

ENGAGEMENT FACTSHEET

Coats Group

ENGAGEMENT RATIONALE

In 2019 Coats Group published its latest sustainability strategy including environmental targets and social objectives. Welcoming ambitious reduction targets of Coats Group's environmental footprint, we stepped into dialogue with the company to better understand its employee engagement across its own operations and supply 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. Initial scoring showed that the company was in still in an embryonic phase and we encourage Coats Group to include living wages into its sustainability strategy.

BACKGROUND

While the apparel sector is associated with 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 June 2019 we attended Coats Group's inaugural ESG investor day, where the company presented its ambition to produce 85% of threads from recycled materials.

THEME FOR ENGAGEMENT

Social objectives and payment of living wages

E

S

G

DEVELOPMENT



MILESTONE



ENGAGEMENT OBJECTIVES

- × Publish a policy on payment of living wages in own operations & supply chains
- × Improvement in company score on Platform Living Wage Financials methodology from embryonic to developing stage

ENGAGEMENT RESULTS

- × Coats Group provided further disclosure to enable Kempen to perform assessment of its approach to living wages.
- × Coats Group became a UN Global Compact signatory in November 2019
- × 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 2020.

NEXT STEPS

Continue engaging with the company on its disclosure around living wages and the improvement of its social element of the sustainability strategy in 2020.

SDG



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