

ENGAGEMENT FACTSHEET

Coats Group

ENGAGEMENT RATIONALE

As a result of our initial engagement Coats has accelerated its approach to living wages.. When engagement started 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. Coats has since evaluated all its own operations on living wages. As a result of its assessment 700 additional employees are now paid a living wage among its employees. In addition to living wage engagement we also engaged with Coats on implementation of its broader sustainability strategy.

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. In 2021 the company has also made great progress on making sure its employees are paid living wages.

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) Ensure payment of living wages among its employees
- x (Achieved) Improvement in company score on Platform Living Wage Financials methodology from embryonic to developing stage

DEVELOPMENT



MILESTONE



ENGAGEMENT RESULTS

- x Coats has taken the issue of payment of living wages seriously and in 2020 completed a global analysis of its remuneration against a Living Wage benchmark of Fair Wage Network. Given the more skilled nature of the workforce company found that in nearly all cases their packages met or exceeded the living wage benchmark. In case of around 700 employees or 4% of the workforce the company found that while remuneration was above the legal wage minimum it was below the living wage benchmark.
- x Company presented these findings to the board and got approval for additional budget to remediate the situation. In 2021 all identified employees in four countries were remediated and are now paid a living wage.
- x Company is committed to continuing the work on living wages and annual benchmarking of its workforce using the living wage benchmark. The results will be annually presented to the board and any remedial action taken when necessary.
- x Company has also 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 2022



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