



PIONEERING A
SUSTAINABLE
FUTURE

ACCELERATING
OUR JOURNEY

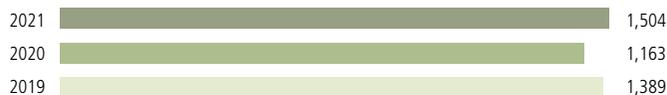


ABOUT COATS

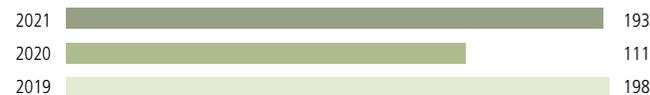
Coats is the world's leading industrial thread company. Headquartered in the UK and a member of the FTSE250. Our products are sold in over 100 countries with digital platforms enabling us to serve customers wherever they are located. We give employment to over 18,000 people across six continents, and we operate in some 50 countries which provides an unrivalled global footprint.

We work with 30,000 apparel and footwear manufacturers and 4,000 retailers and brands globally, as well as with 8,500 performance materials customers. In 2021 our group revenue was \$1,504 million with operating profit of \$193 million.

REVENUE (\$M)¹



OPERATING PROFIT (\$M)¹



¹Revenue and adjusted operating profit are from continuing operations excluding NA Crafts which was sold on 20/02/19. In the report all data includes NA Crafts for 2018 but where appropriate 2018 data is restated without NA Crafts to assist comparisons.



COATS GROUP PLC WAS EXTREMELY PROUD TO MAINTAIN OUR PLACE IN THE FTSE4GOOD INDEX FOR THE THIRD CONSECUTIVE YEAR.



FOR MORE GO ONLINE
WWW.COATS.COM/SUSTAINABILITY



DELIVERING TODAY AND INCREASING OUR AMBITION FOR TOMORROW

2022

WE ARE ON TRACK TO DELIVER ON OUR SHORT-TERM TARGETS

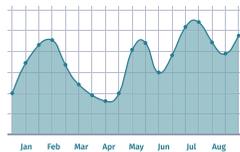
in 2021 we achieved:

22% REDUCTION IN WATER INTENSITY

7% REDUCTION IN ENERGY INTENSITY

82% ACHIEVEMENT IN EFFLUENT

83% GREAT PLACE TO WORK COVERAGE



\$96M OF ECOVERDE SALES

3% REDUCTION IN WASTE

2030

OUR GOALS FOR 2030 ARE CLEAR AND AMBITIOUS

Approved Science Based Targets with 2019 baseline that commit us to:

Further transformational targets:

46.2% REDUCTION IN SCOPES 1&2 EMISSIONS

100% RENEWABLE ELECTRICITY

33% REDUCTION IN SCOPE 3 EMISSIONS

ZERO PRODUCTS FROM VIRGIN OIL-BASED MATERIALS

70% OF TOTAL ENERGY FROM RENEWABLE SOURCES

CIRCULAR PRODUCT AND PACKAGING SOLUTIONS

INCREASED POSITIVE SOCIAL IMPACT

2050 LONG-TERM TARGET

NET ZERO EMISSIONS IN OUR VALUE CHAIN BY 2050



ABOUT THIS REPORT

The information in this report covers the period from 1 January 2021 to 31 December 2021. 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. This report is also our formal Communication On Progress as participants of the UN Global Compact. We have included additional details this year around our response to climate change and our approach to circularity within our industry. We continue to report in line with the requirements of the Global Reporting Initiative (GRI) and for the fourth 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.

CONTENTS

- 5. Coats ›
- 7. Strategy Overview ›
- 13. Climate ›
- 18. Water ›
- 22. Energy ›
- 26. Effluent ›
- 30. Social ›
- 38. Materials ›
 - // Circularity ›
- 46. Managing Sustainability ›
- 50. Performance summary ›



WELCOME FROM OUR GROUP CHIEF EXECUTIVE



Rajiv Sharma
Group Chief Executive
4 March 2022

In 2019 we launched our sustainability strategy with five pillars (Water, Energy, Effluent, Social and Materials) which are linked to seven UN Sustainable Development Goals (SDGs) and each of which has at least one target for the end of 2022, and with a target for premium conversion to recycled polyester by 2024. These targets are company KPIs and are linked to remuneration for a broad range of management. During 2022 we will define new, more ambitious targets for our next interim horizon of 2026. We have published our approved Science Based Targets (SBTs) for 2030. On top of that we have committed that 70% of our energy will be renewable by 2030 and that we will be using no new oil-based materials by then. Additionally we have committed to a product and packaging strategy that will enable a more circular model for our industry and have committed to enhanced social targets around living wage, fair employment, health & safety, employee and community wellbeing and supplier social performance. Finally we are committed to achieving Net Zero in our value chain by 2050.

I am pleased with the substantial progress we have made in 2021 towards delivering our targets and are well placed to deliver those that mature in 2022.

A lot of our focus in the business this year was on the climate crisis as we developed our emissions inventory and submitted our proposed targets, and I was also honoured to participate, in person, in a panel discussion at the World Climate Summit held in November in Glasgow, and virtually in a McKinsey panel, both events happening concurrently with the United Nations Climate Change Conference of the Parties (COP26). Our participation in these two textile themed discussions was a recognition of the strong climate commitment within the company and allowed us to introduce the further steps we are taking to address this issue and how those fit into the climate challenges facing our industry. These are detailed later in this report, but I'd like to highlight our commitment to invest \$10m over the next five years in scaling up the development of green technologies and materials and the decision to re-purpose our Innovation Hub - Asia in Shenzhen, China to focus on bio-material developments.

Covid is the other global crisis we have faced in 2021 and it has continued to be a central issue to our business throughout the year. We reacted decisively in 2020 to keep our people safe and in employment and thanks to the safe working protocols that we put in place then and which largely remain in force in our operations today we have been able to avoid major business interruptions and have continued operating to some extent during lockdowns such as that which was imposed in Vietnam for several months. Wherever possible our office based employees have continued to work from home and many of our offices remain closed. We have been actively promoting the benefits of vaccination for our employees and sometimes into local communities. As in 2020 our control measures and our proactive contact tracing systems have meant that there have been virtually no cases of workplace infection in the company. We will continue to implement rigorous workplace controls and Covid-related communications internally and to surrounding communities for as long as the risk level remains high. We are also very conscious of the increased mental health challenges that the pandemic has posed for many of our employees and we have been and will continue taking a proactive approach to identifying issues and providing support.



WELCOME FROM OUR GROUP CHIEF EXECUTIVE CONTINUED

I'm pleased to confirm that we have, again, 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 making further progress to implement these principles in our operations and in our supply chain. Our activities continue to help deliver the seven SDGs that we have identified as most relevant to our activities. As was the case for our 2019 and 2020 Sustainability Reports, this report combines our annual, formal Communication on Progress (COP) as Participants of the UNGC together with a broad overview of our sustainability activities. As a COP the report details our actions in support of the Principles and our progress towards our sustainability targets and how these relate to the SDGs.

During 2020 it was difficult to deliver much progress on our sustainability goals because of the pandemic disruptions, with many of our action plans having to be put on hold. However, in 2021 we have been able to substantially accelerate our progress towards our 2022 targets. In two of our key targets: energy intensity reduction and Great Place to Work certification, we are very close to, or have met, our 2022 targets already. The progress in terms of water intensity reduction and effluent discharge quality has also been particularly strong. Early in 2021 we set up a series of global workstreams under the programme banner of 'Cleaner and Lighter' to restart progress in the manufacturing and supply chain related target areas (water, energy, effluent and waste). This has been very successful, with the involvement of many employees across the whole Coats network and it has allowed us to rebuild momentum very rapidly. Progress and actions taken in each of our sustainability pillars is covered in detail in the body of this report. There is still a lot to do to deliver on our 2022 targets, but we go into the year from a position of strength.

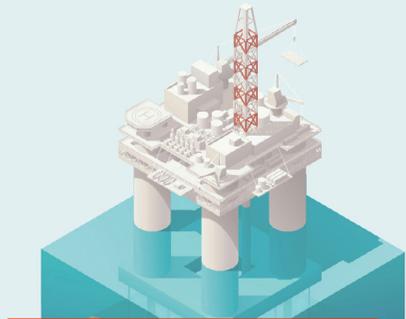
Contributing to efforts to move our industry to a more sustainable and circular model is a key part of our strategy and I am pleased that we have launched, in the last year, two key new products towards this goal; EcoRegen, a high strength, regenerated cellulosic sewing thread that is ideal for sewing cotton and EcoCycle, a dissolvable thread that facilitates the selective dismantling of garments at the end-of-life. These, together with our recycled polyester thread, EcoVerde, start to provide designers and brands with a sophisticated range of options for ensuring that garment material can be recovered and recycled at the end-of-life.

2022 will certainly be another challenging year, as we continue to learn to live with Covid, while working internally and collaborating up and down our value chain to ensure that we are achieving the rapid emissions reductions that are necessary to keep us on track for the 1.5°C pathway. Business uncertainty, supply constraints and resurgent inflation will all add to these challenges. However, I am confident that, with our long-established culture of sustainability within Coats, together with our ambitious goals and our committed and engaged employees we will be able to continue to make strong progress to deliver on our company purpose: 'to make a better and more sustainable world'.



COATS SUPPLY CHAIN

UPSTREAM



RAW MATERIALS

Nearly 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%.



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.



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.



SEWING

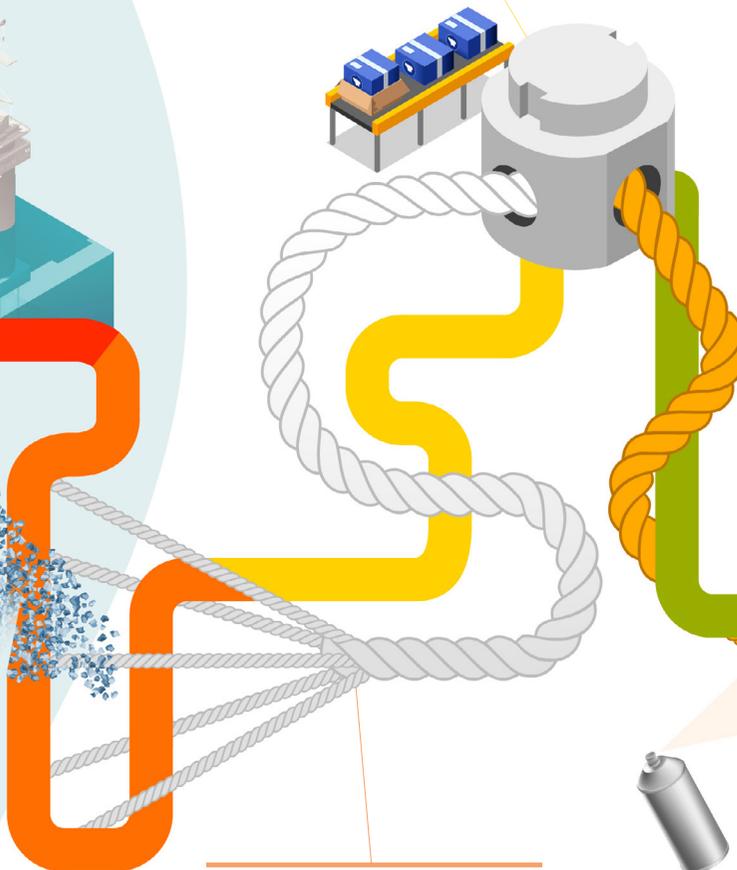
Thread is used largely to sew the seams that hold apparel and footwear products together. The volume of thread in the final product is normally very small, <3%. In some countries we have set up systems for collecting and reusing empty cones.

At the moment, virtually all product goes to waste at the end-of-life. We are working on products that will enable greater recovery and circularity of materials.



SPINNING & TWISTING

This process converts the raw fibres into yarns and threads. The process uses a lot of electrical energy, accounting for about 25% of our total energy use. Good production planning and machine maintenance is key to minimising energy use.



COATING & FINISHING

Here we apply finishes to the thread and put it onto a sales support. Packaging accounts for about 20% of sales material weight – we are working to reduce this. This process uses about 13% of our energy, mainly as electricity.

DOWNSTREAM



COMMITTED TO THE UN GLOBAL COMPACT

We are pleased to present this report as our third Communication on Progress (COP) as Participants of the UN Global Compact (UNGC). We will continue to develop an integrated report that combines the reporting needs of the UNGC alongside our Sustainability Report and other annual reporting requirements, such as our progress on Science Based Targets.

We are fully committed to and supportive of the Ten Principles of the Compact, covering Human Rights, Labour, Environment and Anti-corruption Issues. We seek to actively extend these principles across our value chain as well as ensuring that they are embedded in our own operations with the goal of helping to deliver the 2030 UN Sustainable Development Goals (SDGs).

We have continued to take an active part in the activities of UNGC Network UK, participating in trainings, workshops and working groups and see a lot of benefit from the ability to share, in a non-competitive space, issues with peers in the UK.



	UNGC 'TEN PRINCIPLES'	COATS ACTIONS AND RELEVANT POLICIES	PAGE
 HUMAN RIGHTS	Pr.1: Businesses should support and respect the protection of internationally proclaimed human rights	<ul style="list-style-type: none"> • Biennial Human Rights Risk Assessment • Supplier Code 2020 update* 	32 32
	Pr.2: Make sure that they are not complicit in human right abuses	<ul style="list-style-type: none"> • Supplier Code implementation and audits • Group Internal Audits • Living Wage implementation • Anti-Modern Slavery programme** • Whistleblowing hotline* • Anti-Bribery and Corruption actions 	32 32 32 32 32 32
	Pr.3: 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 	28
	Pr.4: The elimination of all forms of forced and compulsory labour	<ul style="list-style-type: none"> • Anti-Modern Slavery activities** • Supplier Code update and implementation* 	32 32
	Pr.5: The effective abolition of child labour	<ul style="list-style-type: none"> • Group Internal Audit programme • Supplier Code update and implementation* • Human Rights Risk Assessment 	32 32 32
	Pr.6: The elimination of discrimination in respect of employment and occupation	<ul style="list-style-type: none"> • Diversity, Equity and Inclusion programme • Gender diversity statistics 	33 37
 LABOUR	Pr.7: Businesses should support a precautionary approach to environmental challenges	<ul style="list-style-type: none"> • Coats Restricted Substances list • Water Stress analysis • Environmental Policy* 	28 19
	Pr.8: Undertake initiatives to promote greater environmental responsibility	<ul style="list-style-type: none"> • Online tracking of permits, incidents and projects • Online monitoring of effluent • Adoption of global effluent standards • Investment in effluent treatment 	27 27 28 27
	Pr.9: Encourage the development and diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> • Recycled polyester project • Packaging reduction projects • Development of water-free dyeing • Additionality in renewable energy • Development of circularity 	42 43 20 24 41
	Pr.10: Businesses should work against corruption in all its forms, including extortion and bribery	<ul style="list-style-type: none"> • Group Internal Audit programme • Anti-Bribery and Corruption training • Whistleblowing hotline* 	32 32 32
	 ANTI-CORRUPTION		

All policies can be found at: [www.coats.com/en/Sustainability/Policies-and-downloads \(*\)](http://www.coats.com/en/Sustainability/Policies-and-downloads (*)) | [www.coats.com/en/Modern-Slavery-Act-Statement \(**\)](http://www.coats.com/en/Modern-Slavery-Act-Statement (**))



OUR STRATEGY: PROGRESS TOWARDS PIONEERING A SUSTAINABLE FUTURE

In 2019, we launched our ambitious new strategy for Coats called 'Pioneering a sustainable future'. This focuses on five priority areas where we can accelerate progress through the targeted investment of capital and resources. Three years into this four year strategy, the table below summarises the progress we have made.

PILLAR	WHY IS THIS A PRIORITY?	2021 HIGHLIGHTS	UN SDG	TARGETS AND PERFORMANCE	PAGE
 WATER	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.	We have continued to make strong progress in water use reduction in 2021 with a wide range of initiatives focussed on re-engineering our processes and eliminating areas of wasteful use.		By the end of 2022 we will reduce the amount of water used per kilogramme of thread produced by 40% against our 2018 baseline. By 2021 we have achieved a 22% reduction.	18
 ENERGY	We are committed to reducing our emissions in-line with the COP21 1.5°C pathway in order to play our part in minimising climate change risks.	Our energy management project has been implemented across eight major units during 2021 and we are beginning to see benefits from the identification of energy reduction opportunities. The substantial water reductions made in 2021 have contributed to energy reductions in 2021. We have had our Science Based Targets approved. We have an expanding number of renewable electricity projects in progress.	 	Our renewable energy target will be revised as part of our recently approved Science Based Targets. By 2022 we will achieve a 7% reduction in kWh per kilogramme of production from our 2018 base line. By 2021 we have achieved 6.9%, so we have nearly met this target a year early.	22
 EFFLUENT	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 water sources that we and our communities rely on.	Our continued investment in effluent treatment upgrades is delivering strong progress towards our 2022 goal. Continuous internal testing for core parameters combined with regular external testing for others is core to this progress. We have also made good progress in reducing the chemical load in our effluent.	  	By the end of 2022, we will build on Coats global standards by complying with the Zero Discharge of Hazardous Chemicals (ZDHC) effluent standards. By 2021 82% of our effluent is ZDHC compliant vs 74% in 2020, and all effluent meets national and/or state regulations.	26
 SOCIAL	We employ over 18,000 people from 60 countries spread across 6 continents. Ensuring that our diverse people are skilled and engaged and have the development opportunities they seek has always been critical. The experience of the pandemic over the last two years has served to reinforce this commitment.	Securing the health and wellbeing of our employees and their families during the pandemic has continued to be our highest priority. We have also been able to refocus on other health & safety issues and have made strong progress during the year. We have completed the implementation of our Living Wage programme with all sites now being fully compliant.	  	By the end of 2022 we will have external Social certifications (such as Great Place to Work) across all our key sites. Our aim is to have over 80% of our employees in certified sites. In 2021 83% of our employees were covered so we have achieved this target a year early. By 2022 we aim to have most employees contributing to community activities.	30
 MATERIALS	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 and look for opportunities to move to bio-based material sources. 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.	Our sales of EcoVerde 100% recycled threads continues to grow and we have also launched our first premium quality regenerated cellulose thread, EcoRegen. We have made a lot of progress on reducing non textile wastes, which make up a large percentage of overall waste. This has been especially the case for effluent sludge and packaging materials.		By the end of 2022 we will reduce our generated waste by 25% against our 2018 benchmark. In 2021 we reduced our waste percentage by 3% vs 2018. By 2024, all our premium polyester threads will be from 100% recycled material. By 2021 19% of our premium sales are recycled.	38



PIONEERING A SUSTAINABLE FUTURE ACCELERATING OUR AMBITION



NET ZERO
Coats commits to net zero by 2050. By 2030 70% of our global energy consumption will come from renewables



SOCIAL IMPACT
Coats commits to making sustained progress and will develop 2030 targets for: Diversity, Equity & Inclusion, workplace health & safety, employee & community wellbeing and supplier social performance



ECO MATERIALS
By 2030 all products will be made completely independently of new oil-extraction materials



CIRCULARITY
Coats will shift to circularity, creating products and packaging solutions that enable recycling and reuse, within its own operations and across the wider garment industry



WATER

Reduce and reuse



ENERGY

Reduce and transition to renewables



EFFLUENT

Reduce and clean



SOCIAL

Living wage
Fair employment
Community engagement



MATERIALS

Eco-footprint
Reduce, reuse and recycle

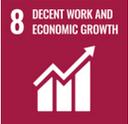


COATS AND THE SUSTAINABLE DEVELOPMENT GOALS

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 over 18,000 people in over 50 countries. A large percentage of our manufacturing operations are sited in developing countries and in some locations we operate in communities where we are the principal employer. Our business is dependent on having motivated and healthy employees and our employees and their communities depend on us to provide safe and fair employment. Ensuring the health and wellbeing of our employees, their families and our neighbouring communities is therefore of mutual interest to us and our employees.</p>	<p>Our priority is that our employees are able to return home safely each day, and that their health is maintained or improved while working with us.</p> <p>The pandemic has made this priority even clearer than before and Coats has continued during 2021 to invest in ensuring a very high level of workplace safety during successive waves of contagion. During 2021 we have also been able to refocus resources back onto occupational health and safety issues.</p> <p>Our activities in this area are described in the following sections of this report, with page numbers: Health and safety management - 31 Pandemic response – 32 Journey to Zero – 31 Commuting safety - 31</p>	<p>Our aspiration is obviously to have zero incidents for both workplace and commuting, and every incident is fully investigated and remedial actions identified and implemented. We publish a broad range of leading and lagging indicators and we are currently developing longer term targets.</p> <p>On the back of our pandemic response we are seeking to expand our health and wellbeing programme and are looking to establish longer term targets for this area during 2022.</p>
 <p>5 GENDER EQUALITY</p>	<p>Employing the highest quality employees is obviously good for our business. With a large employee population like ours that should lead to broad gender equality at all levels. At a global employee level our female:male ratio is 42:58, but at senior management levels the ratio is 23:77. At Board level the ratio is 50:50. This indicates that we are not yet succeeding in fostering female talent development and career opportunities throughout the organisation. This is a clear opportunity for us and it is our responsibility to ensure that we are providing our female employees with career enhancement opportunities.</p>	<p>Our priority is to ensure that our practices and procedures give female employees the support and opportunity they need to flourish in their career aspirations.</p> <p>We have an active Diversity, Equity and Inclusion Network that is led from the very top of the organisation. Network meetings are led by our CEO and frequently involve contributions from Board members as well as external speakers.</p> <p>In filling role vacancies we seek to have short lists that are gender balanced whether for internal or external candidates.</p> <p>Our programmes for gender equality and our current performance are described in the following section of this report, with page number: Promoting Diversity and Inclusion - 33</p>	<p>Our aspiration is to achieve gender equality at Board and senior management levels. This will lead to an enhanced ability to attract and retain skilled employees which will deliver greater productivity and increased competitiveness for the business.</p> <p>We have increased our Board female representation to 50% in 2021.</p> <p>During 2022 we will be mapping out our roadmap to 2030 for junior and senior management equality, based on the turnover in these groups and the rate of female appointments necessary to reach our goal.</p>
 <p>6 CLEAN WATER AND SANITATION</p>	<p>Most of our products require dyeing and this currently is dependent on the use of water. Many of the locations in which we operate are water stressed and our use of water, though temporary, could restrict availability for others. Our industrial use of water can also lead to degradation of water quality when returned to the environment. Our responsibility is to minimise fresh water abstraction, especially in areas of high water stress and to return the water we have used to the environment in a fit state for use by others. We are focused on opportunities to reduce or eliminate water use, on recycling water where necessary, and on technologies that reduce contamination of water in the first place or that provide better remediation after use.</p>	<p>Our priority during this period has continued to be on the reduction of water use in our processes, eliminating any wasteful or unnecessary uses, and re-engineering processes to reduce water use or reduce the use of chemicals that can lead to degradation of water quality. Continued investment in remediation of water after use is also a high priority. We also have an ongoing interest and active project in developing water-free dyeing technology.</p> <p>These programmes are described in the following sections of this report, with page numbers: Reducing water use – 19 and 20 Recycling of water – 20 Treatment of effluent – 27 and 28 Water-free dyeing technology - 20</p>	<p>Our current goals are:</p> <ul style="list-style-type: none"> • To reduce our water intensity (in litres/kilo) by 40% by 2022 compared to 2018 • To be fully compliant with ZDHC effluent and sludge standards by 2022 <p>During 2022 we will be developing targets for beyond 2022 to cover water use and recycling and effluent quality.</p> <p>Our desired outcome is for there to be no harmful water-related impact from our activities on our stakeholders (especially our Communities and the Environment).</p>



COATS AND THE SUSTAINABLE DEVELOPMENT GOALS

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>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>Our processes require energy for process heat and for powering our machines. The former relies mainly on the burning of fuels to generate super-heated steam, while the latter is mainly provided as electricity from third party suppliers. Our responsibility here is to ensure that we are using the cleanest available fuels in our steam boilers and that we are promoting the use of clean and renewable electricity generation through agreements with suppliers for both on and off-site renewable programmes. The opportunity we have is to convert all of our electricity to renewable sources and to progressively convert our heat energy to electrical or other clean generation systems.</p>	<p>We eliminated any use of coal in our operations in 2019, and our sites seek to use gas rather than oil in their boilers where possible. We have put a hold on boiler replacement activities while we review the options for clean steam generation.</p> <p>We have a programme in place for transitioning to renewable electricity that includes both on and off-site supply agreements.</p> <p>Our programmes in this area are described on page 24</p>	<p>Our stated goal, under our approved Science Based Targets is to increase sourcing of renewable electricity to 100% by 2030. In addition we have made the commitment that 70% of all our energy will be from renewable sources by 2030.</p> <p>Our desired outcome here is to use our economic leverage to help accelerate the supply of clean, affordable and renewable energy.</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>We directly employ over 18,000 people and they and their families are directly dependent on our employment. Our upstream supply chain partners also employ many people and their employment is partially or fully dependent on our activities. Our responsibility is to ensure that we and our supply chain provide stable, decent and appropriately remunerated employment conditions and that our activity provides economic growth opportunities for our employees, our neighbouring communities and the employees of our suppliers. Our principal opportunity is to use our purchasing leverage to extend responsible employment throughout our supply chain.</p>	<p>Our priority is to continue to ensure that all of our employment norms are rigorously applied to our own operations and to progressively extend these to our upstream supply chain.</p> <p>Our programmes to support this work are described in the following sections of this report with page numbers:</p> <ul style="list-style-type: none"> Great Place to Work certifications – 33 Whistleblowing hotline results – 32 Living Wage implementation – 32 Group internal Audits – 32 Supplier Code implementation – 32 Anti Modern Slavery work - 32 	<p>Our goal has been to have all of our key units externally certified under the Great Place to Work scheme by 2022. 80% employee coverage was our target here and in 2021 we achieved 81%, so met this target a year early. We will continue to seek further certifications in this area.</p> <p>Monitoring of employment standards is provided by our global data system, by Group Internal Audit checks and by our externally managed whistleblowing hotline.</p> <p>Supplier Code compliance is monitored, based on risk evaluations, by both internal and external audits.</p> <p>Our desired outcome here is to see our standards progressively spread along our supply chain, which would have a beneficial impact on many more than our direct employment numbers.</p>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>The textile industry is principally a user of virgin raw materials from both natural and synthetic sources, and the trend in recent years is for garments to be used for a shorter lifespan and then to be disposed of in ways that don't recycle the useful materials. This is a wasteful model and it is our responsibility to ensure not only that we don't persist with this model in our own business, but that, where possible, we support the rest of the industry to move away from this model. The opportunity we have is that progressively we are introducing more recycled or regenerated materials into our product lines, and that we also have an emerging line of products that will assist in dismantling of garments at the end-of-life to promote easier recycling.</p>	<p>We are currently prioritising the development of recycled and regenerated products in our range and seeking to reduce waste in our operations and, by focussing on packaging also reduce waste for our suppliers and our customers. We have also recently launched our first thread that will assist with the recycling of garments at the end-of-life.</p> <p>These programmes are described in the following sections of this report, with page numbers:</p> <ul style="list-style-type: none"> Coats Eco Journey – 42 Circularity – Packaging – 43 Supporting other industries - 44 	<p>Our short term goal is to reduce our internal waste by 25% by 2022 and to convert all of our premium polyester products to recycled raw material by 2024.</p> <p>We have also committed that by 2030 all of our products will be made without any use of new oil-extraction materials, and that our Innovation Hub in China will pivot to focus on new bio-material opportunities.</p> <p>Making our packaging more sustainable is also a key goal for us.</p> <p>Our desired outcome is to have a suite of products that are recycled and/or bio-based and that support the recycling of garments and other products at the end-of-life. Because thread is what holds garments together then the impact we can have in this area is proportionally greater.</p>
 <p>13 CLIMATE ACTION</p>	<p>Our activities contribute to global warming and our responsibility is to ensure that we reduce our emissions, and those of our value chain, in line with what is required to minimise the damage from climate change. The principal opportunity we have to achieve this is via the transition to renewable electricity, though energy conservation will also play a significant part.</p>	<p>We have developed and had approved our Science Based Targets and our next priorities are to accelerate actions to deliver our roadmap towards these targets while also working on our Net Zero targets.</p> <p>Our programmes in this area are described in the following sections of this report, with page numbers:</p> <ul style="list-style-type: none"> Climate change – 13 Using less energy – 23 <p>Transitioning to cleaner and more renewable energy - 24</p>	<p>Our approved Science Based Targets commit us to;</p> <ul style="list-style-type: none"> • Reduce absolute scope 1 and 2 GHG emissions 46.2% by 2030 from a 2019 base year. • Increase annual sourcing of renewable electricity from 5% in 2019 to 100% by 2030. • Reduce absolute scope 3 emissions 33% by 2030 from a 2019 base year <p>These targets are in line with a 1.5°C trajectory and this will allow us to maximise our impact in supporting global actions to reduce climate change.</p>





CLIMATE

COATS

STRATEGY
OVERVIEW

CLIMATE

WATER

ENERGY

EFFLUENT

SOCIAL

MATERIALS

MANAGING
SUSTAINABLY

PERFORMANCE
SUMMARY



CLIMATE CHANGE



STUART MORGAN
CHIEF LEGAL & RISK OFFICER AND GROUP COMPANY SECRETARY

LEADER'S VOICE

We recognise that human activity is a significant contributor to global temperature increases and extreme weather, and that it is an imperative and urgent duty for all of us to play our part in reducing greenhouse gas emissions, to align with the scientific consensus on what is required to avoid catastrophic levels of climate change. In 2021 we developed a Climate Policy that commits the company to taking action and follow the scientific guidance. This aligns with the commitment that we made in early 2021 to develop Science Based Targets (SBTs) for emissions reductions along our whole value chain in line with the 1.5°C pathway up to 2030 and to achieve Net Zero by 2050. During 2020 and 2021 we have also been developing our methodology for assessing climate related risks and opportunities and developing the mitigation actions required to manage these risks, under the Taskforce for Climate-related Financial Disclosures recommendations.

SCIENCE BASED TARGETS

Our targets up to 2030 have been validated and approved by Science Based Targets initiative (SBTi) and the official targets wording is as follows:

Coats Group plc commits to reduce absolute scope 1 and 2 GHG emissions 46.2% by 2030 from a 2019 base year. Coats Group plc also commits to increase annual sourcing of renewable electricity from 5% in 2019 to 100% by 2030. Coats Group plc further commits to reducing absolute scope 3 emissions 33% within the same timeframe.

We are already taking actions on our roadmap to deliver these targets and during early 2022 we will be working on our Net Zero target submission to SBTi.

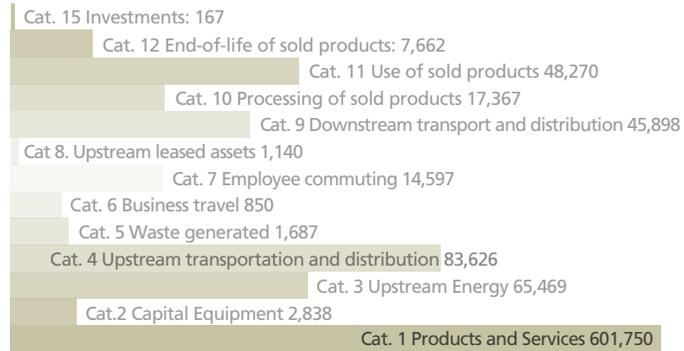
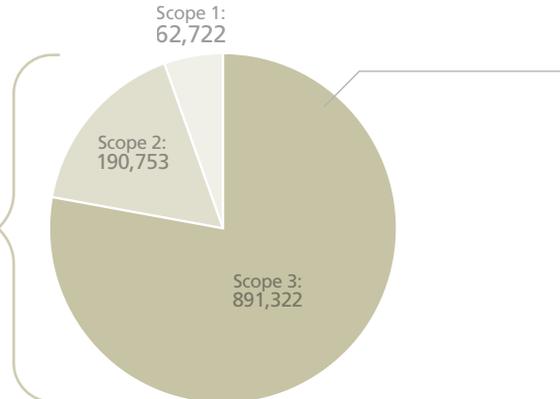
In order to develop our targets we needed to complement our Scopes 1 and 2 emissions calculations (covering mainly the fuels we burn and the electrical energy we consume) with a full inventory of the rest of our value chain, from the products and services we buy through to the end-of-life disposal of our products after consumer use. As expected this has been a challenging process as information on each step of the process is not readily available. However, we are confident that through a combination of data provided by our suppliers and the use of industry data, especially from Life Cycle Analyses (LCAs), together with our own internal data sources, we have built a robust inventory for our baseline year of 2019 and tracked progress for 2020 and 2021. The details of our scopes 1 to 3 inventories for 2021 are shown below.

While ongoing energy reductions are obviously part of our plans, the principal route for emissions reductions for scopes 1 and 2 is to decarbonise our energy supplies. This will mainly occur through switching our electrical supply to certified renewable sources, and our target is to achieve 100% renewable electricity by 2030. We are also looking at a number of options to decarbonise our heat energy. Details on progress in this area compared to our 2019 baseline is detailed later in this report under the Energy pillar.

Our target for reductions in scope 3 emissions will mainly be achieved through conversion of our products from virgin to recycled raw materials as this reduces the upstream emissions inherent in the product by up to 40%. We also anticipate that we will be able to make significant reductions in transport (both for people and products) and in upstream energy emissions.

The table below shows our Scope 3 progress from 2019 to 2021. Obviously the dip in activity in 2020 due to the pandemic led to a substantial drop in absolute emissions for that year, and a consequent rebound in 2021. We have also seen production volumes increase above the levels of 2019 and hence our main Scope 3 emissions area which is our upstream supply of products and services has increased over 2019. This is not withstanding an increase in sales of our lower emission recycled products. The increase in production has also led to an increase in our second highest emissions area, product transportation, and this has also been impacted negatively by the very complex global logistics situation during 2021, leading to longer distances. Our third largest emissions category is upstream energy emissions and here a significant increase in the official conversion factors which have increased by over 50% has masked an underlying drop in the amount of energy used. The other emissions area are broadly in line with our 2019 baseline. Not withstanding the increases in our principal emissions areas, we are confident that our strategy of transitioning to recycled materials and renewable energy and ensuring that we use low carbon transport means will ensure that we start to make significant reductions in our Scope 3 emissions in line with our SBT commitments.

(ALL UNITS IN TONNES)
TOTAL: 1,144,797



SCOPE 3 EMISSIONS, THOUSANDS OF TONNES CO ₂ e	2021	2020	2019
Cat. 1 Products and Services	602	460	581
Cat. 3 Upstream Energy	65	33	49
Cat. 4 Upstream Transportation and Distribution	84	54	77
Others	139	124	142
Total	891	671	811

CLIMATE CHANGE

CLIMATE MODELLING AND BUSINESS IMPACT

During 2020 and 2021 we have been developing our methodology using the recommended process under the Taskforce for Climate-related Financial Disclosure (TCFD) final report from 2017. Our full TCFD disclosure can be found in our Annual Report.

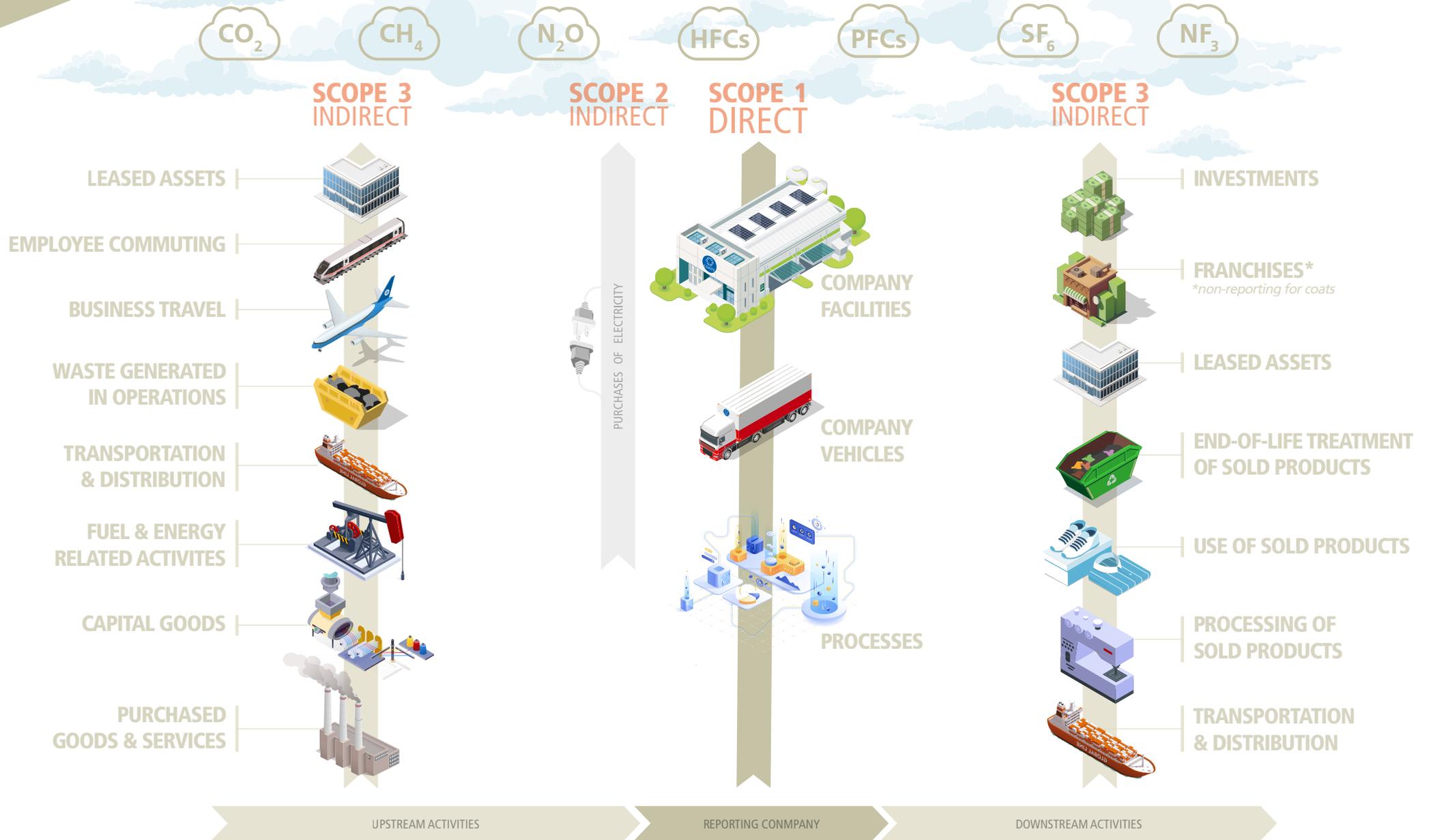
We developed three climate and socioeconomic scenarios, based on the UN International Panel on Climate Change (IPCC) endorsed Shared Socioeconomic Pathways (SSPs). There are five detailed SSP models and we used SSP1, that models a medium growth and low carbon future in line with the 1.5°C pathway identified at the UN COP21 meeting, SSP3, which models a low growth and high carbon future, with higher levels of warming, and SSP5, which models a high growth and high carbon future with extreme warming. For each of these scenarios we have studied the global impacts on our business and the more localised impacts on our units over three time horizons: 2030, 2045 and 2070.

We have found that for the short-term horizon (2030) the impacts are mainly around the transition to a low carbon future as modelled in the SSP1 scenario. These relate mainly to our ability to reduce emissions in our value chain, and the above commitments on emissions reductions, as encapsulated in our Science Based Targets, represent a key element within our mitigation action plan here. The risk of physical impacts from climate change in the short term is limited.

In the longer-term horizons (2045 and 2070) we foresee the physical impacts of climate change impacting on some of our units under the higher carbon scenarios (SSPs 3 & 5), but not under SSP1. The nature of these impacts is growing water scarcity, increasing river flood risks, more intense heat waves and, to a lesser extent, coastal flood risks. These impacts are manifested principally across some of our Asian sites, and we will continue to develop on our current site-level water management and business continuity plans to ensure that we are considering the appropriate mitigation actions for these risks if they are still material as we move towards those horizons.



CARBON EMISSIONS SCOPES

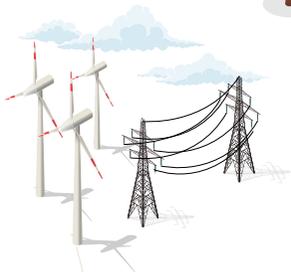
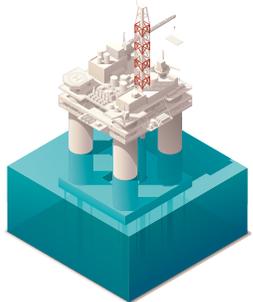


CARBON EMISSIONS PROFILE



RAW MATERIALS

Total emissions ~55%
Scope 3 ~71%
Emissions from production of raw materials and shipment of these to Coats factories. This includes any emissions that relate to recycled raw materials



SPINNING & TWISTING

Total emissions ~13%
Scopes 1&2 ~42%
Scope 1 ~3% - Steam for heat stabilisation
Scope 2 ~53% - Electricity used to power processes
Scope 3 ~5% - Upstream power and internal product distribution



DYEING

Total emissions ~12%
Scopes 1 & 2 ~44%
Scope 1 ~90% steam for heating in dyeing
Scope 2 ~30% electricity for pumps and dryers
Scope 3 ~3% Upsteam energy



COATING & FINISHING

Total emissions ~4%
Scopes 1 & 2 13%
Scope 1 ~5% Steam for thread curing
Scope 2 ~16% Electricity for powering machinery
Scope 3 ~1% Upsteam energy



WAREHOUSING & DISTRIBUTION

Total emissions ~0.5%
Scopes 1&2 ~2% electricity for lighting and steam for heating
Scope 3 ~0.1% Upsteam energy



COMMERCIAL ACTIVITIES

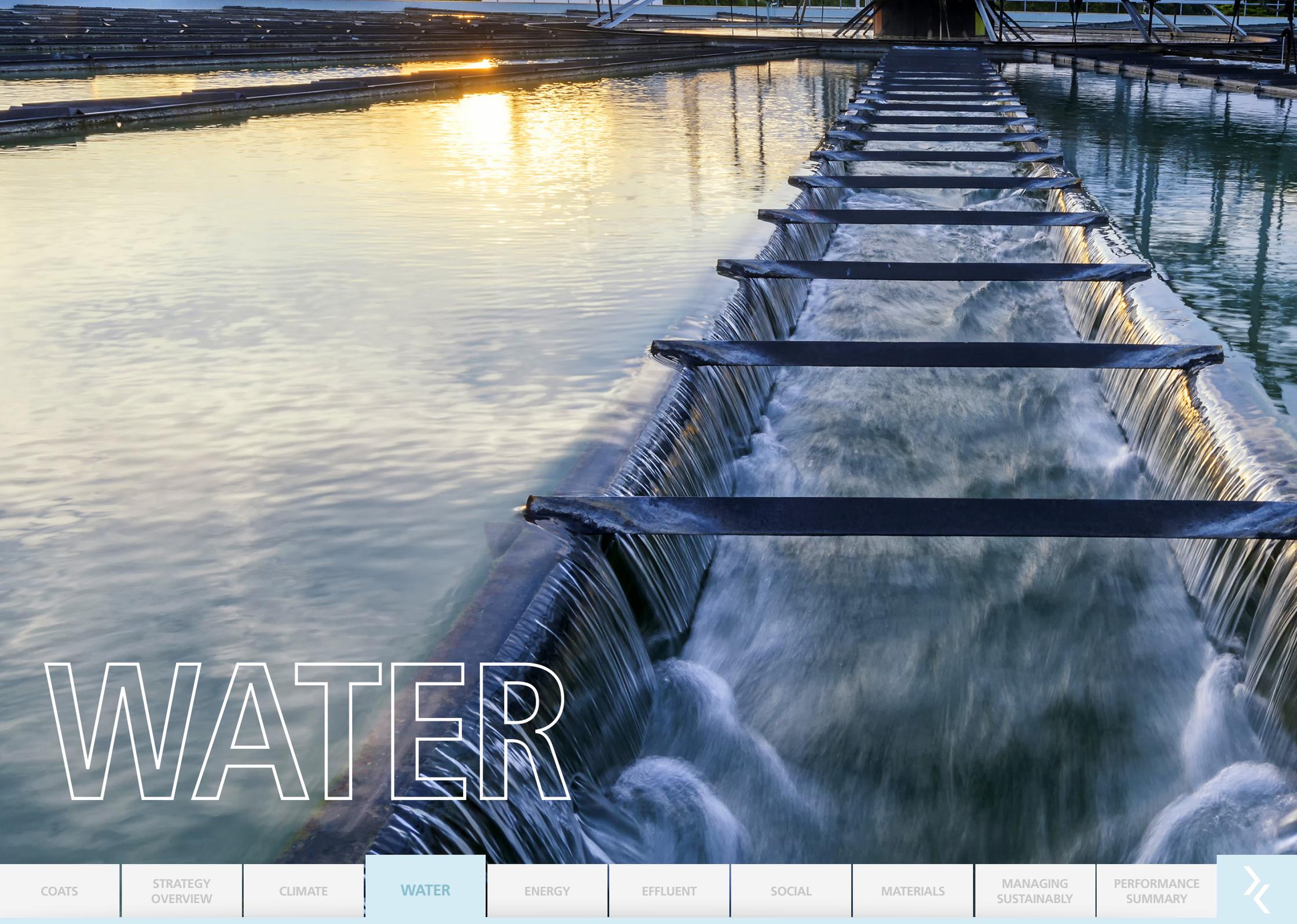
Total emissions ~2%
Scope 3 ~2.5% Emissions relating to business travel and commuting, capital equipment, outsourced activities and waste disposal



DOWNSTREAM OPERATIONS

Total emissions ~14%
Scope 3 ~18% Emissions relating to distribution to customers, customer use, distribution and retail of finished products, consumer use and end-of-life disposal





WATER

COATS

STRATEGY
OVERVIEW

CLIMATE

WATER

ENERGY

EFFLUENT

SOCIAL

MATERIALS

MANAGING
SUSTAINABLY

PERFORMANCE
SUMMARY



WATER



MICHAEL SCHOFER
CHIEF OPERATING
OFFICER - AMERICAS

LEADER'S VOICE

After a difficult year in 2020 we have made strong progress towards our water intensity reduction target in 2021. There is still a lot to do in 2022 to achieve our target by the end of the year, but there are many projects underway across multiple units that will all be contributing towards our objective and we are confident that we can maintain the current strong rate of progress.

We will continue to focus on our four-pronged approach to water management: eliminating any unnecessary use of water, improving the efficiency of our use by reducing liquor ratios, modifying processes to use less water, and recycling as much as we can.

SHARING A SCARCE RESOURCE

Two of our strategic sustainability pillars focus on water, this one and the Effluent pillar. This reflects the fact that we use a lot of water in our processes and that during our use the water gets contaminated. The Effluent pages in this report focus on the work of treating our contaminated water after use, while on these pages we focus on our work to reduce the amount of water we use and the amount of fresh water we need to take from the environment.

In many of the locations in which we operate fresh water is relatively scarce, and in these cases every cubic metre that we use increases the general level of water stress around us. It is therefore important that we do everything we can to use water sparingly and with an understanding of the impact of our activities on our neighbours. The main reason that we use a lot of water in our processes is that it is the principal solvent used in our dyeing processes, and is also the means by which we apply heat to processes, through the use of high pressure steam.

We are actively involved in projects to move away from using water for dyeing thread, and progress on this is detailed later in this section. For the foreseeable future, however, water will remain a critical resource for thread processing.

TRACKING WATER STRESS

As a significant user of water in many locations we take care to monitor the water stress wherever we have manufacturing locations. We look principally at the overall supply and demand status (overall stress) and also at the depletion and water table issues. As a basis for this analysis we use the World Resources Institute Aqueduct Water Risk tools. In 2021 35% of our overall water use is in areas with at least a high level of water stress (37% in 2020). In the units with the highest stress levels we recycle over 40% of our water, compared to 22% globally, and this helps to minimise the stress on water availability in these areas. As in previous studies we have found that water depletion and groundwater table decline are not significant issues for our sites.



WASHING CARRIERS AND MACHINES USING LESS WATER

Dyeing, especially of dark colours leaves dye residues coating the steel in the dyeing machine. These can lead to staining when lighter colours are dyed, so machines need to be periodically cleaned to remove these residues. We aim to minimise the frequency of cleaning by scheduling batches to machines on progressively darker colours, but during 2021 we have been focused on finding ways to reduce the amount of water needed to achieve the cleaning. Work done in our Bangladesh plants have resulted in a process that uses 50% less water, but still results in full cleaning, and this is now being used across the group. Meanwhile in our plant in Shenzhen, China we have successfully implemented the use of ultrasonic cleaning technology for cleaning all the removable parts of the dyeing machines (the thread carriers and spindle caps). This technology is now being implemented in other units. While for this process some capital expenditure is necessary, we have shown the payback is normally attractive.



WATER

REDUCING WATER USE

Our goal, established in 2019, is to reduce our water intensity (measured as water used in processing per kilogramme of thread produced) by 40% compared to our 2018 baseline. Our progress towards this goal has accelerated during 2021 as we have been able to restart some of the water reduction projects that were delayed because of pandemic disruptions in 2020. We have pulled all of these activities, together with our work on energy, effluent and waste, into a company wide 'Cleaner and Lighter' programme that is ensuring, through wide employee involvement throughout the business, that we are identifying and spreading best practices more rapidly and effectively than ever before.

As a result of this activity we have reduced our water intensity by the end of 2021 by 22% compared to 2018. This still leaves us a lot to do in 2022 to achieve our target, but the accelerating nature of our activities means that in the last quarter we were achieving intensity reductions of close to 30% compared to 2018, so we are on a strong trend towards our 2022 target. We have also prioritised water reduction actions based on our water stress analysis. Because of this approach, by the end of 2021 we have reduced water intensity in our high and extremely high water stressed units by 34% compared to 2018 so we are proactively ensuring that water reductions happen where water supplies are under most pressure.

DEVELOPING TECHNOLOGIES

While we work hard to reduce our water use to the minimum and to expand our use of recycled water, we believe that there are emerging technologies that will allow us to move away from using water as our dyeing solvent and heating medium.

In 2018 we invested in Twine, a start-up based in Israel, that is developing digital dyeing technology for yarns. Digital textile dyeing is not a new process, but to date it has only been successfully industrialised for dyeing on fabrics. The challenges of dyeing on yarns and threads are significant when compared to fabric dyeing. Principally the substrate is three dimensional rather than planar and it is microscopic in size compared to a fabric. Twine have successfully addressed these challenges and during the whole of 2021 we have been running trials on their technology in one of our Innovation Hubs.

Progress has been promising and the technology has been shown to be accurate and reliable in use. Extensive trialling has also, as would be expected with a new technology, identified improvement opportunities and established the current limits of the system. Our plan for 2022 is to start running trials in customers' premises to establish the ways in which a superfast digital sampling process can simplify and improve the service we offer our customers.

Initially this technology is only suitable for sampling purposes, but we anticipate that further developments could allow it to claim a position in small scale production before the end of this decade.

We continue to study other options that might enable us to move away from water-based dyeing.



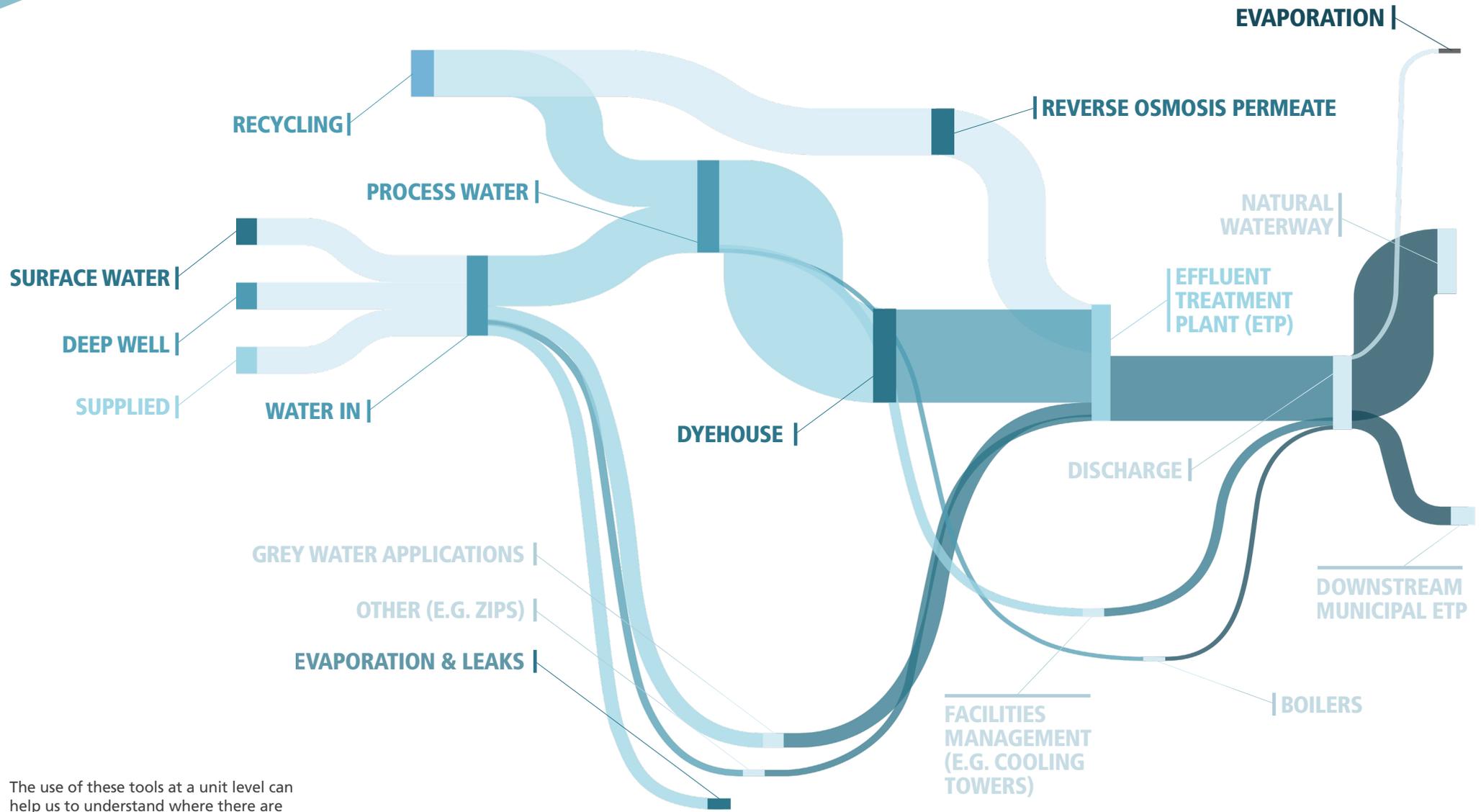
Dung Nq
Head of Manufacturing
Ho Chi Minh City,
Vietnam

MAKING IT HAPPEN | ACHIEVING WATER REDUCTIONS

I led the global team working on water reduction in dyeing during 2021. With my colleagues on the team, representing all the dyehouses within Coats, we quickly built up a structured process for rapid identification of best practice and for testing it in other units prior to more general deployment. We focused on five key areas in our work: reducing the fibre wetting-out water use, reducing the dyeing liquor ratio, eliminating hot washes, reusing cooling water and using less water in machine cleaning. We were able to make strong progress across all of these areas in many of our units, but especially we saw very rapid adoption of new procedures around wetting-out and hot washes that led to significant reductions in water use. The focus and weekly operating rhythm of our team, with senior management involvement and support, delivered remarkably fast progress and between July and December our work was a major contributor to the 9.3% reduction we achieved in water intensity during that period.



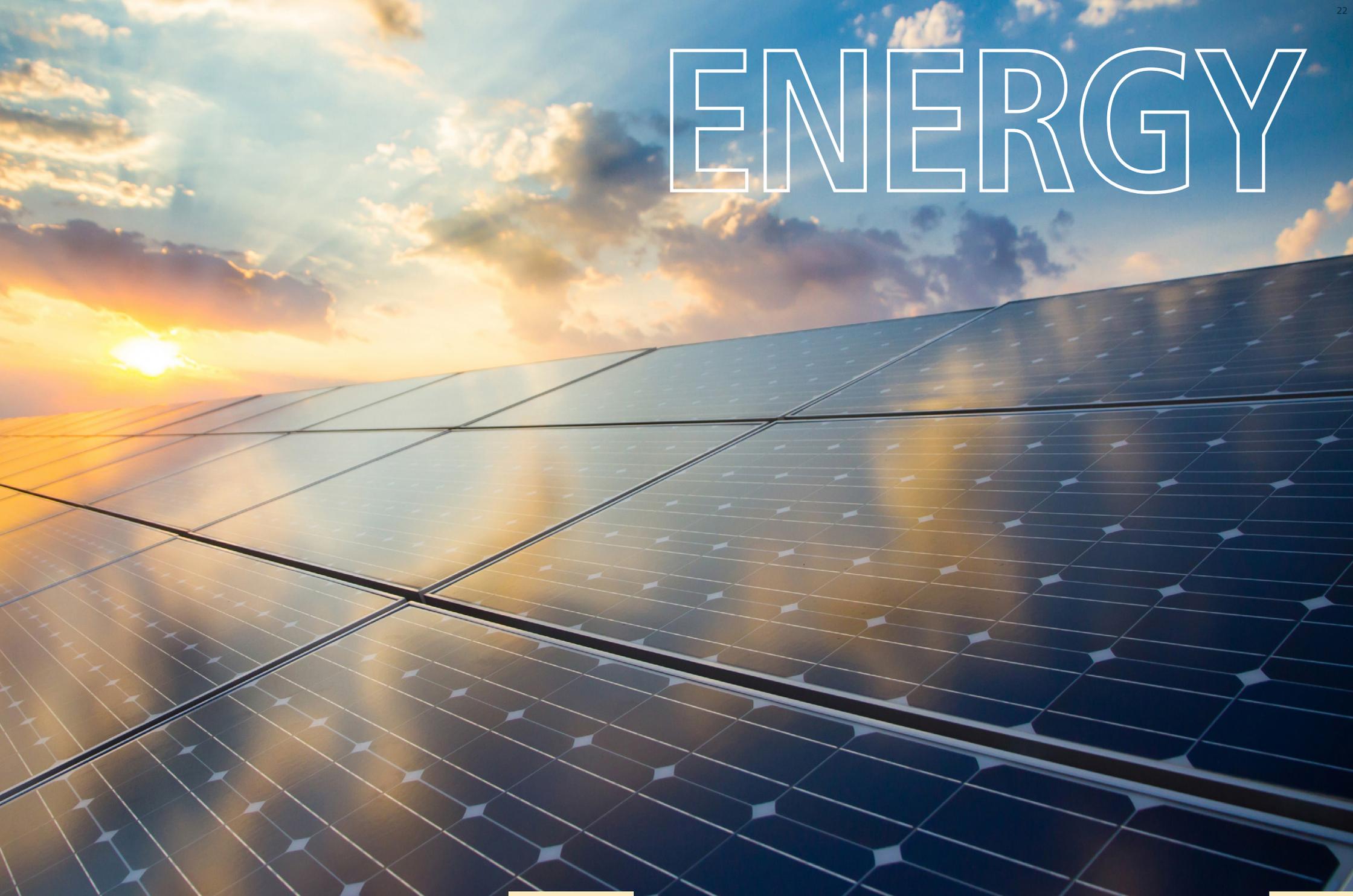
WATER



The use of these tools at a unit level can help us to understand where there are performance differentials and hence opportunities between our plants, and this is the focus of our ESG Utilities programme.



ENERGY



COATS

STRATEGY
OVERVIEW

CLIMATE

WATER

ENERGY

EFFLUENT

SOCIAL

MATERIALS

MANAGING
SUSTAINABLY

PERFORMANCE
SUMMARY



ENERGY



TRAM ANH TRAN
CHIEF SUPPLY
CHAIN OFFICER

LEADER'S VOICE

Energy is, after labour, our largest cost item in manufacturing. Promoting energy efficiency is therefore a very high priority for us from a business perspective. We also recognise that our energy mix at the moment contributes to global warming. Our strategy is to continue to reduce the amount of energy that we use and transition rapidly to renewable sources, especially for our electricity. The approval of our Science Based Targets highlights the priority of this mission.

In 2021 we have made significant reductions in our energy use and have nearly achieved our 2022 target a year early. We are confident that in 2022 we will continue to make further substantial progress. We will also be intensifying our work to transition to renewable energy.

USING LESS ENERGY

In 2021 we used 8.3 kWh/kilo, which is 6.9 % lower than our 2018 baseline. Our 2022 target is to reduce overall energy intensity by 7% compared to our 2018 baseline. This means that we have nearly achieved our 2022 target a year early.

A lot of the progress we have made has come directly as a result of the reductions we have made in water use. Dyeing is our most energy intensive process both for electrical energy to power the process but also for heat energy in the form of steam, and reducing the amount of water we use impacts especially on the heat energy requirements. We have also had a major drive on energy efficiency in our biggest spinning mills, which are substantial users of electrical energy. Through a broad range of actions we have achieved significant reductions in these units.

In addition, we have initiated a pilot programme for extensive metering and dynamic energy management, under our ESG Utilities project. We have installed hundreds of energy, and gas meters in addition to humidity and temperature sensors (on top of the previously mentioned water meters), the purpose of which is to monitor and measure relative and absolute energy use against production runs for individual departments (e.g. spinning, dyehouse, twisting) as well as for individual assets. This will allow us to use data driven decision making to target energy efficiency opportunities across our key sites, and will be extended during 2022.

The work stemming from the ESG Utilities programme will contribute towards aligning our energy management systems to ISO 50001, the international standard for Energy Management Systems. Our current policy is to align our systems but only get certification where there is a clear benefit to doing so. At the moment we have one large unit that is certified.



MAKING IT HAPPEN |

THE ENERGY BASICS PROGRAMME

In my role as an Engineering Manager, I led a global team in the launch of our Energy Basics Programme, an initiative carried out as part of our company-wide 'Cleaner and Lighter' project. The programme was developed to reassess the fundamental ways in which we consume energy and to identify further areas of opportunity for implementing best practice for the measurement and management of energy consumption across all Coats manufacturing sites. Steam, compressed air and electricity management were the three key areas identified for development.

Our initial focus has been on steam trap management, and optimising the efficiency of our steam processes to reduce overall consumption. We have engaged with a third party to conduct a comprehensive thermal assessment at one of our sites to better understand opportunities for steam savings. Our view is to use the results of these findings as a benchmark for other Coats manufacturing sites, moving forward.



Lutfi Kaya
Engineering Manager
Bursa

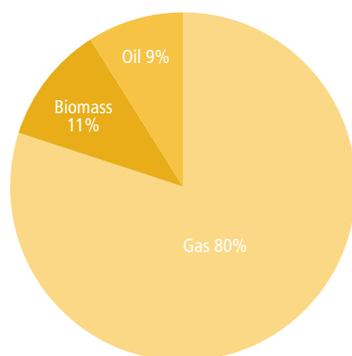


ENERGY

TRANSITIONING TO CLEANER AND MORE RENEWABLE ENERGY:

Of the total energy we consume in our operations, 42% comes from fuels that we burn on our sites. We stopped using any coal in our operations in 2019. Currently 82% of our fuel used is natural gas with the rest split equally between oil and biomass. Our strategy is to promote natural gas over oil, and seek to move to biomass where feasible.

2021 GLOBAL ENERGY SPLIT



The other 58% of the energy we use is mainly electricity purchased from external providers and a small amount of purchased steam. Our strategy is to accelerate the shift to certified renewable electricity. Some of our sites have already mobilised forms of on-site renewable energy generation, mainly in the form of solar panels and normally through long term power purchase agreements (PPAs) with reliable developers and operators. Due to the intensity of electricity used at a typical Coats plant, onsite rooftop solar sources can only generate a small percentage of the electricity demands. Therefore we need to expand our supply of off-site renewable sources.

We use every opportunity where we are renewing a supply contract or there are changes in the local regulations to seek renewable options. Our preferred approach is through PPAs that provide additionality of supply through the construction of new capacity. If we cannot achieve that then we will seek to source from existing renewable capacity, and if that is not possible then we will explore the market for Energy Attribute Certificates (EACs). Each country is managing its journey to renewable electricity in a different way and we can only approach this by deep engagement in each country. In total, currently, 7% of our electrical energy purchase are from certified renewable sources.

REDUCING OUR EMISSIONS:

As detailed earlier in this report (see pages 13-17), Coats is committed to absolute reductions in emissions, in line with the Business Ambition for 1.5°C pathway and to achieve Net Zero by 2050 set out under our Science Based Targets.

As a result of increased industrial activity during 2021, subsequent to pandemic disruptions in 2020, our absolute emissions have increased in 2021, an outcome we expected to see as our production volumes recovered post-pandemic. We have nevertheless reduced our absolute emissions by 7% against our 2019 baseline notwithstanding a 5% increase in production volumes, so our relative emissions have reduced by 12%. This has been achieved almost entirely by the reductions in energy intensity noted above rather than by any transition to renewable energy at this stage. While this rate of absolute emissions reduction is slightly less than our target rate to meet our SBT commitment, we are confident that the progress we will make in renewable energy transition will recover this deficit in coming years. The full detail of emissions both absolute and relative is shown below on a market based view. Full details of both location and market based emissions by greenhouse gas are shown in the performance table at the end of this report.

ABSOLUTE EMISSIONS, THOUSANDS OF TONNES CO ₂ e	2021	2020	2019
Scope 1	63	51	65
Scope 2	191	166	209
Total, Scopes 1 & 2	266	217	274
Reductions versus 2019 baseline	-7%	-21%	
RELATIVE EMISSIONS	2021	2020	2019
Total Scopes 1 & 2 kg CO ₂ e/kg production	2.64	2.84	2.99
Reductions versus 2019 baseline	-12%	-5%	
Total Scopes 1 & 2 tonnes CO ₂ e/kg \$m sales	169	187	182
Reductions versus 2019 baseline	-7%	4%	

MAKING IT HAPPEN | RENEWABLES

As Procurement Business Partner for Vietnam, Indonesia and Thailand, I have been involved in looking for renewable electricity options in this region for several years. Initially we looked at on-site rooftop solar projects, and were able to initiate the first phase of a project in one of our units in late 2019. The pandemic led to a delay in implementing phase two of that project, but we look forward to completing the installation in the early months of 2022. Rooftop installations like these will only ever be able to supply a small proportion of our electricity needs so we have been working closely with potential partners towards a much bigger off-site supply that would cover much more of our needs.. Over the last five years our team in this cluster have learnt a great deal about the benefits, the pitfalls and the complex nature of these renewable energy projects and as we are at the leading edge in this area in Coats, we are able to help other regions as they look to make progress.



Thong Le
Procurement Business
Partner, Vietnam



COATS ENERGY PROFILE

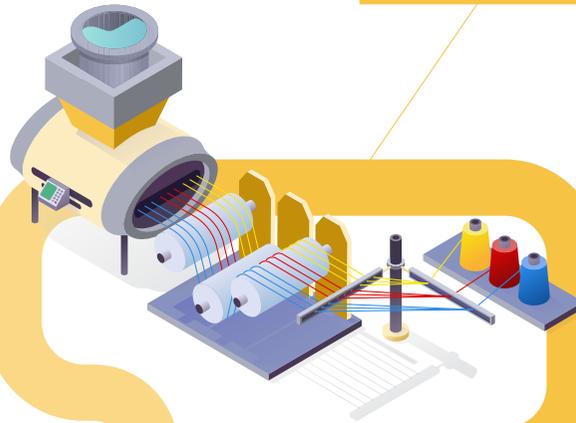
SPINNING & TWISTING

Accounts for around 25% of our energy consumption mainly in the form of electricity for powering process equipment.



COATING & FINISHING

Accounts for around 13% of our energy consumption, mainly in the form of electricity for process power.



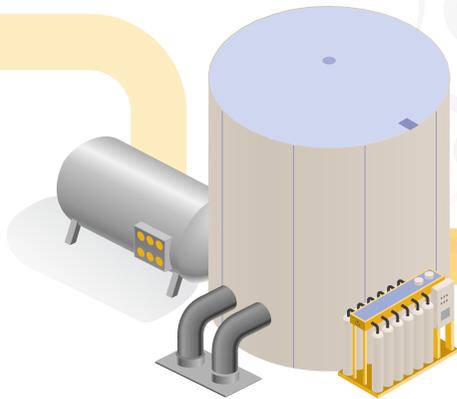
WAREHOUSING

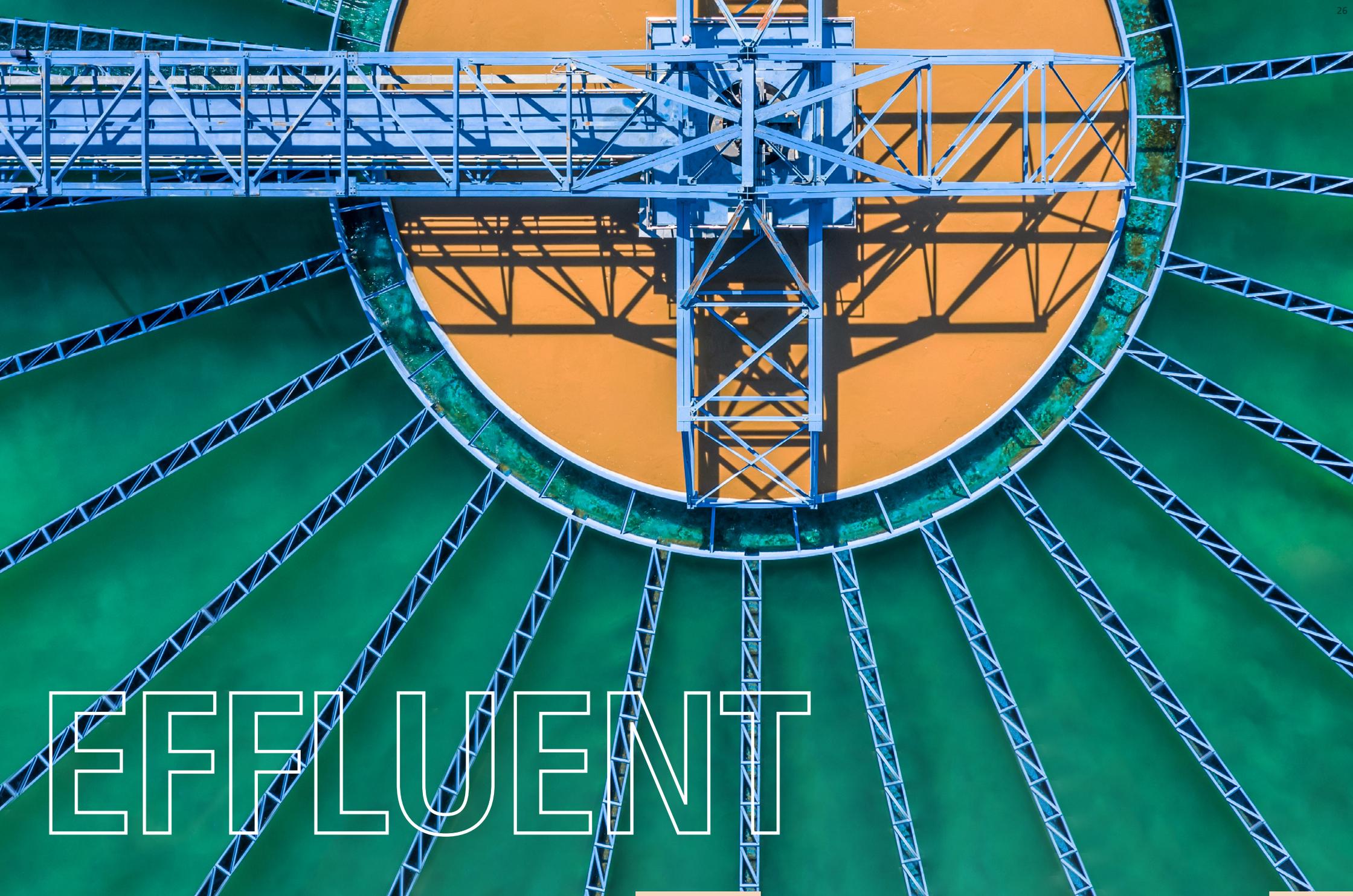
Accounts for around 2% of our energy, mainly electricity for lighting purposes.



DYEING

Accounts for around 60% of our energy consumption. This is mainly as steam for process heating (~65%) with the remainder being electricity to run pumps and other machinery.





EFFLUENT

COATS	STRATEGY OVERVIEW	CLIMATE	WATER	ENERGY	EFFLUENT	SOCIAL	MATERIALS	MANAGING SUSTAINABLY	PERFORMANCE SUMMARY	
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EFFLUENT



BILL WATSON
CHIEF OPERATING
OFFICER, ASIA

LEADER'S VOICE

As temporary custodians of the water we use, it is our responsibility to ensure that it is returned to the environment in a fit state. In 2019 we moved from measuring our effluent against our own global standards to using the Zero Discharge of Hazardous Chemicals (ZDHC) standards and we continue to invest in our effluent treatment plants to ensure that we achieve our goal of being 100% compliant to the ZDHC standards by 2022.

CARING FOR A SHARED RESOURCE

We share water with the communities in which we operate, and especially in areas of high water stress we need to ensure that our activities don't impact on the ability of our neighbours to access clean water. We focus our investments in effluent treatment and water recycling around various factors including water stress levels. During 2021 there has been no meaningful change in the percentage of our process water discharged as effluent, which remains at 67%.

Country or community-level discharge requirements are constantly evolving and we obviously need to keep abreast of actual and potential changes, especially as changes can sometimes trigger the requirement to upgrade effluent treatment plants, which takes time to plan and implement. For this purpose we use a global register of legislative changes which covers all the countries in which we operate and which also ensures that we have in place the correct operational permits for each of our locations, and that any incidents are reported.

As the chemical input load to an effluent treatment plant (ETP) varies depending on the upstream processes, continuous monitoring of key parameters is essential to ensure that the plant is meeting requirements at all times. All of our key sites have automatic monitoring systems in place that are constantly measuring five key criteria; temperature, pH, biological oxygen demand, chemical oxygen demand and total suspended solids. These measurements are taken at the final discharge point and are made every 30 seconds. These data are then fed to an online dashboard that issues alerts to nominated staff if warning limits for any of the criteria are triggered, allowing action to be taken before a discharge limit is breached. This highly responsive system has been important in ensuring that the root causes of any imbalances in the effluent treatment processes are quickly identified and addressed. This system has helped us ensure that we are always in compliance with national discharge regulations.

To support our endeavour for safe discharge of effluent waste water, we continually invest in our ETPs and related infrastructure to ensure all necessary upgrades are accomplished. Since 2015, we have invested over \$13m into such projects across our sites.



ISO 14001 is the international standard for Environmental Management Systems that supports companies in improving environmental performance. Over the past year, two more of our sites have successfully achieved certification to ISO 14001 meaning 11 Coats sites are now ensuring, meaning that 47% of our effluent processing is done in certified units. Environmental Management Systems are applied to all Coats sites and we maintain an expectation for them to meet the criteria for certification. To champion this, we have global procedures in place around permits management, and corrective actions and globally consistent roles and responsibilities throughout the organisation. Our employees are provided with an extensive online training programme focused on the environmental management systems we have in place, in addition to frequent live training sessions designed to target various topics in more depth.

MAKING IT HAPPEN |

A SUCCESS STORY ON EFFLUENT MANAGEMENT

During the first half of the year, one of our major sites was found to have lead contamination in the raw waste water and sludge that exceeded the permissible ZDHC limits. Rapid action was taken as a result to ensure compliance prior to testing within the next six month period. A dedicated project team was initiated, and through extensive testing of 384 dyes, chemicals and waste water, using a mass balancing approach, coagulents used in the effluent treatment were identified as the root cause of lead contamination. Testing revealed presence of lead in 124 dyes and chemicals. Our successful corrective action to resolve this issue was to introduce food grade chemicals in our process, and the site has since been regularly tested and is consistently within limits.



Prabir Chakraborty
Manufacturing Director,
India cluster



EFFLUENT



ZDHC

ZDHC is the foremost textile industry body aimed at reducing the chemical impact of the industry on the environment. Having originally been launched by six leading brands it now has 30 Signatory Brands, 50 Chemical Industry affiliates, 35 Textile & Footwear Industry affiliates (including Coats), 30 Solution Provider affiliates and 22 Associate organisations. It therefore covers the chemical inputs, the processing and the testing and treatment of effluent, all under the leadership and commitment of major brands.

We signed up to the ZDHC programme in 2016 and committed to aligning our effluent standards with those of the programme in 2018. We adopted the ZDHC conventional parameters with foundational limits as our Coats internal standards in 2019. Initially these limits were applied only to effluent discharged from the factory, but in 2019 the scope was expanded to include sludge. Sludge is essentially the solid residue created during the effluent treatment process, during which some chemicals are precipitated out of the effluent in order to clean it. While some contaminants in effluent can be destroyed through the treatment process, in other cases this is not possible as the chemical remains either in the effluent or in the sludge. Historically much effluent treatment technology has been aimed at removing chemicals that were unwanted in the effluent precisely by ensuring that they ended up in the sludge. The focus on analysis of effluent and sludge, means that for these durable chemicals the only option is to prevent them being used in processing in the first place. We are wholly supportive of this approach and are working with our key dye and chemical suppliers (many of whom are ZDHC affiliates themselves), to work out how to continue to reduce the chemical load needed to successfully process the fibres that we work with. Depending on the type of the sludge generated, we seek to destine biological sludge for soil enrichment while chemical sludge can be used as a building products additive.

Our goal is to have all of our units meeting ZDHC standards by 2022. During 2020 74% of our effluent where testing is possible was compliant with the ZDHC standards and this increased to 82% in 2021. We are confident that we will be able to progress to 100% in 2022.

SUPPLIER ENVIRONMENTAL AUDITING

As part of our aim to progressively reduce the use of chemicals in processing, and to ensure that our products are safe in use, for the past 17 years Coats has been continuously developing and enhancing its Coats Restricted Substances List (CRSL). This is a very comprehensive list that meets the strictest requirements from any of our customers globally. We work with our 4500+ suppliers of raw materials, dyes, chemicals and packaging each year to ensure that our inputs comply with our CRSL to ensure that hazardous chemicals are reduced or eliminated from our supply chain.

In addition we are focused on the environmental performance of our upstream supply chain, one of four topic areas covered in our Supplier Code which our suppliers are committed to and which we audit where we perceive a risk. As detailed on page 32 we have already undertaken over 300 third party audits since this programme started.

MAKING IT HAPPEN |

CRSL COMPLIANCE IN SOUTH AMERICA

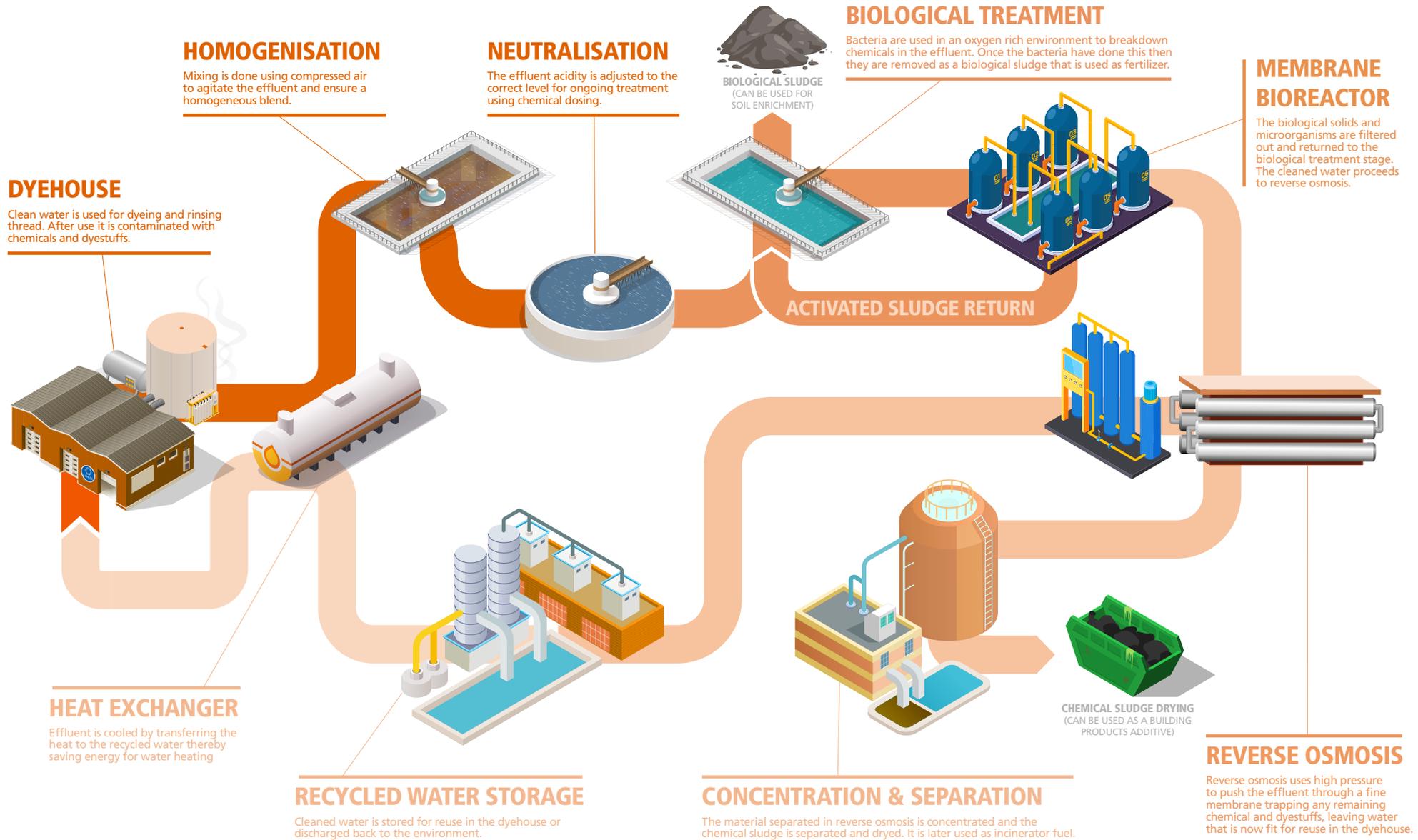
As Environmental and Compliance Manager for South America, my job role involves ensuring that all raw materials used in Coats supply chain meet the requirements of CRSL. In South America we have worked hard during 2021 to ensure compliance from our suppliers. In November 2020 we identified 20 suppliers that did not comply with the latest CRSL version. Investigations into all non-conformities took place, and weekly meetings with our Procurement Team and Chemical Officer were implemented to understand possibilities for replacement and discontinuity of some products. We worked closely with our suppliers to provide training, conduct follow-ups and substitute products where necessary. The importance of CRSL compliance not only for Coats, but for the environment, people's health and our planet was highlighted. As a result of this teamwork with all involved, we now have only one non-compliant supplier, with whom we are working on substitutions. Achieving compliance is a continuous process.



Aline Cunha
Environment and
Compliance Manager,
South America



MODERN EFFLUENT TREATMENT





SOCIAL

SOCIAL



JACKIE CALLAWAY
CHIEF FINANCIAL OFFICER

LEADER'S VOICE

Keeping our people and their families safe during the pandemic has continued to be our highest priority during 2021 and the systems that we put in place in 2020 have continued to work effectively. The recovery process has presented its own set of challenges, one example being the uneven distribution of vaccination rollout programmes. We obviously have to learn to live with the pandemic as a new reality and continue to build resilience across our operations against future crises. The past year has allowed us to take learnings from the pandemic and refocus our attention towards our own social sustainability agenda with which we have made significant progress.

In parallel with the challenges of the pandemic, other widespread issues and their social implications such as climate change, and Diversity, Equity & Inclusion, have risen to the forefront of global attention. The importance of addressing key social issues is evident in the results of our latest materiality assessment. Health & Safety, Non-discrimination and Poverty alleviation are currently some of the top issues recognised for both Coats and our wider stakeholder groups. As we continue to adapt to an ever changing world, it is our aspiration for the future to ensure Coats continues to address these issues with the utmost integrity, so as to provide a safe working environment as well as maintain the health and wellbeing of all Coats employees and of the communities in which we operate.

SOCIAL IMPACTS, BEYOND 2022

Maximising our positive social impacts has always been a top priority for Coats. Over the past few years, through the implementation of several actions across all our sites in addition to robust monitoring and data collection, we have laid excellent foundations. Our aim is to be able to track progress against our KPIs with particular focus on; Diversity, Equity & Inclusion, Health & Safety, Employee and Community Wellbeing, and Supplier Codes.

Looking to the future we have developed a series of new aspirations in these four key areas, detailed through this section of the report. Over the next 12 months, these aspirations will be translated into an updated set of targets for 2030, with shorter term milestone targets, that will provide a refreshed approach towards addressing our social impacts across the business. These new targets will be finalised by the end of 2022 and we look forward to announcing them in our next report.

HEALTH AND SAFETY MANAGEMENT

Despite the ongoing challenges and demands of Covid, over the past year we have been able to successfully regain focus on efforts to reduce risk and prevent future injuries. Objectives and targets were developed from 2020 data insights and each Coats location then aligned with global objectives proactively to prevent injuries before they occurred. We achieved a record for completed improving actions (54,811) which was a 14% improvement over 2020. In addition we saw a significant increase in the number of hazards reported by employees as well as safety training hours carried out. Other actions included global and local campaigns focused on the prevention of slips and trips as well as eye injury prevention campaigns. As a result of all these proactive efforts, we achieved record reductions in injury rates:

INJURY RATE	REDUCTION (%)
Eye injuries (1 vs 11 in 2020)	91
Slips/trips injuries rate (0.23 vs 0.37 in 2020)	38
Recordable injury rate (0.45 vs 0.59 in 2020)	24
Lost time case rate (0.34 vs 0.36 in 2020)	9
Days lost per lost time injury (18.67 vs 24.25 in 2020)	23

We also continued to focus on our 'Journey to Zero' strategy. This included running our second 'Journey To Zero' week, to engage all of our employees worldwide. The theme for the event was 'Journey to Zero Hero' which saw more than 300 nominations for employees to be recognised as going above and beyond in the area of Health & Safety. It also incorporated a focus on slips, trips and falls which are our largest causes of accidents.

We have also continued our focus on commuting safety with training given to employees and support to make safer journeys, especially when using motorbikes. We continue to report our commuting accident rate in the Performance Table at the end of this report.

PANDEMIC RESPONSE

We introduced employee safety measures, full job retention and management salary sacrifice schemes very early in the pandemic in 2020 and successfully navigated the storm during that year. In 2021 Covid continued to be an important focus for our health and safety efforts. While in some countries the impact of Covid lessened, in others our teams still faced significant risks. In India there was a very serious second wave and that was later followed in Vietnam. To support our employees and keep them safe from Covid we have put in place several measures across the Coats world flexing our approach based on the location specific circumstances. Our strategy focused on the three pillars of Prevention, Protection & Medical Care, and Education.

In the area of Prevention we have facilitated Covid vaccinations for our employees by delivering them on-site, providing paid time off for those countries where the local government has supplied them and paying for vaccinations in countries where they are not funded. On our sites we have enhanced our protection through contactless systems, social distancing enablement through our webcam system and providing private buses for commuting as an alternative to public transport.

The pillar of Protection & Medical Care saw us continuing to provide the basics such as hand sanitiser and face masks and building on this by expanding our telemedicine provision, private medical inpatient insurance, testing and employee assistance programmes across the globe

Education focused on mental health and wellness programmes, working from home assistance and broader topics impacted by Covid such as addiction prevention, health and nutrition awareness raising and first aid training. Identification of mental health issue, which have undoubtedly been exacerbated through the impacts of the pandemic, has been supported through the inclusion of a number of relevant questions in our 'Your Voice Matters' survey.



SOCIAL

PANDEMIC RESPONSE CONTINUED

Overall company scores have been high in these areas, over 80% positive, but there is a clear differentiation between office-based and plant-based employees, with the former being more challenged. Mental health training interventions have taken place specifically to support employees working from home as well as broader mental health training as part of our broader wellbeing programmes.

ETHICS

We are deeply committed to conducting our operations in an ethical, responsible and transparent way, providing a strong foundation to our Sustainability Strategy. We are very risk averse to the potential for poor ethical behaviour, as is explained in the risk management section in our Annual Report because we expect our employees and suppliers to deliver on this commitment we make it our responsibility to provide them with the correct tools to achieve this. As the heart of our business, our employees are highly valued as it is only through their talent, knowledge and commitment that we are able to operate our business in the effective and efficient manner that enables us to remain leaders in our highly competitive industry. To ensure that we can supply high quality and competitive products and services alongside fulfilling high ethical, environmental and social standards our employees must be engaged and fully equipped, and maintain a growth mentality and a thirst for constant improvement. In return for this commitment we are dedicated to ensuring our people have a safe, respectful, fair and inclusive work environment and the ability to develop and progress.

We fully support the United Nations (UN) Guiding Principles on Business and Human Rights in our operations. We uphold the UN Declaration of Human Rights and the Convention on the Rights of the Child, the core International Labour Organisation (ILO) Conventions and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the related Due Diligence Guidelines for the Garment and Footwear Sector. In line with our biannual cycle, in 2021 we carried out an update to our Human Rights Risk Assessment. As in previous years we used data on child protection from Unicef, the Human Development Index from the United Nations Development Programme, the Freedom in the World Index from Freedom House, the Global Rights Index from the International Trade Union Confederation and the Global Slavery Index from Walk Free. All of these indices were updated in 2020 or 2021 except for the last one where the data has not been updated since 2018. We factor all of these indices by normalising them and weighting them all equally to produce a final score for each country in which we operate and then we apply the employee numbers to weight those

scores into a global total. In our latest analysis the analysis is showing a deterioration in the external environment risk level in a number of countries in the Americas and Asia. By drilling into the detail we have identified that the bulk of this deterioration is driven by worse country-level child labour risk ratings and is caused by the filling of gaps in the Unicef data sets as they improve their access to reliable data. This indicates that the overall risk level in these countries might not have actually deteriorated in the last two years, but that we are more accurately measuring the risk. We police employee age very rigorously and have had no cases of underage employment in our operations. Nevertheless, this continues to highlight the necessity to ensure very robust application of the policies and procedures that we have in place to ensure that child labour, modern slavery, and human rights violations do not occur in our operations and that where legally permissible, freedom of association and access to collective bargaining are open to all our employees.

Our Group Internal Audit (GIA) team include a series of 30 human resource audit areas in their audit templates. Most of these are related to compliance with our employment policies or directly with human rights issues. During 2021 they completed 11 audits (compared to 13 in 2020) and identified 13 minor issues requiring remediation within a number of people-related process areas, compared to 24 in 2020. They were able to report a sustained positive trend in general.

Following our earlier work on 'living wage' analysis across all our units, we completed the small amount of remedial action necessary to ensure that all employees met this benchmark. Our Living Wage Policy which describes our approach is available to download from our website. In addition, we have joined the Fair Wage Network and will continue to use its data to carry out an annual assessment of our remuneration.

We aspire for all our suppliers to be fully compliant with Coats' health and safety, labour and environmental standards, and will increasingly transfer our operational standards into firm targets for our suppliers. Having updated our Supplier Code in 2020 we have continued our programme of audits that are targeted at suppliers that have a high risk profile. On our behalf Bureau Veritas conducted 285 third party audits in 2021 and these audits raised 4,730 findings. Most of the findings were systems and process based, such as poor preventative procedures. 28% of the findings were related to Health & Safety and 24% were related to Fire prevention and Fire Safety measures. All issues are subject to follow up on remediation with the timing dependent on the type of issue raised. Sourcing from one supplier was halted while issues were addressed and pending re-audit. Since we started with these third party audits in 2019, we have conducted 337 audits, though

very few were done in 2020 because of pandemic restrictions. Our full range of ethics and compliance issues are detailed in an extensive range of policies and standards, that outline the expectations we have of our employees, suppliers and other partners. These include but are not limited to Ethics code, Code of business conduct, Competition, Anti-bribery and anti-corruption and our Supplier code.

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. *Policies and downloads »*

We have a suite of mandatory compliance trainings that are completed by all relevant employees (over 4500) on a biennial basis, and by all new starters. The training was last done in 2020, so not repeated in 2021, but nearly 700 employees completed the training in 2020 on an out-of-cycle basis, mainly being new starters. A full training round will be done in 2022. This year we have also continued to promote open discussions around the importance of ethics by pursuing our global 'Doing the right thing' programme, led by members of senior management. Our annual Global Ethics Day took place in October and the theme was sustainability. Both ethics and sustainability are core to how we do business and embedded in our Ethics Code is a commitment to observing environmentally sound business practices throughout the world. To mark Global Ethics Day, local activities took place as well as a global digital live event. In addition all employees were invited to make a pledge and commit to an action they could take at work, and in their personal life to either reduce waste or reduce energy or water usage. The day was a great success with high engagement and many people across Coats either made their pledges on the Coats Link Community Wall or on posters.

Our Whistleblowing Hotline has continued to provide support to our employees and received 98 incidents (compared to 88 in 2020). Of the investigations that have been completed (86%) 30% have been upheld (versus 22% in 2020). Nearly half of the upheld incidents relate to disrespectful behaviour while ethics code violations, health & safety issues and unfair employment practices make up most of the rest. In all cases we take robust action, up to and including dismissal, where an incident is found to be justified. The geographical distribution of incidents by region is broadly aligned with our employee distribution which indicates that our work to broadly publicise the availability of the whistleblowing system is successful. For the past few years we have used an internally managed hotline, and during 2022 this will be complemented by an external web-based channel. We feel this is an important move so as to offer our employees greater confidence that the process is secure and independent.



SOCIAL

LISTENING TO OUR PEOPLE

Our employee-listening strategy is designed to understand the overall employee experience. We respond to the feedback to enhance employee engagement as well as take targeted actions to continuously improve. Fran Philip is our designated Non Executive Director for workforce engagement and she is regularly in contact with employee representatives around the world. In 2021 we ran our own in-house surveys as well as undertaking external Great Place To Work surveys in all of our key employment countries.

In 2021 we ran our 'Your Voice Matters' survey – our first full engagement survey with our provider of digital surveys, having postponed it the year before due to Covid. The results were extremely encouraging. 90% of our employees took part in the survey and our engagement score was 83 – well above the benchmark of 74. Our switch to the new digital survey provider meant that, for the first time, our employees could leave a comment on any question and we received more than 9,500 comments which adds greatly to the richness of the process.

In addition to the 'Your Voice Matters' survey, in 2021 we ran a Health and Safety survey to understand how employees feel about our health and safety culture, as well as some country-specific pulse surveys, ones related to ethics and compliance and surveys in advance of reopening our offices. Feedback from the latter informed our policies and helped us address the concerns of our employees. In addition to these, we continue to run employee lifecycle surveys that take place for new starters and leavers providing us the opportunity to compare our results with an external benchmark.

Throughout 2021, our ongoing work with the Great Place To Work organisation has contributed to the ways in which we listen to the voices of our people. Our goal is to have the employees at all of our key sites covered by the 'Great Place To Work' accreditation, or equivalent award, by 2022, covering at least 80% of our employees. The accreditation process combines employee feedback with an analysis of our people practices in order to establish and assess our workplace culture. After putting the process on hold in 2020 because of the pandemic we restarted it in early 2021 and we are delighted that 14 countries have now been awarded the GPTW certification, ensuring that at the end of 2021, 83% (compared to 6% in 2020) of our employees are covered by the award, far exceeding our target for the year and delivering our 2022 target a year early. Each country that takes part also receives recommendations for improvement actions they can take to further improve the working environment.

LEARNING AND DEVELOPMENT

We built on our successful switch to 100% online learning in 2020 and delivered more than 55,000 hours of training to our employees in 2021 through a variety of training platforms. These included Minerva, our online learning library, Learning Zones, our remote classroom learning, and Subject Matter Expert training. In addition we added some new elements to our suite of learning programmes including Manager Excellence, focusing on critical manager skills through short, relevant sessions of an hour every month for 12 months, and a new Mentoring Programme called Unlock Your Potential in which senior managers are paired with other employees for three months to support them to achieve particular objectives. While introducing some new programmes for our leaders, we continued to offer multiple learning opportunities to all our employees. At the end of the year we moved our online learning to SuccessFactors as well as introducing an even more comprehensive online learning library with a greater breadth of modules in multiple languages delivered via a wider variety of methods.

In the area of development, 2021 saw the launch of our Career Management Framework. Modern career journeys are not simply linear, and about upward mobility, they are about gaining a broad range of experiences. They can be lateral, cross functional, project work and/or alternative types of employment arrangements, for example part-time. Our Framework gives greater visibility to what career options are available and helps everyone understand what modern career journeys look like at Coats. The Framework consists of our Career Management Philosophy and Process as well as career maps detailing which roles are available and how to transition between them and supporting materials such as career conversation guidelines.

DIGITISING OUR PROCESSES AND CONNECTING OUR PEOPLE

2021 saw us accelerate our efforts on the digitisation of our people processes. We moved three of our key processes to SuccessFactors – performance management, learning and recruitment. This is part of our HR digitisation journey to make our processes more efficient and enhance the employee experience by introducing more user-friendly and consistent tools. All our people-related information is now in one place which improves data protection. Enhanced reporting through SuccessFactors enables more informed decision making.

In addition we have rolled out our employee mobile app – Coats Link. For the first time all of our employees can be digitally connected. We can already reach more employees directly via the app than via email. The roll out has been supported by technical infrastructure to allow employees without their own mobile device to connect and we have also provided free wifi for employees to connect to with their personal device. Coats Link is used to share both global and locally specific information through targeted channels and it gives employees the opportunity to both post and engage with content as well as translate information at the touch of a button into their own language. Coats Link is modernising and simplifying our employee communications and well as making them more inclusive and secure.

PROMOTING DIVERSITY, EQUITY & INCLUSION

As a global company, our employees represent 60 nationalities. Our senior management team alone represented 30 nationalities in 2021. Through the promotion of a diverse and inclusive work culture, we aim to create working environments in which our employees from differing backgrounds and identities can be made to feel safe.

Our work on our Diversity, Equity and Inclusion (DE&I) strategy has continued in 2021. Our DE&I Network calls remained a quarterly fixture in our global event calendar and we have also started to connect with our customers on this important issue to drive the agenda together.

We were delighted to be ranked 45th in the 2021 Hampton Alexander Report for FTSE 250 companies and first in the General Industries Sector at which point we had 40% women on the Board. This has since increased to 50%.

We also initiated a data collection project to expand our diversity data records by asking employees to provide some additional personal information such as race, ethnicity and sexual orientation. Providing additional personal information is completely voluntary. This initiative is part of a journey and will support the development of our DE&I strategy with more transparency. So far our data collection rate in this area is low, but we are continuing to promote this as a way for employees to help us understand where and how we need to improve our DE&I strategy. Recognition of social impacts regarding diversity, equality and inclusion as a global issue continues to grow. It is our ambition to maintain a workplace where every single employee is free from discrimination, feels respected and is treated fairly and equally.

Furthermore, we understand the importance of providing equal opportunities and in future will strive to achieve gender parity in all managerial roles, and higher than local labour market representation for all other under-represented communities at Coats locations.



SOCIAL: COATS COMMUNITIES

COATS COMMUNITIES

During 2021 we have continued to support and have a positive impact in the communities in which we live and work, in total, over 200 programmes were undertaken. Globally, our community activities are grounded in 3 key areas based on principles outlined by the United Nations Sustainable Development Goals:



COVID PANDEMIC RESPONSE

During the year, South America, Bangladesh, Vietnam, China, EMEA and India clusters carried out more than 20 actions aimed at preventing Covid. Some of the main actions were (1) Awareness sessions on Health & Safety protocols for employees and external community; (2) Virtual session on psychological wellness during pandemic for all employees (Bangladesh and South America); (3) Distribution of Covid care kits and PPEs for all employees and more than 2,000 kits were donated to people in need (external) and 3,000 for internal employees in the South America cluster. In addition, the South America cluster held several campaigns with videos and materials about Covid prevention.

HEALTH & WELLBEING



BANGLADESH

Feeding programme for Kids-One-Taka-Meal - Partnered with Bidyanondo Foundation (an NGO). We were successful in raising nearly \$3,000 as donations from both our colleagues and from Coats Bangladesh. Thanks to this overwhelming response, Coats Bangladesh and Bidyanondo successfully conducted the 'Feeding programme for Kids-One-Taka-Meal' at Chattogram and Dhaka with the help of 15 volunteers from Coats Bangladesh. Over the 4-day long programme a total of 2000 underprivileged children were provided a meal.



NORTH AMERICA

Agent for Change (McDowell High School) - Collect 6044 plastic bags to create "plarn" or string from plastic bags lightweight rugs (which help protect from cold, damp or heat) were crocheted from this recycled material and distributed to the homeless.



VIETNAM

Coats donated medical commodities to the local community in the Hung Yen province to the value of \$13,000. The donation was gratefully received by the local authority when the pandemic situation in the province spread rapidly.



CENTRAL AMERICA

The Coats Solidaria Program donated more than 4,000 items (clothes, toys, food, school supplies, threads, etc.) to the external community (UNAS and others NGO's) in 2021. In order to encourage employees to take care of their mental health, we hired an online platform - Zenklub - of therapy, yoga, meditation and other activities for wired employees. In addition, we have social assistant and psychological support for non-wired employees. We also trained our leaders on how to deal with employees' mental health.



SOCIAL: COATS COMMUNITIES

EDUCATION/TEXTILES SKILLS DEVELOPMENT:



SOUTH AMERICA

With the start of the Covid pandemic in South America last year, our handicraft classes had to be cancelled to prioritise the health and safety of everyone. In 2021, we ran remote classes taught by our handicraft teacher. The purpose of the course is to provide greater autonomy to families and generate a second income for the students, in the community and for employees. There were a total of 60 students. Threads were provided for free from Coats.



INDIA

Coats India partnered with Shahi Exports in providing skill development training to women in Madurai who thereby become employable. Suitable employment opportunities were also referred to these women post training. This skill development has been planned over multiple groups, one of which was held with 30 women participants conducted during Feb - April 2021. Tailoring skills imparted to two cohorts of 60 women in the local community with the help of a skill development agency.



CHINA

Summer Internship Program 2021 - Bridging the gap between business and academia, providing students opportunity to interact in a corporate business environment for their professional learning.



HEADQUARTERS

During the year, we developed six Mental Wellbeing Events for all employees to discuss and share ideas about mental health and wellbeing. Topics covered include Crisis Fatigue, Self Care and how to raise mental health with peers or managers. The majority of talks were open to all employees and were recorded to enable anyone unable to join to access at a later date.

Coats takes pride in the work carried out to provide support to communities around the world. Our aim for the future is to raise awareness among both our own employees, and our suppliers, in terms of the importance of supporting the lives and livelihoods of those who live in areas where we operate. We would like to ensure that all of Coats employees are able to participate in voluntary community work, furthermore that our suppliers enable their employees the opportunity to volunteer and give back to their communities also.



SOCIAL: COATS COMMUNITIES

SAVE THE CHILDREN

During the summer months our President Apparel & Footwear embarked on a Coast to Coast challenge in aid of Save the Children, a charity focused on helping children around the world to reach their full potential, by ensuring their safety, maintaining their health & wellbeing and supporting their education.

The Coast to Coast challenge involved a 13 day walk across the North of England, spanned a total of 190 miles, and equalled a combined elevation of 29,135ft, equivalent to Mt Everest. Coats employees were invited to join in the fundraising by pursuing their own individual or team challenge. With many keen to get involved our global community of colleagues from across Coats joined together to contribute to the fundraising efforts for Save the Children through a variety of different challenges from running and various sports activities through to knitted crafts. The combined efforts of our employees raised an amazing total of £18,000. This figure was matched by Coats resulting in a total of £36,000 raised to support the children reached by the charity. Not only was this a fantastic achievement for all those involved but it also brought positive benefits that supported the health and wellbeing of our employees by encouraging them to try something new and in many cases spend more time in nature.

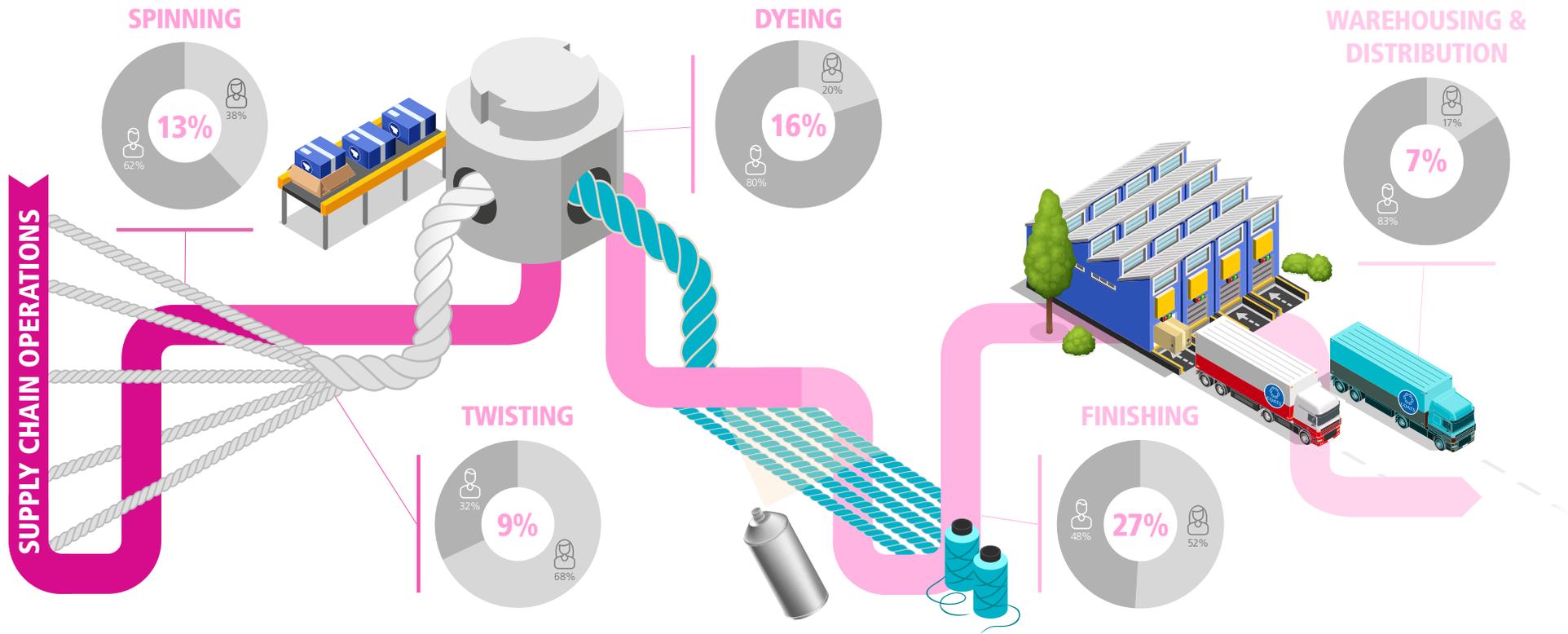
Helen Slee, Regional Fundraising and Engagement Manager of Save The Children, said: 'This is a fantastic effort from the Coats team. £36,000 can go a long way to giving children a better future... On behalf of Save the Children, a big thank you.'

For more than 250 years, Coats has been working to support local communities in the countries where we operate. This fundraising initiative for Save the Children is the latest example of this. Coats aspires to match 100% of the value of donations of money generated by specific fund-raising activities in future.

FUNDRAISING IN AID OF



COATS EMPLOYEE PROFILE



MATERIALS

COATS

STRATEGY
OVERVIEW

CLIMATE

WATER

ENERGY

EFFLUENT

SOCIAL

MATERIALS

MANAGING
SUSTAINABLY

PERFORMANCE
SUMMARY



MATERIALS



ADRIAN ELLIOTT
PRESIDENT
APPAREL &
FOOTWEAR

LEADER'S VOICE

Using less materials and reducing the impacts of the materials that we do use is a very high priority for us. Our industry is justifiably under the spotlight in this area, and together with others we are committed to promoting circularity in our products and packaging. We are proud to have embarked fully on our 'Eco Journey' in 2021 during which we successfully launched a series of Sustainable product offerings, that allow our customers to design garments with a clear end-of-life strategy built into them.

We are optimistic for the future of the apparel industry and through our accelerated ambition are certain that Coats can play a key role. Our focus is to continue to provide the industry with new solutions that will drive the shift towards circularity by developing more of our products and packaging from recycled or bio-based materials, exploring innovative solutions and working with our supply chain partners.

OPERATION WASTE MANAGEMENT

We have been working hard to develop our operational waste management and increase transparency on all waste types across our units. In 2019, we adopted the European Union's Waste Framework Directive as the basis for waste management. The European Waste Catalogue now underpins the Coats Waste Catalogue, containing 35 different waste categories that cover all material items present in a Coats unit. Due to the introduction of the Coats Waste Catalogue, in 2021, we restated our waste statistics back to 2018 and adjusted our target accordingly.

During 2021 the total waste we produced was 23 thousand tonnes, compared to 18 thousand tonnes in 2020. As production recovered substantially in 2021, with fewer pandemic impacts, an increase in absolute waste quantities was to be expected. A lot of our waste goes into other industrial activities, for example sludge being used in cement production, and the pandemic also impacted to some extent on demand in these industries, so during 2021 there has been some additional waste disposal as accumulated quantities were cleared during the year. As a result our waste as a percentage of total materials used remained broadly constant from 2020 to 2021 at 16% and this obscures an underlying reduction that will be apparent in 2022. The implementation of the Coats Waste Catalogue has advanced our measurement of waste, allowing us to identify opportunities for reduction, for example in sludge and packaging materials. With a series of programmes now in place as a result, over the next year we anticipate a significant reduction to our operational waste throughout 2022 and remain confident of our ability to reach our target.

A comprehensive breakdown of our waste shows that 16% of the waste material on our sites is directly related to our products, with other high volume categories including paper, cardboard and wood packaging (25%), sludge (26%) and plastic packaging (11%). Of the waste generated 67% is recycled or reused, and 14% is disposed of in landfill (down from 20% in 2020 and 16% in 2019). Overall 46% of our units have achieved sending zero waste to landfill.



TAKE BACK & REUSE PROGRAMME

Within the Cleaner and Lighter initiative waste reduction has been identified as a priority area of focus in order to drive more concerted action towards achieving our 25% reduction target by the end of 2022.

One approach has been to address a reduction of supplier packaging waste, principally targeting paper & cardboard, plastic and wood, by developing an overall approach for each of our regional clusters. In July 2021, our procurement team began work with our major global suppliers to reduce packaging waste in addition to looking at opportunities for the re-use of supplier packaging within our own distribution.

One of our principal Asian units was established as a pilot for the trial of this re-use scheme. Although the project is still in its early stages, the collaborative relationships with suppliers have been extremely positive and successful. The project has already achieved a cardboard waste reduction of 140 Tonnes by the end of 2021.

Progress is being tracked on a monthly basis. The goal for 2022 is to continue the development of this project and to roll out similar schemes with our suppliers across all of our clusters.



MATERIALS

BEING MINDFUL OF RESOURCE CONSUMPTION

Consumption of materials is a critical issue in the textile industry. It is therefore very important that we are mindful of what we consume, using only what is needed, whilst seeking less impactful alternatives. During 2021 we used 80 thousand tonnes of direct raw materials the majority of which comprised the fibres used to make our thread products. 94% of our products are made from oil-derived plastic materials, principally polyester, and 6% are made using cotton fibres.

Since 2018 we have been continuously working to transition our premium polyester products towards the use of recycled materials. Although there has been significant progress in general in the use of bioplastics, we remain cautious around the use of such materials due to concerns regarding the environmental and social impacts associated with increased land use for textile fibre production. With the decision to focus our Asia Innovation Hub in Shenzhen, China, to work on bio-materials we will continue to look at bioplastics alongside other biological materials, but we will continue to evaluate carefully the full impact of their use. It is our view that the continuing evolution of textile-to-textile recycling presents a strong opportunity for future fibre production. For more information on our approach to sustainable fibre consumption see page 43.

We are very conscious of the social and environmental risks involved with the small proportion of cotton fibre we use and are supportive of the global collaborations such as the Better Cotton Initiative that work to manage these risks. We have long had a ban on sourcing cotton grown in high risk areas.

The use of animal-based products in our range are limited to wool-based products accounting for less than 0.01% of our sales. Regardless of this minute percentage, we ensure that these products are responsibly sourced. Our Animal Welfare Policy (*Policies and downloads »*) has been put in place to highlight this.

Our product specifications across all of our ranges are established to ensure that the products are fit for purpose and not over engineered for the end use. This means that we do not produce or sell more material than that which is required by our customers. We also focus on ensuring that indirect material usage is minimised. This is especially important in the area of packaging as both the materials we buy and the products we sell require packaging to protect them during transport and storage. We address this upstream with our material suppliers and downstream with our customers to work collaboratively to find ways to minimise packaging and, where it is still necessary, ensure that it can be reused or recycled.



MATERIALS

CIRCULARITY – PRODUCTS THE LINEAR MODEL

Linear models, following a ‘take-make-waste’ structure, are typically used within the textile industry whereby virgin resources are taken to make products, which are then sold to consumers to use, before they are mainly disposed of at the end of their life cycle into landfill or are incinerated. Approximately 100 million tonnes of virgin textile materials enter this model on an annual basis.

As demand for resources continues to grow, we are putting increasing pressure on a limited supply of virgin materials. According to the Ellen MacArthur Foundation less than 1% of textile waste is recycled into new textile product. This linear model is wasteful and unsustainable.

A MODEL FOR THE FUTURE

Circular models – centred around the principles of designing waste and pollution out of the system, extending the life cycle of materials by keeping them in use for longer, and recovering materials instead of allowing them to be disposed of as waste, so that they can be recycled and reprocessed back into new materials – have emerged as an alternative approach to how materials are produced. As companies across the supply chain begin to incorporate elements of these three core principles we are starting to see a shift take place. Several pilot projects have been developed focused on finding solutions to reprocess waste textiles into new textile products. The future vision for the industry is to avoid the unsustainable creation of virgin fibres while also resolving the end-of-life waste problem that currently exists. This is a vision that Coats is committed to.

BARRIERS TO UNLOCK

To close the loop from waste textile to new fibre is not a trivial set of challenges, and much still needs to be done before industrial processes can be established, but a lot of brilliant work in the industry means that there is now at least a roadmap of newly developed processes that can overcome many of them. However, we must stress that there are still substantial technical and industrial hurdles to be dealt with. Most textile products have more than one textile material in them, and many also have non textile components such as buttons or zippers. Designing new garments to facilitate reprocessing can help to minimise this problem, but it will never be completely eliminated. Automated sorting processes that can detect the materials in a product are being developed and trialled. Removing non-textile components is currently a highly manual, expensive process. Once materials have been sorted and separated then different recycling

processes can be applied. Most fibre recycling to date has been done by physical means, a process that progressively downgrades the fibres meaning that truly circular processing cannot continue for more than one or two cycles before the fibres are so degraded that they can no longer be processed. A number of companies have developed chemical reprocessing technology for both natural and synthetic material types and the first bulk industrial trials of these processes are currently underway.

THE CHALLENGE OF THREAD FOR CIRCULAR PROCESSES

Thread makes up a very small proportion of a finished garment, typically around 1-2%. Currently, as noted previously, most thread is made from polyester whether the material being sewn is cotton, polyester, a blend of the two or some other fibre. This means that thread is often of a different material to the rest of the product. This small percentage footprint combined with the different material composition makes thread an additional challenge for circular recycling. Furthermore threads and the seam structures they are sewn into have been developed to be extremely durable. In most cases a seam will comfortably outlive the material used in the garment. This is an additional challenge when it comes to selective disassembly of seams, for example to remove non-textile elements, and is a major reason why this is a high cost, manual process at the moment.

CHANGING THE PARADIGM - COATS CIRCULAR STRATEGY

We have spent over 250 years expertly designing and producing thread that holds garments together, ensuring it withstands the full lifetime of the garment. It is our view that, as we look towards the future, part of the focus needs to be placed on the stages of design to ensure textiles are designed with an end-of-life strategy in mind. A garment of the future must be designed for ease of recycling and disassembly. Our approach is to consider three ways in which thread can provide a solution. First, garments need to be designed with material compatibility in mind, therefore threads need to match the fabric material so that it can undergo the same recycling process. Second, we have explored how thread can be a low-cost solution to create a garment that can be easily disassembled at the end of its lifecycle. Third, where possible, our threads must be developed from recycled textile materials.

MAKING IT HAPPEN |

TRANSITIONING TO RECYCLED RAW MATERIALS

Since 2017, our Global Procurement Team has been focused on finding vendors to develop recycled products for Coats. In 2018 Coats started to purchase recycled fibre and filament, used to produce 100% recycled polyester sewing thread. Initially this was challenging due to the price and availability of recycled raw materials in addition to a lack of suitable technologies. We therefore started with a very limited number of vendors, working with smaller quantities. Over the past 5 years we have been able to expand the number of vendors with whom we work, and as a result now work with much larger quantities and multiple vendors. In addition, during 2021, we have started to work with vendors to develop recycled nylon products and we have also successfully developed recycled trilobal polyester filament.

Overall, our greatest challenge continues to be the availability of good quality materials, especially as demand for recycled products is increasing across our industry and in other industries. Our products require the highest level of material performance and much of the recycled material available is currently not suitable for our use.



Jia Liu
Global Raw Material
Procurement Manager



MATERIALS: CIRCULARITY (PRODUCTS)



COATS ECO JOURNEY

Coats is committed to taking steps to play our part in the complex circular supply chains of the future. We have already embarked on this journey through our product innovation, including work with key suppliers and partners across many fields, to deliver a sustainable product offering to our customers.

Coats' EcoJourney is a roadmap set out to produce innovative sustainable products that support our drive towards a circular economy. Our suite of products have been designed with the future of the circular economy in mind. They provide sewing solutions that consider the end-of-life of the garment, ensure compatibility for recycling, biodegradability of the garment, and garment disassembly.

As part of our agenda to drive further innovation in this area, The Coats Innovation Hub – Asia, in Shenzhen, China, will have a new mission and be re-purposed to focus on the application of biomaterials. Over the long term, Coats aspires to move all products to environmentally friendly materials and chemicals. This action is in line with our most recent commitment to ensure that by 2030 all products will be made completely independently of new oil-extraction materials such as polyester and nylon.

WHERE IT ALL STARTED

This range was first launched in 2018 and is now one of the most comprehensive ranges of 100% recycled polyester (rPET) threads, zips and trims on the market. Whilst we acknowledge rPET is not a fully closed-loop solution, the majority of our products are made from polyester, therefore we believe making our products from recycled materials that extend the life of the resource rather than using virgin materials, is the correct thing to do whilst we work to develop more sustainable solutions.

Our target is to transition all of our premium polyester products to recycled polyester raw material by 2024. We have continued to make good progress towards this goal in 2021 with 19% of our premium sales coming from our EcoVerde range of recycled products, up from 13% in 2020. The supply of high quality recycled fibres continues to be challenging, and is a significant factor determining the rate of conversion. Prior to 2021 all of our material came from Japanese waste collection and processing sources because of the high quality

of material achieved. We have now successfully expanded our supply chain to include materials from China and will be looking to qualify further sources of supply in 2022 and beyond. We are also initiating work on chemically recycled polyester from textile waste as we consider this to be an essential component in the recycled and largely circular supply chain of the future.



ECOREGEN

Coats EcoRegen is a range of 100% lyocell threads made from sustainably sourced wood pulp. It is an eco-friendly regenerated fibre which can be recycled and is fully biodegradable and compostable due to its cellulosic origin.

ECO CYCLE - FACILITATES END OF LIFE GARMENT RECYCLING



Coats EcoCycle is a ground breaking water dissolvable thread concept that helps facilitate end-of-life recycling when washed at 95°C.

Whilst the thread maintains its quality, strength and durability during the life span of the garment, when exposed to a thermal washing process at temperatures above 95°C it allows the seam to dissolve so that non-textile and textile components can be easily separated for recycling. This product has the potential to be truly transformative in driving a circular textile economy. We are currently seeking to bring together the key industry players (e.g. brands, collectors and recyclers) to put the steps in place that are required in order for this solution to be scaled up. We are already working with our partners to explore how this might look in future.



COLLABORATION AND STAYING CONNECTED

Collaboration is imperative to help the industry transition away from our usual way of operating. Whilst innovative solutions are being piloted across the industry, individual contributors cannot effectively tackle the scale of the challenge working in silos. With support from governments, policy and other influential institutions, it is essential for players across the value chain, to work together in delivering better solutions more rapidly.

We recognise that collaboration will enable us to scale up the sewing solutions we are providing for a circular future and ensure the full circular loop is closed. To overcome this challenge, at the start of 2021, Coats became an official member of the Ellen MacArthur Foundation Network – the world's leading network for the transition toward the circular economy. As a network member, Coats aspires to help lead the way in the transition for the textile industry. We have already engaged in conversation and collaborative projects with other like-minded network members that can help us to understand better the end-to-end supply chain for garment recycling and therefore ensure our solutions positively contribute to creating a more sustainable business model for our industry. For example Coats is collaborating on The Jeans Redesign Project, as an innovation expert on threads that enable recyclability, helping project participants to address the challenges that surround sewing thread within the design of circular garments. We believe that by bringing our current product developments and our innovation capabilities into this collaborative venture we will help to accelerate the much needed transformation of our industry.

In addition, for the first time Coats attended the Textile Sustainability Conference 2021, led by the Textile Exchange in collaboration with the Sustainable Apparel Coalition. As Silver Sponsors of the event, we used this opportunity to be part of the wider ecosystem of industry players leading by example, engaging in discussion around best practice, and seeking further collaborative opportunities to drive a more sustainable future.

To demonstrate our dedication to working in collaboration, over the next five years Coats will invest \$10m in scaling up the development of green technologies and materials to accelerate the achievement of its goals.



MATERIALS: CIRCULARITY (PACKAGING)

CIRCULARITY - PACKAGING

Plastic waste is a major environmental problem. As part of our commitment to behave responsibly, we are working on a project to reduce plastic packaging from our finished goods as the secondary focus of our Circular Strategy.

Up to 25% of our finished goods are comprised of packaging materials, including the supports to our cones of thread and the plastic sleeves that protect them. In line with the principles of a circular economy, our aim is to move towards more sustainable packaging materials for all of our threads, by helping to facilitate ease of material recycling, keeping materials in use for longer through reuse, and eliminating packaging all together where viable. In June this year, we implemented Project 25, across most of our regions. The project has 3 key focus areas:

SINGLE COLOURED, RECYCLED SUPPORTS FOR ALL THREAD CONES & VICONES



We typically use supports for cones and vicones in a variety of different colours that have previously helped to differentiate between the different thicknesses of thread. Our decision to move away from this and supply one colour recycled supports for all threads with the aim to help facilitate plastic recycling.

REMOVAL OF SLEEVES FOR DARK SHADES AND COMPOSTABLE OR PAPER SLEEVES FOR PALE/ WHITE SHADES



In many locations cone bags are necessary in order to protect the threads from dust contamination. In 2019 we initiated an exploratory project in Sri Lanka on the removal of plastic bags from our cones. Following a successful trial, we have extended the removal of all plastic sleeves on black and dark shades to all of our products. This action was communicated with a formal statement of intent. We are also exploring viable options to transition to compostable or paper sleeves for pale and white shaded thread that require more protection from dust contamination.



SUSTAINABLE CARDBOARD

As detailed previously, we are working with our global suppliers to reduce packaging waste in addition to seeking opportunities for the re-use of supplier packaging within our own distribution.

MAKING IT HAPPEN | PLASTIC PACKAGING REDUCTION

During 2021, I led a team of colleagues working on Project 25, our company-wide focus to move towards sustainable packaging materials for all of our threads primarily focusing on the removal of sleeves from our dark coloured cones, and the use of one colour recycled supports. This work has been pivotal to advancing our waste reduction throughout 2021, and has required a cross functional collaborative approach, involving our Commercial, Manufacturing, Warehouse and Procurement teams. Clear communication with our customers has been fundamental to the implementation of this project so as to maintain our customer experience despite the changes made. Therefore we have worked closely with our customers at multiple stages within the process, to ensure they are informed and given the opportunity to provide feedback where necessary, particularly with regards to recycled one colour supports. This has helped us to work with our vendors to develop a design of packaging that matches the level of quality required by customers.



Sonya Manolova
Product Director
Apparel & Footwear

Eliminating the need for single-use plastic globally is a vital step in the right direction to reduce plastic pollution. Although Coats is only at the start of our journey on this, with the removal of plastic sleeves, we are proud of the progress we have already made. Clear communication with our customers has been essential to this. We hope to expand on our efforts in 2022 by developing an effective way of working with our upstream and downstream partners to action a 'Collect back, Reuse & Recycle' scheme for cone supports. Small-scale pilots have already been initiated at a few of our sites to understand the logistical challenges. Where the return of empty cones is possible, cones that are robust enough to be reused or recycled when damaged must be used. Elsewhere if the recovery of cones is not yet possible, we engineer the cones to use as little material as possible.



MATERIALS

SUPPORTING OTHER INDUSTRIES TO GO GREEN (AN EXAMPLE FROM THE AUTOMOTIVE SECTOR)

As a solutions provider, we have a responsibility to support our customers and stakeholders in their own sustainability journeys through the development of innovative textile products. Composites have strong sustainability credentials and can be used for numerous applications. We have formed a 'One Composites' business, focussed on the development and supply of intermediates into Telecom Infrastructure, Energy pipes, Automotive & Sporting industries.

For example, the Automotive industry is changing radically, with increasing focus on cost-effective weight reduction as an approach to increase fuel efficiency. Attention has recently turned towards the use of carbon fibre composites and, as technology continues to evolve, we are witnessing a shift taking place.

Composite solutions have multiple benefits for the transport industry, especially when compared to alternative materials such as metals. Composites are far more lightweight therefore improving fuel efficiency, and can be engineered to be far stronger than aluminium or steel meaning that they maintain great strength relative to weight. Furthermore, composites are flexible by design due to their ability to be easily moulded into complicated shapes.

In response to growing worldwide demand, Coats has developed two new innovative technologies, Synergex™ and Lattice™, that allow us to offer the industry a cost effective means to reduce weight beyond what is achievable through aluminium, magnesium and conventional carbon fibre and hybrid technologies.

Synergex™ is a technology that commingles dissimilar fibres, thereby tailoring the fibre mix to the performance and cost needs of a specific application. Lattice™ is technology that allows us to place the fibre in a position and direction that is required by a specific application. In July 2021, we announced our collaboration with a team led by General Motors, using our Lattice technologies to develop a tailored fibre-reinforced composite technology to help develop lightweight, high performance and cost-effective structural battery enclosures for use in Electric Vehicles, under U.S. Department of Energy (DOE) cooperative agreement DE-EE0009204.

Throughout 2022 we will continue to work with our industry partners to further develop our innovations and we will lead with sustainability as the key focus in our composite expansion, exploring future opportunities in thermoplastics, wind, hydrogen storage and EV technologies.



COATS GLOBAL CIRCULARITY

HUMUS, CO₂, H₂O

The end result of the biodegradation is to release water and carbon dioxide and it leaves a rich humus that can be used to enrich soils for future crops.



COTTON GROWING

Cotton growing requires a lot of water and, unless it is organic, it tends to use a lot of pesticides. Increasingly there is a focus on stewardship programmes for cotton cultivation so that the environmental and social aspects of farming cotton are managed responsibly.



FIBRE PRODUCTION

High quality cellulosic fibres are generally produced through the Lyocell process whereby the pulp is dissolved and then extruded through a spinneret in a dry/wet spinning process.



TEXTILE PRODUCTION



DISTRIBUTION & RETAIL



CONSUMER USE



WASTE MATERIAL SORTING

FIBRE PRODUCTION

Polymer chips are melted and extruded to produce continuous textile filaments. These can be cut to produce short staple fibres, similar to cotton, or left as continuous filament yarns.



RE-POLYMERISATION

This step requires the production of new polymer chips with the same properties as virgin polymers. In the case of the most common type of textile polyester (polyethylene terephthalate - PET) this means recombining the precursors.



PLASTIC DE-POLYMERISATION

Polyester fibres can be broken down into precursors, such as purified terephthalic acid (PTA) and monoethylene glycol (MEG). This allows for the removal of impurities such as dyes and means that the qualities of the polyester coming from the subsequent re-polymerisation are not dependent on the properties of the polyester feedstock used.



CLEANING & PULPING

Pulp production for recycled cellulosic material is not very different to the processes already used for recycling other cellulosic materials, such as paper, but there generally need to be some additional mechanical processes with textiles to assist with the pulping.



CELLULOSIC MATERIAL GRADING

Sorting of materials by quality and condition is important to ensure that waste material flows are as consistent as possible. Increasingly this will be done by automated processes. Also at this stage non-cellulosic elements can be removed.

BIODEGRADATION

Biodegradation is caused mainly by microbial action on the fibres. This can take place under aerobic or anaerobic conditions and at different temperatures. Some synthetic polymers that would normally be regarded as technosphere materials can now be made biodegradable.

BIOSPHERE

TECHNOSPHERE





MANAGING SUSTAINABILITY

MANAGING SUSTAINABILITY

MATERIALITY ASSESSMENT

Since 2011, we have conducted our materiality assessment on a biennial basis the purpose of which is to help identify and assess the environmental, social and governance issues of greatest importance to Coats as a business as well as to our stakeholders.

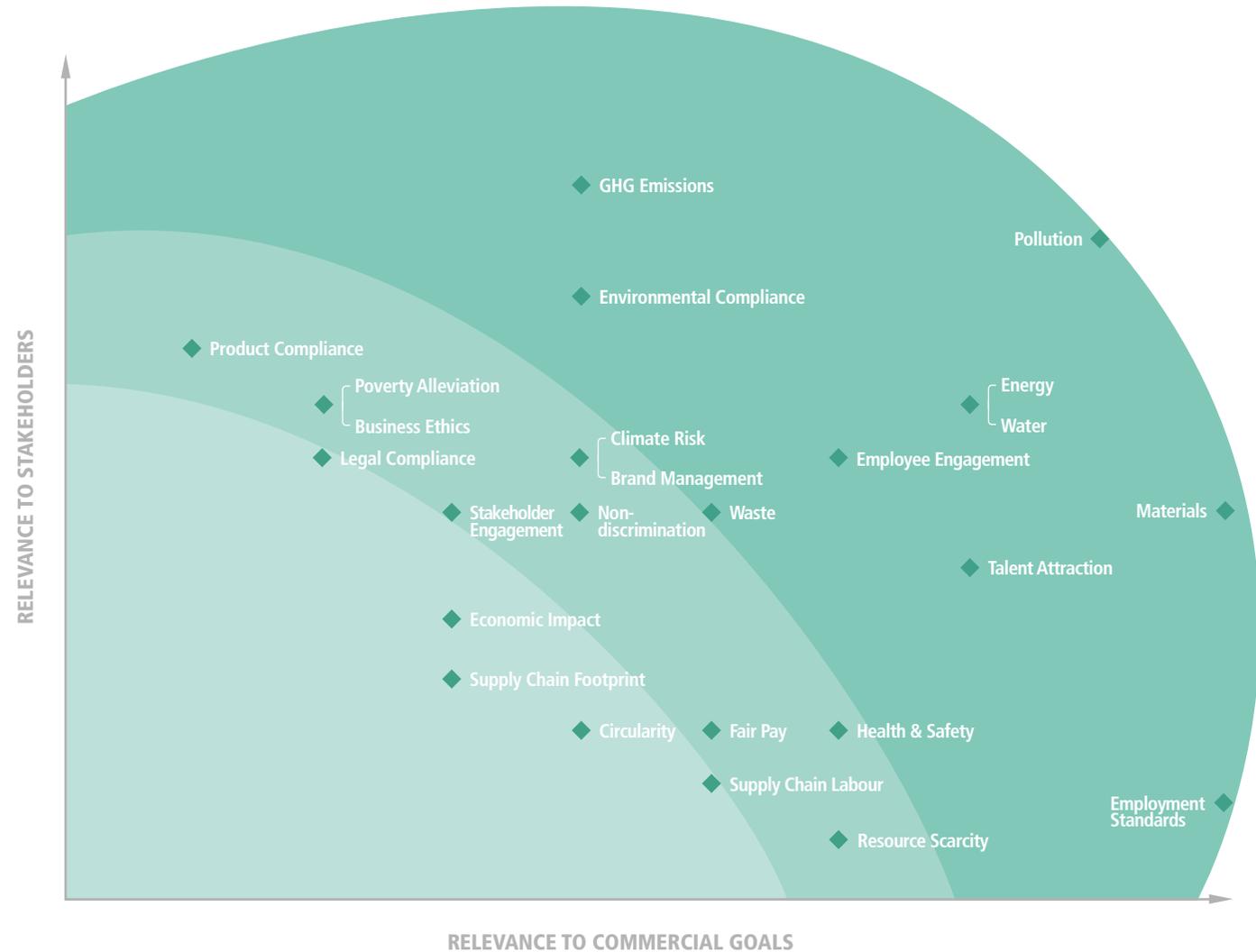
The issues identified in the final outcome of the assessment are used to inform our wider sustainability agenda, ensuring that our strategy continues to address the issues of upmost importance.

In our most recent update for 2021, we identified 73 material issues for review (up from 69 in 2019). Each issue was ranked by level of importance following an evaluation against its relevance to Coats' three commercial goals (i.e. Profitable Sales Growth, Continuing to Strengthen the Core, and Value Delivery) and the importance to each of our key Stakeholder groups (i.e. Employees, Customers, Shareholders, the Environment, Communities, and Suppliers).

We were expecting that the twin crises of the global pandemic and rising concerns around climate change would see some realignment in the results of our materiality assessment and this was the case. We have seen increasing concerns around a number of social and climate-related issues, principally employment standards, fair pay, poverty alleviation, discrimination, health & safety, greenhouse gas emissions and climate risk, and all of these have risen up the ranking as a result.

At the same time our top ten issues has remained pretty consistent with only two new issues coming in (GHG emissions and employment standards) with business ethics and brand management being pushed out of that top tier. Having completed the materiality assessment we have reviewed it against our current strategy, including the new programmes that we have launched in the last 2 years and have concluded that there is still extremely good alignment of our strategy to our material issues and we don't need to make any new changes to our strategy as a result.

Our top 25 issues are highlighted in the graph, where the axes represent relevance to Coats Commercial Goals (X) and Importance to our stakeholders (Y).



MANAGING SUSTAINABILITY



ANDREW MORGAN
HEAD OF
SUSTAINABILITY

LEADER'S VOICE

Sustainability has always been an implicit foundation stone for Coats, but our work over the last few years has really built on this and made sustainability core to our business strategy, our operational practices and our product innovation. Applying a sustainability lens to everything that we do is now our daily practice.

Amongst the most significant learnings for us on this journey has been the depth of enthusiasm and commitment that exists within our employees at all levels to participate in this journey. While it is clearly crucial that we have strong and clear leadership from the Board and senior executive management, our progress comes from the many thousands of my colleagues who daily commit themselves to fulfilling our company purpose of "making a better and more sustainable world".



MANAGING SUSTAINABILITY



VICTORIA HUXSTER
HEAD OF INVESTOR
RELATIONS

LEADER'S VOICE

Sustainability remains right at the top of the agenda for investor relations in 2022, with continued demand for even greater stewardship of, and responsibility with, investor capital. Investors also want to understand how sustainability contributes to the competitive advantage we enjoy in our industry.

Coats has been at the forefront of the sustainability journey for a long time and I am delighted that Coats raised its ambitions in this regard even further during 2021.

Coats undertook a significant programme of engagement with investors on sustainability in 2021 and we look forward to this continuing during 2022.

GOVERNANCE AND MANAGEMENT

While the Board has always been closely involved in our sustainability strategy and performance, and our Senior Non Executive Director (NED), Nicholas Bull, has had a designated role as Board Sustainability Advocate, the increasing importance of this area has led to the decision to create a Sustainability Committee. This is led by the Board Chair, David Gosnell, and comprises the Senior NED, Nicholas Bull, the Designated NED for workforce engagement, Fran Philip, and the Group Chief Executive, Rajiv Sharma. This new governance body met for the first time in February 2022 and will meet quarterly in the future.

Within the executive team, our sustainability programme is championed by our Group Chief Executive and the whole Group Executive Team (GET). This group takes responsibility for setting the direction, and ensuring that we deliver on our short and long term sustainability targets. The Head of Sustainability manages the Sustainability Delivery Team (SDT) which is sponsored by the Chief Supply Chain Officer, the Chief Legal & Risk Officer and Group Company Secretary and the President of Apparel & Footwear, all GET members, and includes a broad range of other senior managers from across the business to provide the right mix of experience and expertise to continue the effective implementation of our strategy.

STAKEHOLDER ENGAGEMENT

We recognise the importance of understanding our stakeholder's concerns and priorities and need to make sure that these are represented in our strategies. We do this formally through our materiality assessment that ranks issues by their importance to our stakeholders, but we also do it through the ongoing contacts that we have with many stakeholders during the year.

Our key stakeholders include our employees, our customers, both our direct customers and the brands that specify the use of our products, our shareholders, the environment around us, the communities in which we operate and our suppliers of products and services.

We maintain links with and seek to understand the views of all these stakeholders both at global and more local levels. More information on our stakeholders can be found in our Annual Report and on our *website*.



PERFORMANCE SUMMARY

COATS	STRATEGY OVERVIEW	CLIMATE	WATER	ENERGY	EFFLUENT	SOCIAL	MATERIALS	MANAGING SUSTAINABILITY	PERFORMANCE SUMMARY	
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PERFORMANCE SUMMARY

PILLAR	INDICATOR	UNIT	2014	2015	2016	2017	2018	2018 RESTATED ¹	2019	2019 RESTATED ¹	2020	2020 RESTATED ¹	2021	2022 TARGETS ⁹	2030 TARGETS
 <p>WATER Reduce and reuse</p>	Total water used	Million cubic metres	8.3	8.3	8.2	7.9	7.8	8.3	7.6	7.6	5.9	5.8	6.5		
	Water intensity	Litres/kg produced	127	121	118	112	83	86	83	83	78	76	67		
	Water intensity movement compared to 2018	% movement									-4%	-12%	-22%	-40%	
	% of water recycled	%	2%	4%	8%	11%	20%	18%	23%	22%	22%	19%	22%		
	Withdrawal from municipal supply	Million cubic metres	3.3	3.2	3.1	3.0	2.9	2.8	2.8	2.8	2.7	2.3	2.2	2.5	
	% water from municipal supply	%	41%	39%	36%	37%	37%	35%	37%	37%	39%	40%	41%		
	Withdrawal from ground water sources	Million cubic metres	2.1	2.6	2.1	1.9	1.8	1.9	1.6	1.6	1.3	1.2	1.4		
	% of water from ground water sources	%	27%	26%	27%	24%	23%	23%	21%	21%	21%	22%	23%		
	Withdrawal from natural watercourses, reservoirs and rainwater harvesting	Million cubic metres						1.6		1.4		1.1	3.5	13.3	
	% water from natural watercourses and reservoirs and rainwater harvesting	%	30%	30%	28%	28%	20%	24%	18%	20%	18%	18%	13%		
	Total water withdrawal	Million cubic metres	8.0	8.3	7.5	7.1	6.3	6.7	5.8	5.8	4.6	4.6	4.9		
 <p>ENERGY Reduce and transition to renewables</p>	Total energy used in operations	Million kWh	858	833	829	823	873	865	845	831	676	670	801		
	Energy intensity	kWh/kg produced	13.2	12.2	11.9	11.5	9.2	9.3	9.2	9.4	8.9	9.1	8.6		
	Energy intensity movement compared to 2018	% movement									1%	-2%	-7%	-7%	
	Non-renewable electricity used	%	31%	32%	30%	29%	35%	32%	36%	34%	35%	32%	32%		
	Natural gas used	%	33%	33%	35%	34%	28%	29%	27%	28%	29%	30%	31%		
	Oil used	%	11%	6%	6%	7%	5%	5%	4%	4%	4%	4%	4%		
	Coal used	%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
	Renewable energy used	%	25%	29%	29%	30%	32%	34%	33%	34%	31%	33%	34%		
	Coal used	%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%		
	% Electricity covered by renewable certificates	%					4%	3%	5%	5%	6%	6%	7%		100%
	Total carbon footprint, Scopes 1, 2 & 3 ²	Thousand tonnes CO ₂ e	322	305	319	311	303		289	1,123.1	233	900.7	1,157.0		
Scopes 1 & 2 footprint ²	Thousand tonnes CO ₂ e	321.9	305.4	318.5	310.6	303.3		289.4	273.8	233.5	217.2	253.4		147.3	



PERFORMANCE SUMMARY

PILLAR	INDICATOR	UNIT	2014	2015	2016	2017	2018	2018 RESTATED ¹	2019	2019 RESTATED ¹	2020	2020 RESTATED ¹	2021	2022 TARGETS ⁹	2030 TARGETS
 <p>ENERGY Reduce and transition to renewables</p>	Scope 1 emissions footprint ³	Thousand tonnes CO ₂ e	81.5	67.8	70.9	71.8	67.1		61.1	64.6	49.2	51.3	62.7		
	Scope 1 CO ₂ emissions	Tonnes CO ₂								63,153	49,091	49,743	60,106		
	Scope 1 CH ₄ emissions	Tonnes CH ₄								83.7	66.0	67.2	82.8		
	Scope 1 N ₂ O emissions	Tonnes N ₂ O								76.6	41.0	47.3	58.4		
	Scope 1 HFCs emissions	Tonnes HFCs								1,339.2		1,494.5	2,476.8		
	Scope 1 PFCs emissions	Tonnes PFCs								0.0		0.0	0.0		
	Scope 1 SF ₆ emissions	Tonnes SF ₆								0.0		0.0	0.0		
	Scope 1 NF ₃ emissions	Tonnes NF ₃								0.0		0.0	0.0		
	Scope 2 emissions footprint (location based) ⁴	Thousand tonnes CO ₂ e	240.4	237.6	247.6	238.8	236.2		228.3	235.3	184.3	186.2	216.1		
	Scope 2 CO ₂ emissions	Tonnes CO ₂								233,974	183,308	185,116	214,905		
	Scope 2 CH ₄ emissions	Tonnes CH ₄								277	139.0	216	234		
	Scope 2 N ₂ O emissions	Tonnes N ₂ O								1,047	840.0	833	948		
	Scope 2 emissions footprint (market based) ⁵	Thousand tonnes CO ₂ e								209.2		165.9	190.7		
	Scope 2 CO ₂ emissions	Tonnes CO ₂								206,858		164,160	188,666		
	Scope 2 CH ₄ emissions	Tonnes CH ₄								101.8		93.0	94.4		
	Scope 2 N ₂ O emissions	Tonnes N ₂ O								626.8		529.8	589.3		
	Out-of-scope biofuels, Scope 2 CO ₂ emissions	Tonnes CO ₂								38,163.0		26,960.0	32,789.0		
	% scope 2 emissions covered by renewable certificates	%						4%		5%		6%	7%		
	Emissions volume intensity (location based)	CO ₂ e kg/kg production	4.9	4.5	4.6	4.3	3.2	3.1	3.2	3.0	3.1	3.1	2.7		
	Emissions value intensity (location based)	CO ₂ e tonnes/\$m sales	210	208	219	206	200	192	192	185	200	202	176		
Scope 3 emissions footprint ⁶	Thousand tonnes CO ₂ e								849.2		671.0	891.3		560.5	
Scope 3 CO ₂ emissions	Tonnes CO ₂								722,740		579,979	738,782			
Scope 3 CH ₄ emissions	Tonnes CH ₄								6,748		4,419	7,106			
Scope 3 N ₂ O emissions	Tonnes N ₂ O								30,525		23,590	31,994			



PERFORMANCE SUMMARY

PILLAR	INDICATOR	UNIT	2014	2015	2016	2017	2018	2018 RESTATED ¹	2019	2019 RESTATED ¹	2020	2020 RESTATED ¹	2021	2022 TARGETS ⁹	2030 TARGETS	
 <p>EFFLUENT Reduce and clean</p>	% of water discharged as effluent	%	87%	80%	79%	77%	69%	65%	62%	61%	67%	69%	68%			
	Treated effluent discharge to surface water course	Million cubic metres					4.1	4.0	3.4	3.2	2.8	2.7	3.0			
	Effluent discharge to offsite treatment plant	Million cubic metres	1.5	1.6	1.4	1.4	1.3	1.3	1.3	1.3	1.1	1.1	1.2			
	Total effluent discharge	Million cubic metres	6.9	6.5	6.4	6.2	5.3	5.3	4.7	4.5	3.9	3.8	4.2			
	Environmental prosecutions	No.	0	0	0	0	0		0		0		0			
	% effluent that is compliant with ZDHC	%						-		63%		74%		82%	100%	
	Investment in effluent treatment plants and technology	Million \$	3.4	0.9	1.6	2.2	-		4.6			1.5		2.2		
 <p>SOCIAL Living wage Fair employment Community engagement</p>	Permanent employee headcount	No.	19,204	18,985	19,079	19,419	18,239		17,725		17,943		18,811			
	Permanent employee average tenure	Years				10.4	10.2	10.3	11.1		10.3		9.7			
	Permanent employee turnover	%				19%	27%		25%		20%		23%			
	Temporary Employee Headcount	No.					-		-		3,163		4,104			
	% female permanent employees	%	40%	41%	40%	41%	39%		41%		42%		42%			
	% female senior managers	%	19%	19%	21%	22%	23%		24		22%		23%			
	% female Board members	%	13%	11%	22%	30%	30%		33		40%		50%			
	Employee engagement score	%	81%	83%	83%	83%	83%		N/A		N/A		83%			
	Safety training	Hours/employee										23		29		
	Sites accredited to OHSAS 18001	No.										7		7		
	Sites accredited to ISO 45001	No.										4		5		
	Near misses reported	No.					1,583					1,320		1,770		
	Near miss reporting rate	No./100 FTE					5.4					6.1		6.7		
	Hazards reported	No.					33,112					35,083		48,077		
	Hazard reporting rate	No./100 FTE					114					162		181		
	Improvement actions completed	No.					36,014					39,689		54,811		
	Improvement actions completion rate	No./100 FTE					124					183		207		

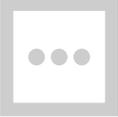


PERFORMANCE SUMMARY

PILLAR	INDICATOR	UNIT	2014	2015	2016	2017	2018	2018 RESTATED ¹	2019	2019 RESTATED ¹	2020	2020 RESTATED ¹	2021	2022 TARGETS ⁹	2030 TARGETS	
 SOCIAL Living wage Fair employment Community engagement	Work related incident rate	Incidents/100 FTE			0.56	0.56					0.59		0.45			
	Number of recordable incidents	No.			163	163			135		128		120			
	Average lost days per lost time incident	Days			17.9	34.1	16.8		19.7		24.3		18.7			
	Total lost days from incidents	Days			2,015	2,320			1,672		1,669		1,916			
	Lost time case rate	Lost time incidents/100 FTE			0.26	0.24	0.37		0.31		0.36		0.34			
	Work related fatalities	No.	0	0	0	1					0		0			
	Health & safety prosecutions	No.	0	0	0	0					0		0			
	Commuting incident rate	Incidents/100 FTE										0.37		0.37		
	Number of commuting incidents	No.										80		98		
	% workforce with 'Great Place to Work' or equivalent certification	% workforce.										6%		83%	80%	
	Permanent employees subject to a collective agreement	%				38%	37%		43%		46%		53%			
	Permanent employees that are members of a union	%				34%	38%		43%		47%		40%			
	Diversity in employees	No. of nationalities				68	63		60		60		62			
	Diversity in senior managers	No. of nationalities				43	32		31		31		32			
 MATERIALS Eco-footprint Reduce, reuse and recycle	% premium polyester sales from recycled material ⁹	%									13%		19%	100% ⁹		
	Total waste generated	Tonnes					24,092	24,288	25,401	25,322	17,599	18,499	23,425			
	Hazardous waste generated	Tonnes					7,150		8,171		4,031		5,868			
	% total material waste	%					15%	17%	16%	18%	14%	16%	17%			
	% movement in waste % compared to 2018	% movement									6%		-8%	-3%	-25%	
	Reused or recycled waste	% of waste				76%	73%	69%	69%	67%	66%	62%	67%			
	% units sending zero waste to landfill	%								65%		47%		45%		
	Total materials purchased by Coats	Tonnes	132,694	136,249	146,394	138,589	139,399		144,802		115,302		133,062			
	Process chemicals used	Tonnes						18,213		16,034		13,820		17,101		
	Packaging materials used	Tonnes						27,062		24,077		22,486		22,482		
	Materials used in Coats products	Tonnes	87,002	90,444	95,261	93,268	94,125		104,691		78,996		93,479			
	Textile fibres used in Coats products	Tonnes						89,329		99,880		74,942		88,536		
	Dyes and chemicals used in Coats products	Tonnes						4,796		4,811		4,054		4,943		



PERFORMANCE SUMMARY

PILLAR	INDICATOR	UNIT	2014	2015	2016	2017	2018	2018 RESTATED ¹	2019	2019 RESTATED ¹	2020	2020 RESTATED ¹	2021	2022 TARGETS ⁹	2030 TARGETS
 OTHER	Employees completing compliance training	No.	>4,000	>4,500	>4,500	>4,500	>4,000		>4,000		>4,200		>4,700		
	Employees completing modern slavery training	No.	-	-	-	-	-		3828		699		>700		
	Number of colours dyed	Thousand	156	164	162	171	174		176		158		178		
	Number of dye batches produced	Million	3.5	3.6	3.7	3.9	3.8		3.8		3.1		3.8		
	Direct economic value generated and distributed	\$ million	1,033	1,558	1,459	1,501	1,543		1,396		1,166		1,508		
	% economic value distributed to suppliers	%	65%	65%	63%	61%	62%		60%		62%		60%		

¹During development of our Science Based Targets inventory some corrections to data from 2018 to 2020 were identified. In addition some reporting inconsistencies to water, energy and waste data were identified and corrected.

²Total carbon footprint includes Scope 3 from 2019 and include market based Scope 2 from 2019. Prior years only include scopes 1 & 2 and location based for Scope 2. The boundary methodology for our emissions is based on financial control for all companies that are consolidated in the company financial statements and equity share for 2 joint venture operations.

³Scope 1 methodology - Fuel consumption data is collected from all units monthly, based on metres or invoiced consumption converted into kWh. This is converted into emissions using DEFRA gross calorific value conversion factors published each year. This is then consolidated as per the boundary methodology.

⁴Scope 2 Location based methodology. Electricity or steam purchase volumes are collected from all units monthly in kWh. For location based calculations, all electricity kWhs are converted using IEA country level conversion factors for the year in question, and purchased steam or heating is converted using DEFRA conversion factors for the year in question. Data is then consolidated using the boundary methodology explained in note 2.

⁵Scope 2 Market based methodology. Electricity or steam purchase volumes are collected from all units monthly in kWh. For market based calculations, electricity kWhs that are covered by energy attribute certificates directly from suppliers or purchased on official markets are removed and the remainder are converted using supplier level conversion factors, if available or IEA country level conversion factors for the year in question. Purchased steam or heating is converted using DEFRA conversion factors for the year in question except for biogenic steam volumes where the CO₂ component of the emissions is removed and reported separately. Data is then consolidated using the boundary methodology explained in note 2.

⁶Scope 3 methodology. Scope 3 emissions are calculated annually using multiple sources for data (base activity data comes from internal data sources and conversion factors are generated from various sources, including suppliers, life cycle assessment data providers and industry data sources). The most critical data, covering primary raw materials, is largely sourced from suppliers. Each Scope 3 category is calculated with the best available set of data sources, and is consistent over the 3 reported years in this table.

⁷Permanent headcount includes JV operations in China so the numbers don't reconcile exactly to the statutory headcount in the Annual Report.

⁸Hazardous waste includes all of the following categories: dyes, chemicals, solid and aqueous sludge, fuels, oils, toner cartridges, hazardous packaging waste, hazardous cleaning cloths, items containing CFCs, HCFCs & HFCs, batteries, inorganic waste, organic waste, laboratory waste, medical waste, construction materials containing asbestos, fluorescent tubes, paints, inks, adhesives, resins and electrical and electronic equipment.

⁹All targets listed as 2022 targets, mature in 2022 apart from our recycled material target, which matures in 2024.





FOR MORE INFORMATION ON HOW WE ARE PIONEERING A MORE SUSTAINABLE FUTURE

Head of Sustainability
4 Longwalk Road
Stockley Park
Uxbridge
UB11 1FE

T: +44(0) 20 8210 5000

F: +44(0) 20 8210 5025

E: sustainability@coats.com



FOR MORE GO ONLINE
www.coats.com/sustainability