



Coats' Supplier Code: Guidance for achieving responsible business standards

Coats' reputation and success in the marketplace is built on responsible behaviour and good corporate citizenship. These values underpin the way we do business and we aim to partner with organisations which hold a similar business ethos.

One of the ways in which we aim to deliver sustainability and responsible behaviour in our own business is to ensure that high environmental and social standards are upheld by the companies and organisations within our supply chain.

We want to help our suppliers meet the expectations set out in Coats' Supplier Code. The Code is based on international standards or, in the absence of such standards, accepted good practice.

It is divided into four sections:

1. Labour practices
2. Environmental management
3. Responsible sourcing of materials and products
4. Business conduct

We also expect all suppliers to meet the obligations of relevant national laws. Should local legal requirements be higher than the standards set out in the Coats Code, suppliers must meet the local standards. This means that suppliers should meet the higher of the two requirements.

Please take the time to read and understand the Code and its requirements. If your organisation does not immediately meet the standards as set out, Coats will work with you to ensure that these are achieved within an agreed timeframe.

There are five standards which we consider to be so fundamental to our business relationships, that failure to comply with any of these standards will result in the immediate and permanent termination of business. These five standards are 1.1, 1.2, 1.7, 1.8, 4.3 and are identified with a '*'.

Coats is proud to be a responsible company. This Code is our commitment to building and maintaining a fair and sustainable business for the future.

Rajiv Sharma
Group CEO
Coats Group plc

Section 1 – Labour practices

1.1 Child labour *

Standard:

Suppliers must not use child labour, directly or indirectly, in their business.

Suppliers must not recruit child labour and should develop policies and programmes that support any child found working in their business to make the transition to attend quality education until they reach legal working age.

Young workers must not be employed at night or in hazardous conditions.

Guidance:

Suppliers must have systems in place to validate the age of employees at recruitment; they should keep copies of age records in the workplace for all employees and contract workers, and there must be no new recruitment of child labour.

Policies and programmes to deal with any existing child labour should include financial support to ensure the child's welfare during the transition period, and a robust monitoring system to ensure this is implemented.

Coats supports suppliers who are committed to improving wages for adult employees; this should help them earn sufficient money to support themselves and their families leading to a reduction in the need for child labour.

Definitions:

A 'child' is defined as anyone below 15 years of age, unless the legal minimum age for employment or leaving age for compulsory education is higher. In line with the International Labour Organisation's (ILO) Minimum Age Convention, in countries with insufficiently developed education systems where the minimum age is set at 14, we may consider allowing employees of that age for non-hazardous work. These would be reviewed on a case by case basis.

A 'young worker' is defined as anyone above the age at which they are considered a child (based on the above definition) but below the age of 18.

'Hazardous' work is any task that may negatively impact on the health and safety of a young person or that may harm their physical, mental or social development.

'Night work' is defined as any time after 22:00 hours.

Relevant International Labour Organisation Conventions: 138, 182, 090

1.2 Freely chosen employment *

Standard:

Suppliers must not use slavery, indentured servitude, forced or bonded labour or involuntary prison labour in their businesses.

Suppliers must not directly or indirectly engage in or support human trafficking, by recruiting, transferring, harbouring or receiving a worker using threat, force, coercion or deception and suppliers must have adequate processes in place to deal with any reports and incidents of such behaviour taking place.

Suppliers must have a system in place to check that employees have a legal right to work.

Suppliers to Coats, in turn, are expected to monitor their own suppliers and ensure that slavery, servitude, forced or bonded labour or involuntary prison labour is not being used in their suppliers' businesses.

Coats prohibits North Korean labour in any country unless it can be proved beforehand that slave conditions are not in place.

Guidance:

In some instances suppliers may outsource work to prisons. Coats accepts that work can be an important part of the rehabilitation process for prisoners; however, any work should be on a voluntary basis only, and should first be communicated to Coats.

Suppliers should not require employees to lodge financial deposits or any form of identity papers with them.

Employees, contractors and visitors should be free to come and go from the site and accommodation unrestricted, within reason, unless this will compromise their own safety, site security, or the safety of other people on site.

Employees should be able to leave the supplier after a reasonable notice period and should be paid promptly for the work they have done and benefits they have accrued.

Overtime should be on a voluntary basis.

Definitions:

- Bonded labour, also known as 'debt bondage' or 'debt slavery' means any form or of labour that is demanded as a means of repayment or security for a loan, debt or bond other obligation.

Relevant International Labour Organisation Conventions: 029, 105

1.3 Freedom of association

Standard:

Suppliers should respect the rights of employees to associate freely, to join or form labour unions if they so wish.

Guidance:

Suppliers should adopt an open attitude towards labour unions and their organisational activities.

Suppliers should not discriminate against elected worker representatives and should allow them reasonable time to access employees and carry out their representative functions.

If labour unions are restricted under local law then suppliers should support a parallel means of worker representation that facilitates open and constructive dialogue between employees and management.

Relevant International Labour Organisation Conventions: 087, 098**1.4 Health and safety****Standard:**

Suppliers must provide a safe and healthy environment for all employees, contractors and visitors on the site. This should include all work spaces, any transport to or from the supplier's site if provided by the supplier, and any accommodation and other amenities provided by the supplier. Suppliers must carry out a health and safety risk assessment for all buildings and activities under their control.

Guidance:

Suppliers must comply with all occupational health and safety, building and environmental regulations.

Suppliers should assign responsibility for health and safety to a senior management representative onsite.

Suppliers should have a process in place to identify any hazards and to then actively manage – and where possible remove – those hazards in a way that is proportionate to the risk they present. Suppliers must provide any necessary personal protective equipment, and ensure that employees understand why it is being provided and how it should be used.

Suppliers should have an emergency response plan to deal with emergencies and accidents covering all areas of the site, including employee accommodation if provided.

Suppliers should communicate emergency and evacuation procedures to all individuals on the site, in a language that they understand.

Suppliers should carry out regular health and safety training for all employees.

Suppliers must provide access to clean toilet facilities, and provide safe drinking water.

If accommodation is provided, suppliers should ensure that it is clean, meets the basic needs of employees, and it must be safe.

Suppliers must have a system to record, investigate and respond to health and safety incidents.

Any health and safety concerns raised by the supplier's employees must be thoroughly investigated and, if valid, appropriate and timely action should be taken.

1.5 Fire prevention and fire fighting

Standard:

Suppliers must protect the safety of their employees, contractors and visitors while on their premises, including dormitory areas where provided, and must ensure all necessary precautions are taken to minimise the risk of fire.

Every practical provision must also be made to reduce the impact of any fire, and emergency procedures must be communicated and understood by all who come on site.

Guidance:

Suppliers must carry out a regular fire risk assessment for all buildings and activities under their control and act on its findings. Below are some fire prevention measures. It is not an exhaustive list and should not be taken as such.

The supplier's premises should have a valid Fire Certificate in place, issued by the appropriate local authority.

Electrical wiring and circuit boxes must be maintained in a good and safe condition.

Emergency exits and access routes must be kept clear and unblocked at all times.

Every floor should have more than one exit route, as far apart from each other as possible. Emergency exits must be clearly marked with illuminated signs in a language which is understood by everyone on site. Exit doors must be unlocked from the inside at all times, open outwards, in the direction of the evacuation and be easy to operate.

Evacuation routes should be clearly marked on the floor and posted in each work area. These routes should lead to a safe assembly (muster) point. The Assembly points should be at a safe distance from buildings and roadways and should be clearly marked.

Suppliers must conduct regular fire drills, at least once per year or as mandated by local law, whichever is more frequent. These should be documented.

Fire and smoke alarms must be provided and audible in every part of the building. They should be tested regularly, at least once every 3 months, to ensure the functionality of the system.

Suppliers should have functional, sufficient and accessible fire fighting equipment, which should be inspected at least annually.

Provision should be made for the free access of fire brigade vehicles and other fire fighting equipment throughout the site.

Induction / on-board training should extend to all employees and should include Health & Safety training and basic fire safety training. This training should be refreshed and delivered to all employees at least annually. Appropriately trained employees with evacuation responsibilities should be located in each department and on each floor.

Hazardous and flammable materials should be securely stored in an appropriate location, away from all possible sources of ignition.

Childcare facilities, if provided, should be on the ground floor of a non-production building.

Emergency lighting along the exit routes should be provided on each floor / department and should be inspected every six months to ensure functionality.

1.6 Non-discrimination

Standard:

Suppliers should operate a respectful working environment and should not discriminate in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national or ethnic origin, religion, age, disability, gender, marital status, sexual orientation, gender reassignment, union membership, personal circumstance, or political affiliation.

Guidance:

Suppliers should treat employees, in all circumstances, on the ability to perform their jobs, and not on the basis of personal characteristics or beliefs of any kind. Suppliers should not carry out non-consensual medical checks, unless required to ensure the individual's safety or the safety of other employees.

Relevant International Labour Organisation Conventions: 111, 100

1.7 Fair treatment *

Standard:

Suppliers must not engage in or support the use of corporal punishment, mental, physical, sexual or verbal abuse or the threat of such abuse, or any form of harassment or intimidation.

Guidance:

Suppliers should have a grievance policy and reporting mechanism that is clearly communicated and understood by all employees.

Suppliers should establish a fair disciplinary procedure and all disciplinary measures taken should be documented and auditable.

1.8 Wages and benefits *

Standard:

Suppliers must pay employees and contract workers all wages and benefits at least in accordance with the local laws, including any minimum wage and mandated overtime pay premium.

Guidance:

Where there is no local or national minimum wage, suppliers should pay the industry benchmark which should be at least enough to meet basic needs and to provide some discretionary income.

If suppliers claim wages from Coats that are more than the minimum wage, these must be paid by the contractor to its employees/ contract workers without any undue profiteering.

Employees should be paid on a known, regular basis – at least monthly – and in full for the work carried out and any benefits due.

Before starting employment, the suppliers should provide all employees with written and/or clearly understandable information about their employment conditions, including wages and agreed deductions.

Suppliers should provide written and/or clearly understandable information to employees each time they are paid. This should detail the hours worked (including any overtime), rates of pay, benefits, any deductions made, and the net pay due. Deductions from wages are only allowed where it is legally permitted to do so and after consultation with the worker concerned. Any deductions should be fair and reasonable.

Deductions from wages as a disciplinary measure are not to be permitted.

Suppliers must pass on in a timely manner, all wage increments and final settlements to employees that have been agreed and billed to Coats.

Definitions:

'Fair and reasonable' means that the deduction is proportionate to the goods or services being provided. It must not compromise the employee's ability to ensure a decent living income for themselves and their family, or bring their total remuneration below the minimum wage level.

Relevant International Labour Organisation Conventions: 095**1.9 Working hours****Standard:**

Working hours should not be excessive and should be defined by contract. Working hours must comply with the local and national laws, collective agreements, and be no more than 48 hours per week (excluding overtime), whichever affords employees greater protection. Employees should be provided with at least one day off in every seven day period, unless local laws stipulate otherwise, in which case the supplier must meet the higher requirement. In addition, employees should be granted special leave, e.g. sick leave, carers and maternity leave, according to local law.

Guidance:

We recognise that from time to time employees may be asked if they are available for overtime in order to meet peak periods of demand. Such overtime should ensure that the total hours worked by any individual in any seven day period does not exceed 60 hours, and that employees have at least one day of rest in every seven worked.

All overtime should be voluntary and should be paid.

Suppliers must provide adequate rest period between shifts to ensure no employee or contract worker works continuous shifts, unless in exceptional and emergency cases and with prior approvals.

Suppliers should accurately record hours worked. Supplier must provide Coats with attendance records that it maintains, if they are required for billing or reconciliation purposes.

Relevant International Labour Organisation Conventions: 001**1.10 Career Management and Development**

The supplier should recognise the importance of employee growth and development for effective and efficient performance. The supplier will nurture their employees with the necessary skills, knowledge and attitudes in order to succeed.

Section 2 – Environmental management**2.1 Compliance with all applicable environmental legislation****Standard:**

Suppliers must comply with all applicable environmental legislation.

Guidance:

Suppliers should maintain all necessary registrations, including any relevant discharge and waste permits required by environmental legislation.

2.2 Managing environmental performance to minimise negative impacts**Standard:**

Suppliers should have an environmental management system in place, with defined management responsibilities and environmental management controls.

Guidance:

Suppliers should assign responsibility for the environmental performance of the site to a senior manager.

Suppliers should identify, measure, monitor and seek to minimise any negative environmental aspects of their operations.

Suppliers should provide information and training for employees on environmental and health issues and hazards.

Climate change is a real and growing risk for many businesses. Suppliers should reduce energy demand and ensure that as much as possible comes from renewable, carbon neutral sources, and, where that is not possible, that they are using clean and low carbon fuels and especially to eliminate or minimise the use of coal. The impact of climate change from CO₂ emissions and the use of greenhouse gases must be measured and controlled by all Coats suppliers.

Suppliers should assess their level of exposure to biodiversity threats, so that priorities and timelines to mitigate these threats can be set. Biodiversity threats include change in land and sea use, climate change, pollution, overexploitation of natural resources and the destruction of natural habitats.

All aspects of potential environmental pollution should be monitored and mitigated.

Suppliers should have written procedures in place for responding to accidents and emergencies and for preventing and mitigating any resulting environmental impacts.

2.3 Compliance with the Coats policy on Restricted Substances**Standard:**

Suppliers must meet the requirements of the current Coats Restricted Substances list at the time of supply.

2.4 Efficient use of resources**Standard:**

Suppliers should have systems in place to optimise the use of all relevant resources, such as energy, water and materials.

Guidance:

Suppliers should actively manage energy, water and material usage and, where practical, set targets to reduce usage.

Suppliers should actively seek innovative solutions and offer sustainable alternatives to fossil fuel based and non-renewable materials and processes, where current commercial terms permit.

Suppliers should strive to reduce or eliminate waste of all kinds by implementing conservation measures, production efficiencies, and re-using, recycling or substituting materials.

Section 3 – Responsible sourcing of materials and products

3.1 Traceability and standards

Standard:

Suppliers should be transparent about the origins of any materials and products supplied to Coats and must cooperate with Coats to ensure responsible sourcing. They should also ensure that equivalent standards are upheld throughout their own supply chain.

Guidance:

All stages of product manufacture must comply with both the letter and the spirit of national and international laws and regulations relating to responsible sourcing.

Coats is committed to the sustainable use of forest products. Suppliers should avoid using materials which may result in deforestation, forest degradation (including loss of ancient and endangered forests), loss of biodiversity & habitat and the loss of indigenous peoples and local community rights.

Suppliers should not use any animal products, animal derived products or animal by-products in the manufacture of goods or raw materials supplied to Coats.

Suppliers should, as far as possible, trace their products throughout the supply chain and provide evidence, on request, that the standards in this Supplier Code are being met.

3.2 Compliance with Coats policies

Standard:

Suppliers must comply with any materials-specific and product-specific policies in force at the time of supply, including the Coats policies on animal welfare and conflict minerals.

Guidance:

All stages of product manufacture must comply with Coats' responsible sourcing policies – including the Animal Welfare Policy and Conflict Minerals Policy.

Suppliers must cooperate with any request for information from Coats, and where required, carry out due diligence.

3.3 Trade Sanctions

Suppliers shall comply with all applicable trade sanction laws including, to the extent applicable to them, The Office of Foreign Assets Control ('OFAC') of the US Department of the Treasury, the US Export

Administration Regulations, the UK Export Control Act 2002 and the EU sanctions regulations. Suppliers shall not engage in any business or dealings with jurisdictions which are embargoed under any laws applicable to them.

Section 4 – Business conduct

4.1 Business ethics

Standard:

Suppliers must uphold the highest business ethics when dealing with Coats and their own suppliers. Suppliers must comply with both the letter and the spirit of the laws and regulations (national and international) that govern their businesses.

Guidance:

Suppliers must be honest, open and cooperative with all regulators.

Suppliers must properly record, report and review financial and tax information.

The process for choosing suppliers must be made transparent, and choices based on merit, free from discrimination and must respect cultural differences.

Suppliers must ensure that all confidential or proprietary information they receive from Coats is handled with due care and proper consideration of ethical and legal ramifications and government regulations.

All conflicts of interest must be disclosed.

4.2 Anti-trust laws

Standard:

Suppliers must compete in an independent, open and fair manner and not knowingly enter into business arrangements that eliminate or discourage competition, or that provide them an improper competitive advantage.

Guidance:

Suppliers should familiarise themselves with, and adhere to, all anti-trust and competition laws that apply to their areas of the business.

Suppliers should not price fix, offer bribes or kickbacks.

They should not enter into agreements with competitors to divide the markets in which we compete by allocating territories or markets and/or limiting the production or sale of products or product lines, or condition the sale of one product on the sale of another unwanted product or service.

Definitions:

'Price fixing' is an agreement between participants on the same side of a market (e.g. competitors) to buy or sell a product, service, or commodity only at a fixed price, or to control supply and demand to such an extent that it effectively fixes the price at a given level.

A 'kickback' is the return of part of a contract transaction price for the purpose of inducing a purchase or improperly influencing future purchases.

4.3 Anti-bribery and corruption legislation ***Standard:**

Suppliers must not voluntarily give or receive (either directly or through a third party) any financial payment or other advantage, with the intention to induce or reward any person to improperly perform a function or activity that he or she is otherwise expected to perform in good faith, impartially or from a position of trust.

Guidance:

Suppliers should prohibit bribery and facilitation payments in any form whatsoever, whether to public officials or business contacts or made by other companies or on their behalf.

Suppliers should compete on the merits of their products and services and not use the exchange of business courtesies to gain an unfair competitive advantage, nor to offer or accept gifts of substance or inducements, particularly those that encourage or reward decisions in the course of business.

Suppliers must act honestly and with integrity to safeguard the resources for which they are responsible.

Definitions:

A facilitation payment, sometimes called a 'grease' payment, 'backhander' or 'kick-back', is a bribe designed to give you access to, or speed up receipt of, something you are entitled to anyway, e.g. payments made to speed up getting people or goods through ports/customs.

4.4 Responsible financial behaviour**Standard:**

Suppliers must be knowledgeable of, and follow, applicable financial laws and standards.

Suppliers must apply robust financial practices and ensure transparency in financial dealings.

4.5 Business licenses

Standard:

Suppliers must ensure that all local business licenses are up to date. These should be readily available in order to prove that the company is in full compliance with local business legislation.

4.6 Data Protection and Information Security

Standard:

Suppliers must comply with all applicable laws concerning data protection and information security, ensuring that privacy is safeguarded, personal data is protected, and all business information is kept secure.

Guidance:

Suppliers must ensure that all personal data and confidential or proprietary information they receive from Coats is handled with due care and proper consideration of ethical and legal ramifications and government regulations.

Suppliers must report any suspected or actual information security incidents that impact Coats' data as soon as possible.

Reference OECD Guidelines on the Protection of Privacy and Transborder Flows of Personal Data

4.7 Customs Compliance

Standard:

Suppliers will comply with applicable customs laws and will establish and maintain programs to comply with customs laws regarding illegal trans-shipments of finished products.

Guidance

Accurate Certificates of Origin (CoO) will be available for all raw materials and also for goods to be exported.

Suppliers will ensure that all goods are accurately marked or labelled in compliance with all relevant applicable laws.

Facilities will keep records of all materials and orders and maintain detailed production records.

4.8 Security

Standard:

Suppliers shall maintain appropriate procedures in order to ensure proper corporate security, transportation security and the security of people and assets at their facilities.

Guidance

Suppliers will ensure that adequate controls are in place to safeguard against the introduction of any non-manifested cargo.

Reference

United States Customs and Border Protection (CBP)'s Customs Trade Partnership Against Terrorism (CTPAT) Guidelines for Foreign Manufacturers