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About Pentland Group

Pentland Group is a family-owned, UK-based company that focuses primarily on the apparel and footwear industries. In 2010 the business reported global revenues of £1.3 billion, with sales across Europe, the Americas, Asia, Africa and Australia¹.

Founded in 1932 in Liverpool, Pentland was originally called the Liverpool Shoe Company and traded purely in shoes, first as a wholesaler before expanding into manufacturing. Pentland was one of the pioneers in sourcing footwear from Asia, and formed a division in Hong Kong in the early 1960s.

Through our subsidiary Pentland Brands we manage our wholly-owned sports, outdoor and fashion brands: Berghaus, Boxfresh, brasher, ellesse, KangaROOS, Mitre, ONETrueSaxon, Prostar, Red or Dead, and Speedo. Pentland also holds licences to make footwear for Lacoste and Ted Baker globally, as well as Kickers in the UK and Ireland.

The Group has a 57% shareholding in JD Sports Fashion plc² and shareholdings in other brands, including Hunter.

Nearly 2,000 people work directly for Pentland Group and Pentland Brands at our offices in the UK, Asia and the US (see map at www.pentland.com). A further 14,000 people are employed by JD Sports Fashion.

Pentland Group is a signatory to the UN Global Compact and a Council Supporter of the International Business Leaders Forum. Pentland Brands is a long-standing member of the Ethical Trading Initiative, a signatory to Better Work's Buyer Principles, and a Board member of the World Federation of the Sporting Goods Industry.

¹ 2010 financial figures are the latest available.

² This Review relates to the 2011 calendar year and therefore its scope does not include Blacks Leisure, acquired by JD Sports Fashion in January 2012.

About This Review

This Review presents Pentland Group's approach to being a responsible business, and our corporate responsibility activities during the 2011 calendar year. It covers the companies and brands wholly-owned by Pentland Group. Where appropriate it includes information and data relating to JD Sports Fashion and Hunter, in which

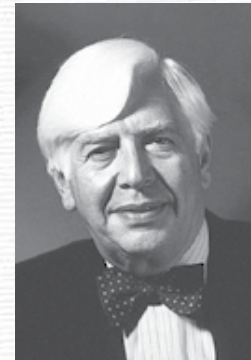
Pentland Group holds a significant stake but does not exercise direct management control.

The Review comprises our 2011 Communication on Progress (COP) to the United Nations Global Compact (see table). Our previous COPs are available in the Corporate Responsibility section of www.pentland.com.

UN Global Compact Principles			Relevant section
Human rights	1	Businesses should support and respect the protection of internationally proclaimed human rights.	People, pages 24-29
	2	Businesses should make sure that they are not complicit in human rights abuses.	
Labour rights	3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	People, pages 24-29
	4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	
	5	Businesses should uphold the effective abolition of child labour.	
Environment	6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Products, pages 12-17 Environment, pages 18-23
	7	Businesses should support a precautionary approach to environmental challenges.	
	8	Businesses should undertake initiatives to promote greater environmental responsibility.	
Anti-corruption	9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	Business ethics, pages 10-11
	10	Businesses should work against corruption in all its forms, including extortion and bribery.	



A message from the Chairman



At Pentland Group, we believe that being responsible is the only way to conduct business. For a global Group of companies like ours, this means keeping track of diverse environmental and social trends, and tackling complex issues on a daily basis.

Our commitment to behaving responsibly remains undimmed despite the ongoing global economic downturn and the resulting pressure on businesses to cut costs. In fact we are increasing our focus, for example by working more collaboratively across the Group to reduce our carbon footprint. We have also further defined our Group corporate responsibility direction and objectives, to set a clearer path for our future activities. You can read more about our strategy overleaf.

While we are pleased with the progress we are making, we recognise that there will always be challenges. We firmly believe that collaboration – with others in our industry, with non-governmental organisations and with trade unions – is the best way to overcome them.

Our membership of the UN Global Compact is one such partnership. We are proud to have signed up to the UNGC's Ten Principles, and are committed to engaging with the organisation in its efforts to make responsible business practices mainstream, to tackle human rights abuses, and to help lift people out of poverty. I am delighted to share with you this Review, which presents our activities and progress in 2011, and comprises our latest Communication on Progress to the UNGC.

R Stephen Rubin
Chairman, Pentland Group plc

ABOUT CR AT PENTLAND

Behaving responsibly brings with it significant opportunities to grow our business, improve the lives of those around us, and reduce the impact of our activities on the environment.

Corporate responsibility (CR) has always been a fundamental part of Pentland's approach. We have long believed that companies have responsibilities – not just to make money for shareholders, but also to behave as good corporate citizens, adhering to high ethical standards and upholding the interests of all people who make and use our products.

Our Chairman, Stephen Rubin, takes a strong personal interest in CR and is a recognised advocate for improving workers' rights in the supply chain. In 2002, Mr Rubin was awarded an OBE for his work on human rights and business. The Chairman has oversight of all Pentland Group's CR activities.

Managing CR at Pentland Brands

Pentland Brands' CR team – based in London, Hong Kong and Shenzhen, China – manages day-to-day CR activities in collaboration with brands. Where appropriate, it also engages with other Group companies on CR issues and initiatives.

To encourage best practice across Pentland Brands, we share information about CR activities and collaboration opportunities. In late 2011, for example, we launched an internal case study bank that gives brands the chance to showcase their work and learn from one another.

Every employee has a role to play in helping us be responsible. At Pentland Brands, we raise awareness about CR through regular training sessions, posts on our internal blog and resources on the company intranet. All new starters and graduate scheme participants receive an introduction to CR as part of the induction process.

In 2011 we introduced a new staff handbook that includes a summary of our commitment to being a responsible business and suggests employees contact the CR team with any questions.

CR strategy

In 2011 we reviewed and refined our CR strategy. We renewed focus on our most material CR issues, including an increased emphasis on product sustainability.

The strategy has four pillars:

PRODUCT

Objective:

To reduce the impact of our products on the environment.

ENVIRONMENT

Objective:

To reduce the environmental impact of our business operations.

ETHICAL TRADE

Objective:

To conduct business honestly, fairly and with respect for people, their dignity and their rights.

COMMUNITY

Objective:

To contribute positively to the communities in which we operate.

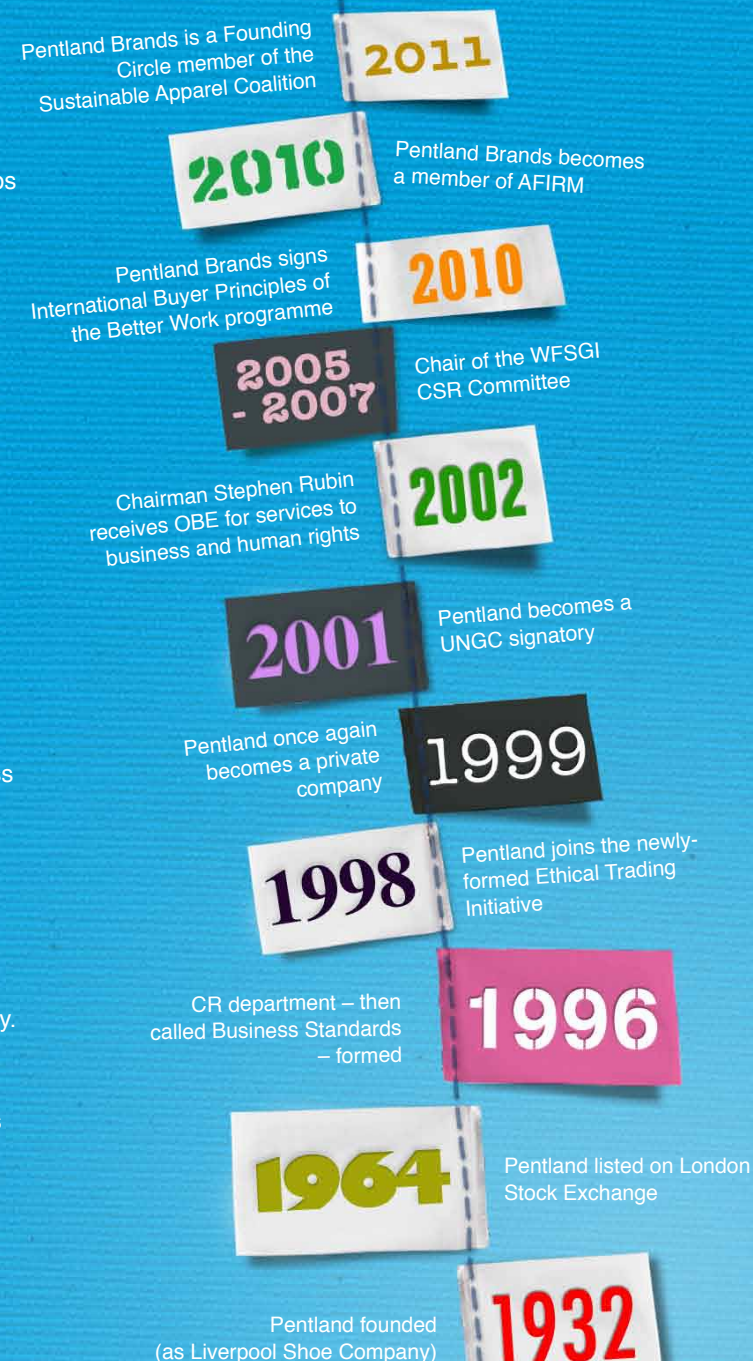
We develop and consistently review CR targets, tailored as appropriate for Group companies, to guide progress.

External partnerships

Collaborating with industry bodies and organisations outside the Group is essential for achieving our CR objectives. We partner with others to understand CR trends, share experiences and resources, and build relationships that make progress possible. We work at local and global levels with business alliances, governments, non-governmental and advocacy organisations, community groups and charities. Notable partnerships include:

- + **Better Work:** an International Labour Organization and International Finance Corporation collaboration that aims to improve compliance with labour standards, and competitiveness, in global supply chains. Pentland Brands is a signatory to Better Work's Buyer Principles.
- + **Ethical Trading Initiative (ETI):** established in 1998, ETI brings together companies, trade unions and voluntary organisations to improve workers' lives. Pentland Brands is a long-standing member.
- + **International Business Leaders Forum (IBLF):** an organisation that works with business leaders to inspire sustainable development. Pentland Group is a Council Supporter of the IBLF.
- + **UN Global Compact (UNGC):** an initiative to help businesses align their operations and strategies with ten principles on human rights, labour rights, the environment and anti-corruption. Pentland Group is a UNGC signatory.
- + **World Federation of the Sporting Goods Industries (WFSGI):** an independent, non-profit association that supports and coordinates industry collaboration in areas such as CR, trade and intellectual property. Pentland Group Chairman, Stephen Rubin, is Honorary President of the WFSGI. Pentland Brands is an executive member of the Corporate Social Responsibility Committee.

For details of collaborations on specific CR issues, see Products (page 12) and People (page 24).



We insist on ethical conduct and integrity in the workplace and expect everyone who works for Pentland Group to do business the right way. This is reflected by our Group Business Standards Policies³, which are consistent with globally-recognised International Labour Organization (ILO) standards. They include:

- + **Code of Business Conduct:** makes clear our expected standards of behaviour towards employees, customers, suppliers and the wider community.
- + **Employment Standards Policy:** sets out our commitment to respect and protect the health, safety and rights at work of our employees and our suppliers' employees.
- + **Code of Employment Standards for Suppliers:** specifies our expectations for business partners' treatment of the workers who make our products, and is consistent with the Ethical Trading Initiative's Base Code.

+ **Environmental Policy:** states our position on minimising the environmental impacts of our products and operations, while safeguarding the health and safety of our employees and the public.

We provide all direct Pentland Group and Pentland Brands employees with a copy of these policies as part of their new starter information pack. They are also available in the Corporate Responsibility section of www.pentland.com.

Business Ethics

³ For the purposes of these Codes, 'Group' means those businesses which are wholly or majority owned by Pentland Group plc or its subsidiaries and over which we exercise direct management control. In respect of businesses where Pentland Group has a material interest but does not exercise direct management control, and in respect of businesses operating in the USA, we shall use our reasonable endeavours to seek compliance, where appropriate, with these Codes by the relevant business.

Ethics and Integrity Policy

In July 2011, Pentland Brands updated its Ethics and Integrity Policy. The policy sets out our expectations for employees' conduct and behaviour, and our zero tolerance approach to bribery and corruption. Pentland Brands has communicated the revised policy to its suppliers, contractors and business partners.

We raised awareness about the revised policy and the new UK Bribery Act through a company-wide email from the CEO, a post on the internal blog, and the introduction of an ethics and integrity e-learning course that explains what we mean by ethical behaviour and tests employees' understanding of the policy. Training on the policy now forms part of the induction process for new starters.

We encourage employees to report any concerning behaviour by talking to their line manager or the Human Resources department, or by calling a confidential helpline.





Products

All products have an impact on the environment. For apparel and footwear, the extent of this impact depends on the materials used to make the product and its packaging, the manufacturing process, its journey from factory to consumer, resources used to maintain the product during use (such as water for washing clothes), and the way it is disposed of when no longer wanted.

Pentland Brands looks for opportunities to reduce our products' environmental footprint across the whole lifecycle. This is important because it sets us up well to comply with future legislation, and helps us meet customers' and consumers' growing expectations. Looking for more sustainable raw materials also helps safeguard against future shortages of natural resources.

This is not something we can do alone, so we collaborate with partners and suppliers as part of the Sustainable Apparel Coalition (SAC). This industry-wide collaboration –

launched in 2011 – aims to measure, compare and reduce the environmental and social impacts of apparel and footwear products. We are a Founding Circle member of the SAC, and have begun participating in the pilot of the SAC's index tool to measure and compare products' environmental performance. Speedo is also developing its own initiative to map product manufacturing and distribution impacts and identify opportunities to improve efficiency.

We take a bespoke approach to improving the sustainability of our products, tailoring our activities to suit each brand's product range and customer base.

Identifying more sustainable materials

The raw materials we use most frequently include cotton, leather, rubber and synthetics for apparel and footwear, and paper and pulp for packaging. We are investigating the use of materials that have a lower environmental impact than conventional materials, but that are still cost-effective and provide the high quality end product our consumers expect and deserve.

Some of our brands already use more sustainable renewable or recycled materials in their products. For example, Berghaus' Activity jackets and men's Polarplus fleeces are made in part from recycled materials, while brasher's Naturale walking sock range is made from around 80% bamboo that has been certified as sustainable by the Forest Stewardship Council (FSC). It is made in the UK, which helps avoid greenhouse gas emissions from shipping. brasher also offers ways to prolong the life of its boots (see next page).

Leather is a major component of our brands' footwear. We are members of the Leather Working Group (LWG), which measures the environmental impacts of tanneries and encourages them to reduce the environmental impacts of their own and suppliers' operations. In April 2011 we hosted the LWG meeting held in Hong Kong.

Our packaging guidelines for brands emphasise the 'reduce, reuse, recycle' principle for cutting the impacts of packaging. Progress to date includes:

- + Kickers shoe boxes are made from recycled pulp, sourced predominantly from suppliers located close to manufacturing sites to reduce the need for transport.
- + brasher has virtually eliminated the use of glue from its shoe boxes, and anticipates that its boxes will be totally glue-free by the end of 2012. brasher packaging is recyclable, and printed with soya inks.
- + Speedo successfully reduced the size and weight of packaging for its footwear and watch products (see next page). All Speedo goggle packaging materials are FSC certified, while all goggle, footwear and swimcap packaging can now be recycled.

We are looking into our existing use of more sustainable materials and aim to identify opportunities to increase this steadily over time.

Prolonging the life of brasher boots



brasher helps its consumers prolong the life of their footwear, meaning people can buy fewer pairs over time – not just saving money, but also resources and the energy required for manufacturing. Doing so benefits brasher, too. It helps ensure customers are satisfied with their

purchase and makes it more likely that they would choose brasher products again in future.

It offers care products for leather and fabric walking boots such as a cleaning gel, leather conditioning creams, and a waterproofing spray. All brasher leather care products are water-based, and produced in the UK by a company that has achieved a recognised product sustainability standard.

To further extend the life of footwear, brasher partners with two boot repair companies that can fit new soles, laces or footbeds to the majority of brasher boots.

Speedo slims down packaging



Swimwear brand Speedo has reduced the size and weight of its footwear and wristwatch packaging, while retaining the right look for displaying products in-store, protecting products, and providing consumers with important information.

For its poolside footwear, the brand switched from shoe boxes to lightweight hangers made from card that is around 90% recycled and recyclable. The hangers are printed with graphic icons depicting key features to cut down on the space needed to communicate messages to consumers, and eliminating the need for a separate tag. The footwear products are made from robust, flexible materials, so are not affected by the lack of a protective box. Speedo anticipates the change will save around 18 tonnes of cardboard per year.

Wristwatch packaging tends to be complex and relatively heavy, to ensure it protects the product and presents it well in-store – but it is often discarded by consumers after purchase. In 2010 Speedo began a project to make its watch packaging smaller and lighter. The result, launched in 2011, is a box that can be simply folded to create a display stand that does not need any additional plastic supports. The box is printed with a concise quick-start guide, with more detailed instructions available online in multiple languages. The changes have reduced the weight of wristwatch boxes by 88%, and are expected to save nearly £40,000 in packaging material costs in 2012.

In both cases, reducing packaging size and weight also helps make shipping more efficient, since more units can fit on each pallet.

Avoiding the use of restricted substances

We give our designers and suppliers the guidance they need to avoid the use of any potentially harmful substances in Pentland Brands' products. This helps ensure our products are safe to use and comply with relevant regulations, and at the same time helps protect environmental and worker health at our suppliers' manufacturing sites.

In June 2011 we revised our Policy, Standards and Guidelines for Managing Restricted Substances, which aims to ensure customers, workers and suppliers are not exposed to harmful chemicals in the manufacture or use of products that are sold by our brands. All Pentland's brands have received a copy and relevant employees have taken training to ensure they understand

the issues and what we expect from them. Brands are responsible for informing their suppliers about our requirements. Compliance with our restricted substances policy and relevant laws and regulations is a condition of business with our suppliers.

Pentland Brands is also a member of AFIRM, the industry group that works to reduce the use and impact of harmful substances in the apparel and footwear supply chain.

Reducing our supply chain's environmental footprint

Pentland Brands' own direct environmental impact (see Environment, page 18) is relatively small, but our supply chain's footprint is much larger. It is comprised of the energy and water used by factories to make our products, as well as the waste and wastewater generated during manufacturing.

We cannot control these factors, especially since our products rarely comprise all of a factory's output. Instead, we have a role to play in encouraging suppliers to look for ways to be more efficient.

With this in mind, we have started integrating environmental questions into our factory assessment process, and have put several factory representatives in touch with environmental management training providers.

Product distribution has an impact too. We choose to ship our products by sea instead of by air freight where possible. This helps reduce the carbon dioxide emissions associated with distribution. In 2011, around 97% of Pentland Brands' products were transported either by sea or by road.

JD Sports Fashion, meanwhile, reduced its airfreight by around 12% in 2011. It achieved this through a combination of:

- + Increased production in Turkey, which enabled finished product to be transported by truck, reaching European destinations in 7-10 days at a lower cost than air freight.
- + For more distant manufacturing locations, prioritising sea freight and using air freight for critical stock orders only. JD has reduced the number of critical orders through better forecasting of core product demand, and stockpiling key fabrics to reduce production time by around 25 days.

Reducing impacts from product disposal

We are looking at ways to make products easier to recycle when they are no longer wanted or fit for purpose. Pentland Brands supports Loughborough University's UK Shoe Recycling Project that researches ways to recover footwear materials that would otherwise end up in landfill. In 2011 we put University researchers in touch with product developers from two of our brands, who will advise on shoe construction

and materials, and give feedback on the usability of tools that aim to help developers increase the recyclability of their products.

In 2011, Speedo continued for a second year with a project to use the unsold LZR Racer suits made obsolete by FINA's rule change on competitive swimwear, rather than send them to landfill. The initiative includes creative collaborations with:

- + Ethical fashion brand From Somewhere, whose creations using the LZR Racer suits are on sale in exclusive outlets in Belgium, Japan, the UK, and online.
- + Chelsea College of Art and Design in London, UK, whose students used strips of LZR Racer suit material to create a sculpture exhibited at the 2011 Ecobuild conference.

We divert other excess stock from landfill through charity partnerships. See Community, page 30, for details.



Pentland Group companies own or lease a number of offices, retail spaces and distribution centres. We are committed to operating these facilities more efficiently, to reduce our direct impact on the environment.

The majority of our environmental footprint is associated with JD Sports Fashion's 642 stores in the UK, Republic of Ireland, France and Spain. The rest of the Group's direct environmental impacts – from other stores, offices, distribution centres and business travel – are relatively low by comparison.

Our Group Environmental Policy (available at www.pentland.com) outlines our standards, and we use posters at our offices and distribution centres to encourage employees to contribute to our efforts. We primarily focus on using energy more efficiently, reducing waste and increasing recycling, and also look at using water and other natural resources more responsibly.

Environment



Energy and climate change

As a UK-based company, we measure and report our greenhouse gas emissions in line with the Carbon Reduction Commitment (CRC). In 2010/11, we were responsible for approximately 36,800 tonnes of carbon dioxide (CO₂) – around 80% from JD's stores, offices and distribution centres⁴. We are working to reduce our carbon footprint and have established a Group-wide committee to share ideas and look for opportunities.

We have consolidated energy purchasing across the Group, and in November 2011 switched to a tariff that includes energy from renewable sources for all Pentland Brands and JD Sports Fashion offices and distribution centres in the UK.

JD Sports Fashion

Making JD's stores more efficient is a priority. We are looking for ways to use less energy while still giving customers an enjoyable retail experience, with goods presented in a well-lit environment at a pleasant ambient temperature. JD provided training to 240 retail management staff in 2011 to ensure they know what they can do to help reduce energy use in their stores.

Progress in 2011 includes:

- + Ongoing roll out of energy efficient air-conditioning in all new stores.
- + Significant reductions in in-store lighting wattage (from 70 watts to 35 watts) in all new stores since 2010 in the UK and Ireland, halving the electricity required for lighting.

- + Installation of over 350 smart energy meters, with the result that 93% of JD's electricity and gas use in the UK and Ireland is now automatically measured every 30 minutes.
- + Implementation of building management systems that enable JD's head office to monitor and control energy use remotely.
- + An increase in the purchase of energy from renewable sources.



⁴ 2010/11 financial year data as reported under the CRC. Figure includes JD Sports Fashion.

Pentland Brands

Pentland Brands' facilities in the UK all implement energy reduction measures. Activities in 2011 included:

- + **London headquarters:** the site makes good use of natural light, reducing the amount of artificial lighting required while at the same time using the building's structure and tinted windows to reduce overheating from sunlight. The automated building management system controls and helps reduce energy use, for example by using air-conditioning in parallel with natural ventilation. In 2011, we replaced one of the site's boilers with a more efficient model, upgraded to more efficient lights where necessary, and installed a partial new roof with extra insulation and double-glazed skylights.
- + **Speedo, Nottingham:** 2011 was Speedo's first full year in its new headquarters at Nottingham's NG2 development. The building is rated as 'excellent' by sustainable building experts BREEAM, and has a level B Energy Performance Certificate (the second highest rating). Energy saving technologies include lights fitted with motion sensors that automatically dim on a bright day, revolving entrance doors that help regulate inside air

temperature, and a ground source heat pump that makes use of warmth from the ground outside. The building is also fitted with photovoltaic solar panels.

- + **Distribution centres:** in 2011 we completed the roll out of low energy lighting at our distribution centres near Blackburn and Sunderland. We estimate that we will recoup our investment in under a year, as a result of energy savings. At Glover, near Sunderland, the changes resulted in a 39% reduction in energy use compared with 2010, despite a 17% increase in hours of operation. At Mitre and Prostar's warehouse in Wakefield, skylights allow in enough natural light to virtually eliminate the use of electric lights in summer.

We have also begun to implement half-hourly energy metering at Pentland Brands' UK sites to improve the accuracy with which we monitor energy use.

Our Hong Kong office promotes energy saving with posters reminding staff to switch off lights, computers and air-conditioning when not required. Timers have been installed on bathroom lights and photocopiers, to minimise unnecessary power consumption. Combined with the

installation of more efficient lights, this has helped to reduce energy requirements for the office by 16% since 2008.

All Pentland Brands sites globally switched off office lights and computer monitors for an hour on 25th March 2011, to coincide with Earth Day.

Business Travel

Many employees need to travel to manufacturing sites and our global offices, but we avoid flights where possible by using videoconferencing technology. We are working to consolidate our data on CO₂ emissions from business air travel across Pentland Brands.

Pentland Brands is also switching to lower emission vehicles for its company fleet, so far resulting in a 17% reduction in CO₂ emissions per kilometre travelled, from 2010 levels. We also encourage car sharing – for example, around 30% of car commuters to Berghaus' and brasher's offices share their journeys with colleagues.

Waste and recycling

We aim to generate less waste and promote recycling at all Pentland Brands and JD Sports Fashion facilities.

Pentland Brands

In 2011, nearly three-quarters of waste from Pentland Brands' offices and distribution centres was either recycled or used to produce fuel. Our offices have centralised waste bins that help employees to quickly and easily segregate paper, cardboard, metal cans and plastics. We also separately collect wood, metal, electronic waste, and photocopier and printer toner cartridges. For electronic waste, we work in partnership with companies that buy old equipment for either recycling or responsible disposal. We donate the proceeds to charity, and in 2011 this amounted to nearly £2,000 which we donated to Rays of Sunshine, a charity that helps grant the wishes of seriously ill children.

Cardboard is perhaps our largest waste stream, as a result of the large quantity of boxes used to store product at distribution centres and ship it to customers. We reuse boxes where possible, and recycle anything we cannot. At our Mitre and Prostar warehouse in Wakefield, UK, box reuse – including spare boxes from other nearby Pentland Brands sites

– has meant no new cardboard storage products needed to be bought in 2011.

Disposable cups are another significant source of waste. At Pentland Brands, Speedo alone had been using nearly half a tonne of paper cups each year until it made the switch to ceramic cups in October 2011. It promoted the initiative by providing each member of staff with their own cup and giving them the chance to customise it during a cup-painting event.

To reduce paper consumption and waste, we encourage employees to 'think before they print', and set all printers to default to double-sided printing. Several offices, including those in Bangkok and Hong Kong, provide scrap paper for staff to use in photocopiers and printers, or to make notepads.

We donate all unwanted furniture from our London headquarters to Green Works, a charity that passes it on at low cost to small businesses, charities, community and educational groups. When Speedo moved buildings in 2010, it donated furniture it could not reuse to local hospices and to furnish the café area at a nearby nature reserve.

JD Sports Fashion

JD focuses on recycling cardboard, a major constituent of its bulk packaging. Where possible, used cardboard is transported back to JD distribution centres where it is baled and passed to a recycling contractor for processing. JD recycled 423 tonnes of cardboard in 2011, 72% more than the previous year. JD is also introducing a dry mixed recycling scheme, to divert more waste from landfill.

Reducing the impact of plastic bags

JD stores use around 28 million plastic carrier bags annually. Most of these are high quality drawstring duffle bags that our customers use and re-use. JD's bags also contain 33% post-consumer recycled plastic, as well as an additive that speeds up the degradation process. It also offers reusable shopper bags for a small charge. In Ireland, JD stores provide paper-based bags instead.

Water and other natural resources

Across the Group we use relatively little water. The water we do use is mostly for domestic purposes and landscaping. We look for ways to reduce our water consumption, and are also working to improve water use monitoring.

Water efficiency measures include:

- + Mains-fed water dispensers, which have significantly reduced the amount of bottled water purchased.
- + 'Hippos' fitted in toilet cisterns at Berghaus' and brasher's offices in Sunderland, UK, which have reduced water use by nearly 200,000 litres annually.

+ Using rainwater to water grassy landscaped areas at our London headquarters.

+ A grey water system at Speedo's head office that uses boreholes to supply groundwater to sanitary facilities.

We also try to use other natural resources responsibly, and factor this in to our procurement decisions where practicable. For example, at Pentland Brands' London headquarters our regular A4 printer paper stock is Forest Stewardship Council certified (from FSC mixed sources).

The catering contractor sources Rainforest Alliance certified tea and coffee, Fairtrade bananas and sugar, and sustainably sourced fish (Marine Stewardship Council certified where possible). It also reduces food miles by using British beef, milk and eggs.

At Berghaus and brasher, we use natural and water-based cleaning products, stock a Fairtrade choice in vending machines, and provide staff with recycled stationery. To furnish its new building, Speedo sourced office furniture that contains high recycled content, and recycled over 150 metal cabinets by re-spraying them to suit the new building design.



Nearly 16,000 people work for Pentland Group companies⁵. This includes 14,000 who work for JD Sports Fashion (of which over 13,000 are retail staff), and over 1,500 who work for Pentland Brands. Tens of thousands more people work for the hundreds of supplier companies that make our products, mostly in Asia.

Pentland Group is committed to being a responsible employer, and endeavours to work only with business partners who respect the rights of workers in our supply chain.

Ethical trade

We are committed to conducting business honestly, fairly and with respect for people, their dignity and their rights.

Global supply chains – especially those servicing the apparel and footwear industry – pose many complex CR issues. Pentland Group companies take steps to tackle these issues, by assessing their own suppliers’ factories and making recommendations for improvement, and by collaborating with others in our industry to bring about widespread change.

Pentland Brands is a long-standing member of the Ethical Trading Initiative (ETI). The Group Code of Employment Standards for Suppliers is based on ETI’s Base Code, and stipulates that:

- + Living wages are paid.
- + Working hours are not excessive.

- + Working conditions are safe and hygienic.
- + Child labour is not used.
- + Employment is freely chosen.
- + No discrimination is practised.
- + There is no harsh or inhumane treatment.
- + Freedom of association and the right to collective bargaining are respected.
- + Regular employment is provided.

Pentland Brands sources apparel and footwear products from factories in over 20 countries⁶. Around three-quarters of our suppliers’ factories are in China and Southeast Asia, with the remainder in the Indian subcontinent and Europe. We regularly assess factories to monitor their compliance with our standards. Where we find gaps in their performance, we make recommendations for improvement, agree a timed action plan and then follow up to check on implementation and progress.

⁵ Figure includes people working for JD Sports Fashion.
⁶ Direct suppliers only (excludes licensees’ suppliers).

To help build suppliers’ capacity to improve, we often put them in touch with local organisations who have expert knowledge of national legislation and current good practice in that country or region.



First aid training for factory workers in Indonesia

Support from Pentland meant workers at a Lacoste footwear factory in Indonesia received first aid training in 2011.

When Pentland Brands' CR team first visited the supplier, it identified some areas for improvement and made recommendations to factory management. When we visited again a few months later we were pleased to see that significant progress had been made and the factory had evolved into a safer working environment for workers and management alike.

However, the factory management had been unable to find a first aid training provider. We contacted a branch of Red Cross Indonesia, and arranged for them to provide the necessary training. In October 2011, workers and management from each section of the factory learnt essential first aid skills, including CPR and how to bandage a broken limb – funded by Pentland. Over subsequent months, staff who received the training will be passing the lessons learned on to their colleagues, significantly raising the level of first aid awareness and skills across the factory.

Collaboration

Engaging with others in our industry and specialist non-governmental organisations is vital for improving working conditions in global supply chains and supporting workers' rights.

Pentland Brands worked with others in our industry to agree a Freedom of Association Protocol for Indonesia, which we signed in July 2011. The Protocol aims to strengthen the application of freedom of association (for example joining a union) in the workplace in Indonesia, and calls on brands to support and promote the adoption of good practice by suppliers.

In China, we are participating in ETI's efforts to identify the level of a living wage. We are also members of the ETI China Corporate Caucus group on corruption in the audit industry, and have signed up to its anti-bribery charter.

We collaborate with Better Work, a partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC) that aims to improve compliance with labour standards, as well as competitiveness in global supply chains. We have signed the organisation's Buyer Principles and participate in its programmes in Cambodia, Indonesia and Vietnam.

Ethical trade at JD

JD sources products for its own brands (including Carbrini and McKenzie) directly from over 200 factories, mostly in Asia and Turkey. The company asks suppliers to complete an annual ethical trade self-assessment, and uses factory visits to check performance and help improve working conditions. Visits are prioritised according to need (for example,

if a self-assessment indicates that improvements are required), and according to the volume of product being manufactured for JD's brands at each factory.

Other products sold at JD Sports stores are manufactured and supplied by well-known sportswear brands that have made their own commitments to ethical trade.

Pentland Brands' employees

Our success relies on the skills, experience and creativity of our employees. We prioritise attracting, retaining and developing talented people, and want them to achieve their full potential at Pentland Brands.

We are committed to engaging with our employees, providing them with opportunities to develop, championing diversity and inclusion, and providing a supportive, safe and stimulating working environment.

We offer a competitive compensation and benefits package that includes a bonus scheme. Staff at our London headquarters also benefit from on-site sports facilities and a subsidised restaurant.

Employee engagement

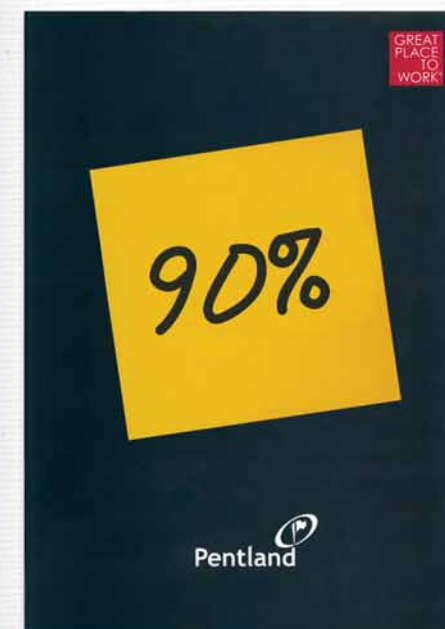
Dialogue with employees gives us valuable insight into their needs and expectations, and provides a channel for them to suggest how we can improve as a business and as an employer. It also gives us the chance to let them know about our company strategy, and any changes that might affect them.

In 2011 we introduced a staff survey that captures employees' opinions on working for Pentland. Initially we have rolled this out to Pentland Brands' UK sites, with 708 people taking part during September and October 2011 – a response rate of nearly 85%. Overall, 90% of people who completed the survey said that Pentland Brands is a great place to work.

We will use the results from UK-based staff to focus our employee engagement efforts, and staff at all sites globally will participate in our next survey.

Other communication channels include:

- + Our company blog, which highlights the latest news from across the business – we welcome employees' blog entries.
- + Regular Q&A sessions with our CEO.
- + A monthly company update presentation, circulated to all department heads and brand managing directors, and delivered by them to their teams.
- + Regular meetings between staff and their line managers, including the annual performance review process.
- + A confidential telephone line that employees can use to report any concerns or suspected unethical behaviour.



Developing our people

We provide Pentland Brands employees with opportunities to learn and develop new skills that will benefit both them and us. This includes access to internal and external training programmes, regular 'master-classes' run by senior executives in their area of expertise, and e-learning courses. Employees may also request time off to study. Over 1,300 people globally took part in our internal training courses in 2011, 20% more than the previous year.

Every employee has the opportunity to identify their development needs as part of an annual performance review discussion with their line manager. Part of this process is a review of talent across the business, led by Pentland Brands' CEO, which allows us to identify high potential employees and the ways in which we can support their development. For example, our bespoke leadership programmes help develop the capabilities of high potential managers.

We also run a graduate scheme. Participants spend two years at Pentland, learning on the job and by taking part in development programmes.

Diversity and inclusion

Having a diverse workforce enhances innovation and creativity, and puts us in a better position to understand and relate to our increasingly global consumer base. We are committed to treating employees equally and with respect, regardless of age, disability, ethnicity, gender, marital status, religion, social background or sexual orientation.

In 2011 we improved our diversity monitoring system to enhance the collection of employee diversity data as part of the recruitment process.

Health, safety and wellbeing

We are committed to protecting the health and safety of our employees at work.

At our offices, health and safety risks are relatively low. Accidents are infrequent, and those that do occur are mostly commonly associated with slips, trips or falls. Health and safety measures are especially important for workers at our distribution centres, who are often involved in lifting heavy objects and working at height.

On joining the company, employees complete an e-learning course that ensures they understand health and safety risks and how to minimise them. Other initiatives include a risk assessment that helps ensure desk-based new starters have the correct desk set-up and posture during computer use.

We also take steps to support employee wellbeing, including:

- + Competitive maternity, paternity and adoption leave.
- + A subsidised, on-site nursery for children under five years old, at our London headquarters.
- + Flexible working, where appropriate.
- + On site, complimentary recreation facilities at our London headquarters, including a gym, swimming pool and five-a-side football pitch.



JD people



JD Sports Fashions' 13,000 retail staff make up over 80% of Pentland Group's workforce. By hiring many recent school leavers and university graduates, the company makes a significant contribution to the employment of young people in the UK, the Republic of Ireland, France and Spain. It also participates in work experience schemes with schools and colleges. JD is committed to equal opportunities, and aims to fulfil requests for flexible or part-time work wherever possible.

JD encourages its retail staff at all levels to strive for progression up to management level within the company. Training and development activity in 2011 included:

- + A five-day management induction course, attended by 160 new managers and 129 internally-promoted assistant managers.
- + Graduation of 51 trainee managers from JD's Training Academy to take up management positions within the Group.
- + Several regional development courses for store supervisors.
- + Introduction of e-learning for all non-management retail staff.

Regional and area managers communicate regularly with store managers and retail staff, while

the human resources department's quarterly magazine gives employees all the latest information on events within the Group, new senior staff, available training courses, and employee of the month awards. JD's finance department also issues updates on the company's financial performance.

Protecting the health and safety of employees and customers is a major focus. JD's health and safety team provides input to the design of all new and refitted stores, and audits stores for high safety standards during construction. Staff participate in a health and safety induction and training programme, and JD also runs targeted safety awareness campaigns throughout the year.

Community

We are committed to supporting local communities and charities, through donations and in-kind contributions.

Pentland Group companies and Pentland Brands offices have the flexibility to support the organisations and causes that are most relevant to them, based on local issues and areas of greatest need.

Our support in 2011 included:

- + Donating surplus product to over 430 charities through In Kind Direct (see page 32).
- + Supporting and volunteering with local community organisations in countries around the world where we have offices.
- + Speedo's sponsorship of Nottinghamshire Wildlife Trust's Wildlife in the Wetlands project. Its support will help the charity raise awareness about the importance of conserving wetland habitats for UK native species such as otters and water voles.
- + Contributing to the North-East Japan Earthquake and Tsunami Appeal in March 2011.
- + Ongoing support for The Prince's Trust, with a donation that helps young people set up their own businesses.



Donating surplus product to In Kind Direct

We sometimes have surplus product. Instead of sending it to landfill, we partner with In Kind Direct to make sure it reaches charities that can put it to good use, relieving pressure on their budgets and helping people in need. More than 6,200 UK charities working at home and abroad are in the In Kind Direct network. Registration is free and charities pay just a small handling charge to have goods delivered to their door.

Sports equipment and outdoor gear is particularly popular, especially with youth charities.

In 2011 – our twelfth year of working with the organisation – we donated Pentland products to over 430 charities through In Kind Direct. Goods were most in demand from child and youth care charities.

Our contribution included:

- + Berghaus fleeces, gloves and jackets.

- + Boxfresh jackets, shoes, t-shirts and other clothes.

- + Lacoste shoes.

- + Mitre footballs and equipment.

Eight Pentland Brands employees raised nearly £3,000 for In Kind Direct by running London's Royal Parks Half-Marathon in October 2011, and we donated an additional £2,500 in matching funds.

Vietnam office takes time to support local communities



Staff at Pentland's office in Ho Chi Minh City regularly get involved in supporting local community projects.

In May 2011, the team arranged for 700 workers at a local factory to receive reusable shopping bags, printed with the slogan 'for a greener environment, please say no to plastic bags'. Distributing the bags is helping to dramatically reduce workers' use of disposable plastic bags to carry their lunch to work each day.

A month later, employees helped refurbish a local primary school. They painted walls and fixed broken lights, and took notebooks and other supplies with them to help replenish the school's stocks.

In previous years, activities have included tree planting and fundraising to help educate disadvantaged children.

Berghaus staff help protect the great outdoors



Berghaus employees – just like the people who wear their products – are passionate about getting outdoors and experiencing nature.

So it makes sense that, several times a year, teams of staff work together with local environmental organisations to conserve natural habitats. In 2011, for example, Berghaus ran three environmental volunteering days in partnership with the John Muir Trust:

- + In March, 10 employees helped clear footpaths at Herrington Country Park, near Berghaus' office in Sunderland.
- + In April, 10 employees helped cut back trees and overgrown branches at Craggside, a National Trust estate in Northumberland.
- + In late June, 16 employees travelled to the Isle of Skye to help with a natural woodland regeneration project. Staff spent a day pulling out conifers that had previously been planted for commercial purposes, helping to clear the site for native plants and trees to be planted.

Speedo sets up swim club for local children

Children living in the socially-deprived Nottingham area of St. Ann's and Sneinton are being inspired to swim, with support from Speedo.

The brand, which is headquartered in the city, has donated 2,500 pieces of swimwear and £2,000 to run coaching sessions at Nottingham University's swimming pool. The initiative gives the children the chance to learn to swim, helping to boost their confidence and giving them a safe and sporty after-school activity.

Speedo set up the swim club in collaboration with the EPIC partnership, a group of schools and other organisations making a difference to disadvantaged communities, and the Youth Sports Trust, which works to improve young people's prospects through exercise and sport. Together, they are looking at the positive impacts that swimming has on the children's everyday lives.

Hunter helps bring clean water to Madagascar



Our associate company Hunter helps provide clean water to the world's poorest people with sales of its limited edition "Hunter for WaterAid" wellington boots. Proceeds from sales of the boot – £10 per pair sold – go to the charity WaterAid, which in turn uses the funds

to give people access to safe domestic water, sanitation, and hygiene education.

In 2010 and 2011, Hunter's contribution went towards WaterAid's work in Madagascar, where just 41% of the population has access to a safe water supply and only 11% to adequate sanitation.

Its support helped the charity to give over 32,000 people access to clean water, and nearly 27,000 access to sanitation facilities. More than 330 women received training on how to raise awareness about good hygiene among their children and local communities.

JD sponsors orphanage in southern India

Wishing to support communities near its southern Indian manufacturing base, in May 2011 JD began sponsoring the Udavum Karangal ('Helping Hands') orphanage in the city of Coimbatore. The orphanage provides a home and schooling for 60 children and three babies.

The company's contribution covers the cost of education and examination fees, school books, educational materials and uniforms. It buys toys and sports equipment for the school, and sends the orphanage any surplus children's apparel, as well as water bottles, baseball caps and backpacks.

Each member of the corporate responsibility and product design teams has sponsored two of the children at the orphanage, and will send them a birthday card and Christmas gifts each year.















Pentland Group
8 Manchester Square
London
W1U 3PH

www.pentland.com

For further information about CR at Pentland Group, contact:
corporateresponsibility@pentland.com

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