

Coats Group

Development

Milestone

Positive



Engagement rationale

As a result of our initial engagement, Coats Group has accelerated its approach to living wages. When the 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.

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

- Social objectives and payment of living wages



Engagement objectives

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

Engagement results

- 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, the company found that in nearly all cases their packages met or exceeded the living wage benchmark. In the case of around 700 employees (approximately 4% of the workforce) the company found that while remuneration was above the legal wage minimum it was below the living wage benchmark.
- 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.
- However, at the time, transparency on this issue was lacking. In 2022 they improved their transparency on Living Wage with the main highlight that they published a Living Wage policy.
- On top of this, positive spillover effects of Coats’ Living Wage efforts took place. Other companies are adopting the Coats Digital GSDCost which enables them to factor living wage into prices, see news article on [RA Intertrading](#) and [SAE-A Trading](#).
- With regards to the Platform Living Wage Financials methodology, in 2022 Coats Group has been upgraded to the maturing stage. In this report a special mention was made to Coats (on page 21) to compliment on the implementation of its Living Wage program, see the [2022 report](#).

Next steps

- Engagement successfully closed.

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

Materiality

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

ESG Research

MSCI ESG Rating: A
Sustainalytics: 12.1 (low risk)

Engagement initiated

Q1 2019

Latest update

Q3 2022, Engagement successfully closed

Kempen Fund

European Small Cap Fund

