

ENGAGEMENT FACTSHEET

Coats Group

ENGAGEMENT RATIONALE

In 2020 Coats Group published its first reference to living wages approach in its annual sustainability report. Welcoming ambitious reduction targets of Coats Groups environmental footprint, we stepped into dialogue with the company to better understand its employee engagement across its own operations and value chains. We scored the company's approach to payment of living wages using the methodology of the Platform Living Wage Financials (PLWF), which specifically addresses the need for payment of living wages in global supply chains of the apparel and footwear industry. In the meantime Coats has conducted research and evaluated its own operations on living wages. The second round of scoring on PLWF methodology showed that company's approach evolved from an embryonic phase to developing phase. In addition to living wage engagement we also engaged on Coats COVID-19 response.

BACKGROUND

While the apparel sector is associated with tremendous environmental and social issues, we see some of the larger fashion brands develop and implement sustainability strategies to combat the industries negative impact. Coats Group has set ambitious sustainability targets and is making significant progress in reducing its environmental footprint. Reducing waste and carbon emissions, as well as the use of water and non-renewable energy, the company has placed itself ahead of the competition to win market share.

THEME FOR ENGAGEMENT

- x Social objectives and payment of living wages

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ENGAGEMENT OBJECTIVES

- x (New) Improve company score from developing to maturing stage
- x (Ongoing) Publish a policy on payment of living wages in own operations & value chains
- x (Achieved) Improvement in company score on Platform Living Wage Financials methodology from embryonic to developing stage

DEVELOPMENT



MILESTONE



ENGAGEMENT RESULTS

- x Coats published additional disclosures and improved scoring on Platform Living Wage Financials Methodology and progressed from embryonic to developing stage. The company as a result moved to the next engagement milestone 3.
- x The company also committed to further develop key elements of their living-wage approach and to include it into its sustainability strategy as part of the social pillar by early 2021.
- x In relation to our COVID-19 engagement the company has shown that it prioritizes health and safety of their employees by taking appropriate measures and focusing on protecting jobs. Implementing a 20% salary and fee cut for non-operational staff (4,500 FTE) at the start of the global pandemic, Coats was able to secure all factory jobs in low income countries where its workers could not rely on social security.
- x In September 2020 company has taken further significant steps towards its commitment to help promote fair wages with its launch of GSDCost which now includes a fair wage tool. The tool can be used by both brands and their suppliers to improve collaboration and create a more transparent costing method with allowance for a living wage.
- x Introduction of this globalised fair wage tool combines the international standard time for any given style, with detailed factory efficiencies, contracted hours and the fair living wage for the country. This can allow brands and retailers to quickly agree the fair living wage allowance for different types of garment, in all factories around the world.

NEXT STEPS

- x Continue engaging with Coats on its disclosure around living wages research and publication of fair wage policy
- x Discuss with Coats implementation of living wage data and methodologies in the GSDCost tool
- x Discuss and review the social element company's sustainability strategy in 2021



COMPANY

Coats Group Plc manufactures and distributes industrial threads to the apparel and footwear industry. It also offers performance materials including technical threads and yarn used in a range of industries such as automotive, household, medical, safety, telecoms, oil and gas, conductive, and composites.

COUNTRY

United Kingdom

SECTOR

Consumer Discretionary

MARKET CAP

GBP 1 billion

ISSUE

Lack of disclosure around payment of living wages to factory workers

MATERIALITY

Improving the environmental and social footprint of Coats Group is a driver of top-line growth.

RISK

Lack of disclosure poses a reputational risk and may be scrutinized by (potential) clients and other stakeholders

MSCI ESG RESEARCH

UN Global Compact: PASS

ESG Rating: A