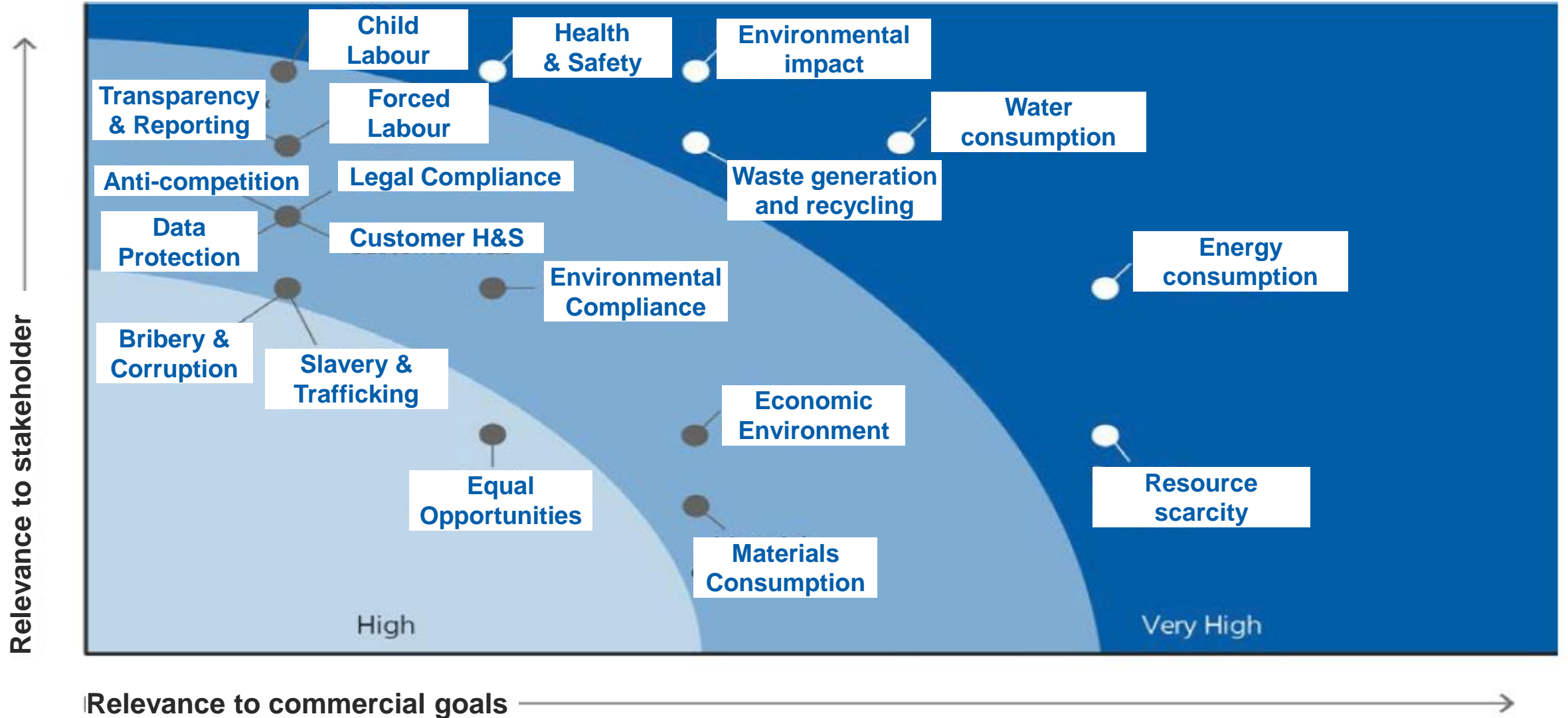
All premium polyester thread **100% recycled** by 2024

12 RESPONSIBLE CONSUMPTION AND PRODUCTION





# MATERIALITY ASSESSMENT – THE BASIS OF OUR SUSTAINABILITY STRATEGY



# WHAT WE DO

## Spinning & Twisting



Conversion of staple fibres into a single ply yarn

Twisting multiple plies of yarn to produce “grey” thread

## Dyeing



Application of colour through batch processing with dyes and chemicals

## Finishing



Winding onto cones with application of lubrication or special finish







# WATER

## MANAGING A PRECIOUS RESOURCE WISELY

Without water we cannot, today, make thread. It is a vital and shared resource and we need to make sure we use it efficiently, particularly as water is scarce in some parts of the world.



### Past Performance

- 28% REDUCTION IN WATER USED IN LAST 6 YEARS
- EQUATES TO c.\$2m SAVING IN 2018 vs 2012

↓ 28%

### Target for 2022:

- 40% REDUCTION IN WATER USED

↓ 40%

### Example in practice:

- Water app: showing the real time consumption of water in all our dye houses



# ENERGY

## RENEWABLES FOR A SUSTAINABLE FUTURE

The use of fossil fuels and the associated greenhouse gas emissions contribute to climate change. We have a responsibility to reduce our contribution and mitigate these risks.



### Past Performance:

- 22% REDUCTION IN ENERGY IN LAST 6 YEARS
- 28% ENERGY FROM RENEWABLE SOURCES
- EQUATES TO c.\$13m SAVING IN 2018 vs 2012

↓ 22%

28%

### Target for 2022:

- 7% REDUCTION IN ENERGY USED
- SOURCE RENEWABLE ENERGY WHERE FEASIBLE

↓ 7%

### Example in practice:

- Energy meters: Piloting IOT sensors on energy meters to collect data in order to drive insights into usage



# EFFLUENT & EMISSIONS

## WORKING FOR A CLEANER WORLD

At Coats, we aim to ensure that the water we discharge is safe and will not damage the environment around our factories.



### Past Performance:

- 25% REDUCTION IN GHG EMISSIONS IN LAST 6 YEARS
- OVER \$20M INVESTMENT IN EFFLUENT TREATMENT PLANTS IN LAST 4 YEARS

 **25%**      **\$20m**  
Of investments

### Target for 2022:

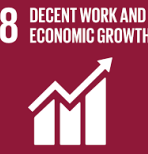
- ZDHC (ZERO DISCHARGE OF HAZARDOUS CHEMICALS) EFFLUENT STANDARDS

### Example in practice:

- 12 Effluent Treatment Plants connected through IOT - collecting data centrally every 30 seconds

# SOCIAL

## SAFE AND SUSTAINABLE WORKPLACES AND COMMUNITIES



### Past Performance

- EMPLOYEE ENGAGEMENT 83%; TOP 10% GLOBALLY
  - top decile for recognition
- INJURY RATE 80% BELOW INDUSTRY RATE
- PRODUCTIVITY PER EMPLOYEE UP 20% OVER LAST 6 YEARS
- BEST IN CLASS EMPLOYER RECOGNITION – BRAZIL, INDONESIA, TURKEY AND VIETNAM

83% ↑ 20%

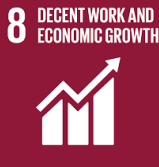
PART OF COATS' DNA FOR OVER 250 YEARS



# SOCIAL

## SAFE AND SUSTAINABLE WORKPLACES AND COMMUNITIES

We attach great importance to creating an inclusive workplace where diversity is valued. We continue to support and have a positive impact in the communities we live and work in.



### Target for 2022:

- 'GREAT PLACE TO WORK' OR EQUIVALENT AWARDS
- ALL EMPLOYEES INVOLVED IN COMMUNITY ACTIVITIES



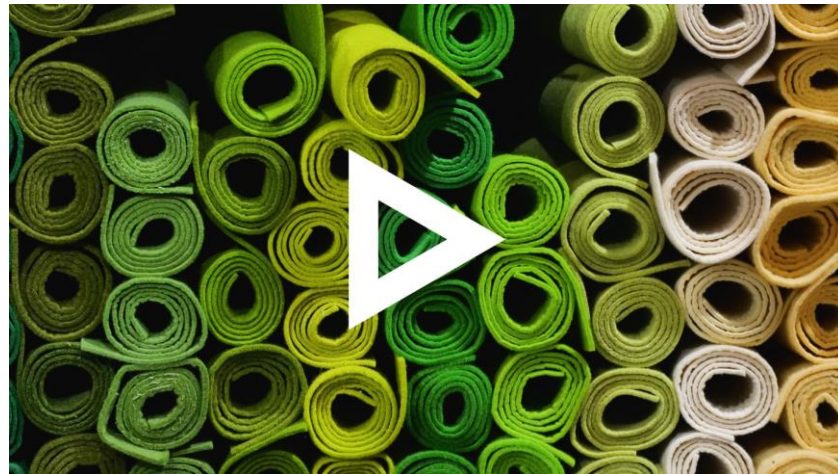
### Examples in practice:

- Hampton-Alexander Review – up 56 places to #72 / 250 in 2018
- 33% female representation on Board
- Dedicated workforce engagement representative on Board
- “Journey to Zero” – taking a predictive approach to accident prevention

# LIVING SUSTAINABLY

## PROTECTING OUR PLANET

To ensure growth, now and in the future, it is important that we use resources efficiently and explore innovative solutions. We will use more sustainable raw materials and reduce our waste.



### Past Performance

- WORLD'S FIRST 100% RECYCLED PREMIUM THREAD LAUNCHED
- 16% SAVING IN S&T WASTE IN LAST 4 YEARS

↓ 16%

### Target for 2022:

- 25% REDUCTION IN WASTE

↓ 25%

### Our 2024 ambition:

- ALL PREMIUM POLYESTER THREAD 100% RECYCLED



### Example in practice:

- Recent launch of 100% cotton products (Tre Cerchi Vero) - Certified by the Better Cotton Initiative - entirely made from sustainable raw materials





**PIONEERING A SUSTAINABLE FUTURE**

# Summary

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**Rajiv Sharma, Group CEO**

# WRAP UP



- **The textile industry is a major user of global resources**
- **We take our position as market leader and an ethically responsible business very seriously**
- **We have made significant progress and have bold ambitious future targets**



- **Doing the right thing for our employees and communities has been in our DNA for over 250 years**
- **We have an excellent H&S record, and a commitment to our employees / communities**



- **As a UK listed business, and responsible global employer, we have strong processes / structures in place**
- **We have published our targets and processes in place to deliver / track these**





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**For more information**

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