

# WELCOME FROM OUR GROUP CHIEF EXECUTIVE

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4<sup>th</sup> March 2021



A year ago, at the time of writing my welcome to our 2019 report, we were dealing with disruption in our Chinese plants because of country-wide lockdowns in response to a recently emerging novel coronavirus. At that point we hadn't realised that this would be the defining issue for the whole year. Clearly, in the circumstances the biggest sustainability challenge for Coats in 2020 has been in responding to the pandemic, and I am intensely proud that the company responded quickly and decisively and in a way that was true to its fundamental values. We have also, notwithstanding the massive disruption caused by the pandemic, continued to make good progress towards our sustainability targets, and remain committed to delivering on them to the original timetable.

That our units in China were involved in dealing with Covid well before it became a pandemic was fortuitous as it meant that we already had protocols developed and ready to implement around the world to protect our people and facilitate safe working practices. Before lockdowns were imposed we had closed all of our stand-alone offices and everybody who could was working from home. All management salaries were reduced in order to protect employment and income for front-line colleagues, giving them certainty and support as more and more of our factories had to close. We then developed comprehensive re-opening protocols including our own track and trace app to be able to identify people at risk if one of their colleagues caught the virus. We also extended our support from employees into the communities around our plants. While our primary focus throughout this period has

clearly been on the health and wellbeing of our colleagues, we have also worked closely with customers and suppliers to ensure that customer needs continued to be met and that supply chains were not destroyed.

During the year, 14 of our colleagues were lost to the disease and this is profoundly sad for all us. We do take some comfort from the low infection rates within our operations because of the prompt actions taken by all of our units. My colleagues and I have been proud that once again, as has happened many times in its long history, the company has faced an existential crisis by pulling together, doing the right thing and acting true to its most fundamental values.

Covid is obviously not the only global crisis facing us this year. Coats recognises that the climate crisis is upon us and requires concerted and decisive action now from businesses as well as from governments and populations if we are to successfully avoid the risk of uncontrollable climate change. I am pleased that, after a detailed analysis of climate change scenarios and the risk they pose for the business, we have committed to developing Science Based Targets (SBTs) under the Business Ambition for 1.5°C call to action which commits us to developing both shorter term targets and plans that align with the 1.5°C pathway and the longer term goal of Net-Zero by 2050. These targets will all be aligned with the global commitments agreed at the 2015 United Nations Climate Change Conference (COP21). While responding to the pandemic required urgent and intensive action, this challenge will require us to keep

focused for many years to come, constantly developing new emissions reduction opportunities.

I can confirm that we have renewed our participation in and commitment to the United Nations Global Compact (UNGC). We remain fully committed to the 10 UNGC principles covering Human Rights, Labour, the Environment and Anti-Corruption, and are continuing to implement these principles in our operations and in our supply chain. Our commitment continues to help deliver the seven Sustainable Development Goals (SDGs) that we have identified as most relevant to our activities. As was the case for our 2019 Sustainability Report, this report combines our annual, formal Communication on Progress (COP) as Participants of the UNGC and a broader overview of our sustainability activities. As a COP the report covers our actions in support of the Principles and our progress on our sustainability targets and how these relate to the SDGs.

During 2020 we have reviewed and updated our company purpose which is now "to connect talent, textiles and technology to make a better and more sustainable world". Connecting is at the heart of what we do, and talented people, technology and textiles are our tools, while the core of the purpose is to make the world a better and more sustainable place. Sustainability is not new to the way we do business, but this is the first time that we have articulated this so clearly as being at the heart of our company, and hence a driver for our strategic decisions.

In terms of performance towards our strategic targets 2020 has clearly not been an easy year. At times nearly half of our production capacity has been stopped, and we have been faced by variable material supply and big fluctuations of customer demand. Many of the plans that we had at the start of the year had to be suspended or substantially delayed. Notwithstanding these headwinds we continued to work on moving forward where we could and I am happy to report that overall we made very good progress across many of our target areas. The results are detailed in the body of this report. I can confirm that while there is more left to do to meet our targets than we had expected at this point, we remain committed to delivering on those targets and to the original timelines of 2022 and 2024, and will be accelerating actions in 2021 with the aim of recouping the momentum lost due to the pandemic.

While we always pay at least the minimum wage where we operate, during 2020 we completed a global analysis of our remuneration against a Living Wage benchmark and I am pleased that in nearly all cases our packages met or exceeded the benchmark. In the few cases where this was not the case we are taking action in 2021 to meet the Living Wage benchmark

We expect no return to "normality" in 2021, we are instead entering a new world. And it is one where sustainable business practices are even more important for responsible companies than before the pandemic. We welcome this and I am confident that the global Coats team that I lead is ready and willing to meet these challenges and deliver for our business and our stakeholders.

Coats »

Strategy Overview »

Water »

Energy »

Effluent & Emissions »

Social »

Living Sustainably »

Managing Sustainably »

Performance Summary »

