



RAJIV SHARMA GROUP CHIEF EXECUTIVE



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

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