



CORPORATE RESPONSIBILITY:
**HOW ARE WE
MEASURING UP?**

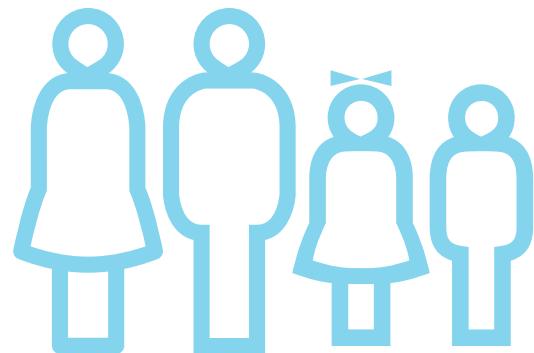
[CONTENTS]



CR 2012

About Pentland Group	04
About this Review	06
Chairman's introduction	08
About CR at Pentland	10
Products	16
Environment	22
Ethical trade	28
Our people	34
Community	40

About Pentland Group



1932 YEAR IN WHICH TODAY'S PENTLAND GROUP WAS FOUNDED, THEN CALLED THE LIVERPOOL SHOE COMPANY

OVER **12,000** WORK FOR PENTLAND GROUP

Pentland Group is a family-owned, UK-based company that focuses primarily on the apparel and footwear industries.

Founded in 1932 in Liverpool, UK, by Berko and Minnie Rubin, Pentland was originally called the Liverpool Shoe Company and traded purely in shoes, first as a wholesaler before expanding into manufacturing. We celebrated our 80th anniversary in 2012.

In 2011 the business reported consolidated global turnover of £1.5 billion, with sales in around 195 countries across Europe, the Americas, Asia, the Middle East, Africa and Australasia¹.

¹ 2011 financial figures are the latest available.

Portfolio

Through our wholly-owned subsidiary Pentland Brands we manage sports, outdoor and fashion brands including Berghaus, Boxfresh, brasher, ellesse, KangaROOS, Mitre, Prostar, Red or Dead, and Speedo. We also hold licenses to make footwear for Lacoste and Ted Baker globally, as well as Kickers in the UK and Ireland. In September 2012 we added to our portfolio with the acquisition of the rugby brand Canterbury.

Global reach

The Group holds a variety of other shareholdings, including a 57% stake in JD Sports Fashion plc, which operates JD Sports, Bank, Blacks, Millets, Scotts, Size?, Champion, Chausport and Sprinter stores, and manages brands including Brookhaven, Carbrini, Diadora, Duffer, Fila, Kooga, Kukri, Mckenzie, Nanny State and Sonetti.

Pentland Group and Pentland Brands have headquarters in London, UK. Within the UK, we also have offices in Nottingham, Reddish, Sunderland and Wakefield, and distribution centres in Blackburn and Sunderland².

Pentland was one of the pioneers in Hong Kong, forming a sourcing company in the early 1960s. We maintain a significant presence in Hong Kong, and now have offices in five more of our major Asian sourcing markets: China (Shenzhen), India (Chennai), Indonesia (Jakarta), Thailand (Bangkok) and Vietnam (Ho Chi Minh City). With the addition of Canterbury, we also have bases in Australia and New Zealand.

Nearly 2,000 people work directly for Pentland Group and Pentland Brands globally². A further 10,400 people are employed by JD Sports Fashion, most of them in retail. Read more about our people on page 34.

2,000

PEOPLE WORK FOR PENTLAND BRANDS

10,400

PEOPLE ARE EMPLOYED BY JD SPORTS FASHION

² This includes Canterbury.

About this Review

REPORTING ON OUR PROGRESS THIS YEAR

This Review presents Pentland Group's approach to being a responsible business and our corporate responsibility activities during the 2012 calendar year.

It covers the companies and brands wholly-owned by Pentland Group³. Where appropriate it includes information relating to JD Sports Fashion, in which Pentland Group holds a significant stake but does not exercise direct management control⁴.

This Review comprises our 2012 communication on progress to the United Nations Global Compact (UNGC), an initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption. As part of our UNGC membership, we have committed to reporting annually on our progress in each of these ten areas.

³ For the purposes of this Review, Canterbury is included within the scope of JD Sports Fashion, unless otherwise stated. Pentland acquired Canterbury from JD in September 2012 and Canterbury will be included within the scope of Pentland Brands' reporting from 2013 onwards.
⁴ JD also reports separately on its corporate responsibility activity through its Annual Report and Accounts.

UN Global Compact Ten Principles

ETHICAL TRADE, PAGE 28 OUR PEOPLE, PAGE 34

Human rights



1. **BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS**
2. **BUSINESSES SHOULD MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES**

PRODUCTS, PAGE 16
ENVIRONMENT, PAGE 22

Environment



7. **BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES**
8. **BUSINESSES SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY**
9. **BUSINESSES SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES**

ETHICAL TRADE, PAGE 28

Labour rights

3. **BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING**
4. **BUSINESSES SHOULD UPHOLD THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR**
5. **BUSINESSES SHOULD UPHOLD THE EFFECTIVE ABOLITION OF CHILD LABOUR**
6. **BUSINESSES SHOULD UPHOLD THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION**

ABOUT CR AT PENTLAND, PAGE 10

Anti-corruption



10. **BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY**

Chairman's introduction

We are proud to have celebrated Pentland's 80th anniversary in 2012. What began as a small family shoe business in 1932 has grown into a multinational Group of companies. As we have grown, so too have our responsibilities – in particular, those relating to our global supply chain and, within it, the people who make our products.

Passing this milestone gives us the opportunity to reflect on our corporate responsibility efforts, successes and challenges over the previous eight decades. Throughout this time, we have been committed to doing business the right way, and our approach to CR has constantly evolved.

When we formed our CR team in the mid-1990s, it focused almost entirely on ethical trade – working with our brands on robust sourcing processes and forming the right partnerships to support progress in improving working conditions. This continues to be a priority. Now, as we look to the future,

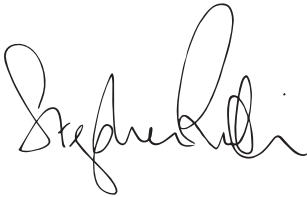
we are keen to find ways to make our products more environmentally sustainable, something that will be necessary in a resource-constrained world.

Our future business success also rests on attracting and retaining the right people. We are delighted that Pentland Brands was recently ranked 16th in the Great Place to Work® list of the best large employers in the UK, but we know we must not rest on our laurels. Generation Y employees are joining our business and they, more than any before them, expect their employer to be ethically and environmentally responsible.

To achieve our CR objectives we must look outside our walls, to collaborate and learn from others. Within our business, we see great value in knowledge sharing between our Group companies and brands. Within our industry, companies – competitors – are increasingly working together, and in partnership with expert non-

governmental organisations, to find sustainable solutions to today's social and environmental challenges and to be ready for those of the future.

With the publication of this Review, which comprises our latest communication on progress to the United Nations Global Compact, I have pleasure in once again renewing our commitment to the initiative and its ten responsible business principles.



R Stephen Rubin
Chairman, Pentland Group plc

CELEBRATING
80
YEARS OF
BUSINESS
1932-2012

About CR at Pentland

Corporate responsibility (CR) has long been a fundamental part of Pentland’s approach to doing business. We are committed to taking steps that improve working conditions in our supply chain and reduce the impact of our activities on the environment.

Pentland Group policies

We expect everyone who works for Pentland Group to do business the right way. Our standards and expectations are outlined in our Group Business Standards Policies⁵, which are provided to everyone who works for Pentland Group and Pentland Brands when they join the business.

The policies 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. It is consistent with the Ethical Trading Initiative Base Code and globally-recognised International Labour Organization standards

- + 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.

Our Ethics and Integrity Policy further clarifies our expectations for employees’ conduct and behaviour, and our zero tolerance approach to bribery and corruption. 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.

⁵ 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.

Approach to CR at Pentland Brands

We focus our CR activity on four strategic areas: product sustainability, reducing our environmental footprint, ethical trade, and support for charities and community organisations.

We are committed to making progress in all these areas, paying particular attention to our most material issues of product sustainability and ethical trade. These are the areas in which we can make the most significant changes, and that pose the greatest potential risk to our business.

Pentland Brands CR priorities

Products



Objective: To reduce the impact of our products on the environment

- Priorities:
- + Sustainable materials
 - + Sustainable packaging
 - + Restricted substances management
 - + Supply chain environmental footprint
 - + Product end-of-life management

Environment



Objective: To reduce the environmental impact of our business operations

- Priorities:
- + Facilities energy use/ carbon footprint
 - + Business travel carbon footprint
 - + Water use
 - + Waste and recycling

Ethical Trade



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

- Priorities:
- + Robust ethical trade processes
 - + Long-term supplier relationships
 - + Improving working conditions

Community



Objective: To contribute positively to the communities in which we operate

- Priorities:
- + Product donations
 - + Fundraising
 - + Employee volunteering

CR management and governance

Pentland Brands' corporate responsibility team is based in London, Hong Kong and Shenzhen. It manages CR initiatives in partnership with colleagues from across the business. Working closely with representatives from each brand and facility enables the team to ensure that Pentland standards are applied consistently, and to share examples of good practice and information about new collaboration opportunities. Other Group companies manage their own CR activity, with advice and support from Pentland Brands' CR team where required.

Pentland Group Chairman, Stephen Rubin, takes a strong personal interest in CR and is a recognised advocate for improving workers rights in the supply chain. The Chairman has oversight of all Pentland Group's CR activities. Within Pentland Brands, the Chief Operating Officer is responsible for overseeing the successful implementation of the company's CR strategy and for raising relevant issues with the CEO and at Board meetings.

LONDON

SHENZHEN

HONG KONG



Engaging employees on CR

The success of our corporate responsibility activities relies on the involvement of employees from across the business. Most commonly involved are our brands' product designers, developers and sourcing teams, whose collaboration is essential for product sustainability and ethical trade progress. Everyone who works for Pentland has a role to play in meeting our environmental and community objectives.

We work to engage all employees globally about why CR is important, what we do, and how they can get involved. In July and October 2012, 65 new UK-based employees received an introduction to CR as part of a new series of quarterly induction days (see Our people, page 34), while a further 37 people attended four CR inductions at our Asian offices. We also ran CR refresher sessions for existing brand employees at our London head office.

We have developed a short video that introduces Pentland's commitment to being a responsible business, outlines the CR strategy, and encourages employees to play a role. Launched in October 2012, it is shown to all new starters as part of the induction process.

Also new for 2012 was a biannual internal newsletter aimed at raising employees' awareness about our latest product sustainability and ethical trade activity, and the environmental and community initiatives taking place at our offices worldwide. This is complemented by regular blog posts about recent CR activities, as well as resources on the company intranet.

External stakeholders

We see considerable value in collaborations that support CR progress at Pentland and within our industry more broadly. We work with industry groups and non-governmental organisations to share experiences and resources and ensure we are up-to-date with CR trends. See overleaf for details of our key strategic collaborations.

Throughout the year we also receive enquiries about CR-related issues from customers and consumers. During 2012, enquiries most frequently related to our ethical trade commitment and processes, the chemicals used in the manufacture of our products (especially for waterproofing), and the responsible sourcing of down.

Key strategic collaborations



United Nations Global Compact (UNGC)

A UN initiative that helps businesses align their operations and strategies with ten universally accepted principles on human rights, labour rights, the environment, and anti-corruption. Pentland Group is signatory to the UNGC, and reports annually on progress relevant to each of the ten principles (through this Review). We are also a member of UNGC's UK Network.



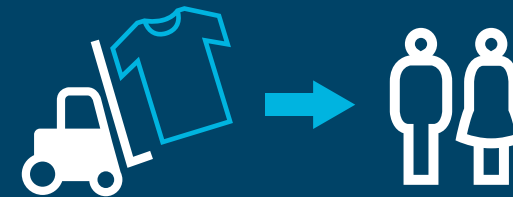
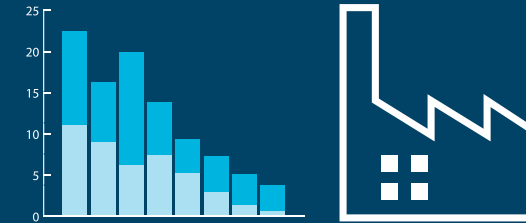
Better Work

An International Labour Organization and International Finance Corporation collaboration that aims to improve compliance with labour standards, and competitiveness, in global supply chains. Having signed Better Work's International Buyer Principles in 2010, we became a Better Work Buyer Partner in 2012.



Ethical Trading Initiative (ETI)

Established in 1998, ETI brings together companies, trade unions and non-governmental organisations to improve the lives of workers around the world. Pentland Brands is a longstanding member and an active participant in several ETI working groups. We report annually to ETI on our ethical trade progress and plans.



Fair Factories Clearinghouse (FFC)

A non-profit organisation that supports companies' ethical trade efforts through the use of software to facilitate better factory data management and collaboration with peers. We joined FFC in 2012 and began using its database to store our factory assessment reports, corrective action plans, and supporting documentation and photographs. Using FFC will enable us to better manage and report on continuous improvement in our supply base.

In Kind Direct

An organisation that redistributes surplus goods from manufacturers and retailers to UK charities working at home and abroad. Through In Kind Direct, nearly 700 charitable organisations – including child and youth care, disability support, and family welfare charities – received donations of Pentland products in 2012.



Sustainable Apparel Coalition (SAC)

An industry-wide group of over 80 apparel and footwear brands, retailers, suppliers and non-governmental organisations working to reduce the environmental and social impacts of apparel and footwear products. Pentland is one of the SAC's founder members and contributed to the development of its product sustainability measurement tool, the Higg Index, launched in 2012.



World Federation of the Sporting Goods Industries (WFSGI)

An independent, non-profit association that represents the sporting goods industry, and 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 and Pentland Brands' CEO is an active board member. Pentland Brands sits on several WFSGI committees, including the Corporate Social Responsibility Committee, of which it is a Vice Chair.

{ PRODUCTS }



Pentland Brands' products include apparel, footwear, sports and outdoor equipment, and accessories. We look for opportunities to reduce environmental impacts across the whole product lifecycle, with a view to helping us meet customers' and consumers' growing demand for more sustainable products, and to comply with relevant legislation. Looking for more sustainable raw materials and more efficient ways to manufacture and ship products also helps safeguard against future shortages of natural resources.

We take a bespoke approach to promoting our product sustainability priorities across Pentland Brands, tailoring our activity to suit each brand's product range, resources and customer base.

Raw materials

Manufacturing our brands' apparel and footwear products requires significant volumes of leather, rubber and synthetic materials and, to a lesser extent, cotton. We are investigating the use of materials that have a lower environmental impact than conventional materials, but that are still cost-effective, high quality and deliver the necessary technical performance.

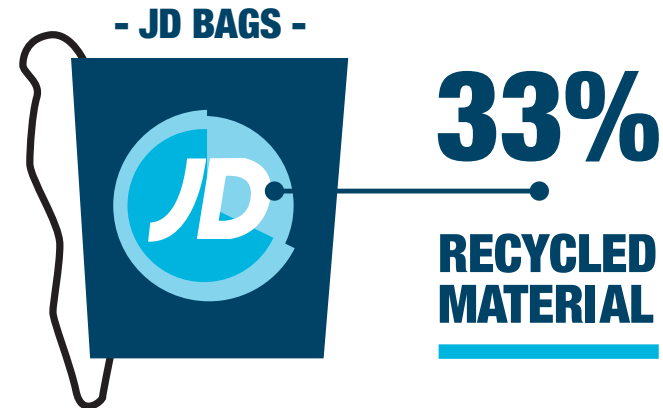
Leather is a major component of our brands' footwear. We are members of the Leather Working Group, which measures the environmental impact of tanneries and encourages them to reduce these impacts. Lacoste is Pentland's largest leather user by volume and is committed to the responsible use of leather. Around a third of the tanneries that supply Lacoste's footwear factories are

already Leather Working Group members. The brand encourages its other existing tanneries to join, and considers Leather Working Group membership as a positive factor when sourcing new leather suppliers. Lacoste is also investigating opportunities to improve the efficiency with which its factories use leather, with a view to reducing the overall number of hides used.

Packaging

Our packaging guidelines emphasise the 'reduce, reuse, recycle' principle. Each brand is responsible for implementing the guidelines as appropriate for their products. For example:

- + Berghaus packages all footwear in a 100% recycled and recyclable shoe box that is printed with soya-based inks. The brand is also reducing the number of swing tickets used on all products, and its flagship stores use 100% recycled paper bags
- + ellese requires all its shoe boxes, tissue paper and swing tickets to contain a minimum of 50% recycled content and be 100% recyclable, while its shoe box design allows for construction without the use of glue
- + Speedo's poolside footwear comes on recycled cardboard hangers instead of in shoe boxes, significantly reducing the amount of packaging material required.



JD stores use 18.5 million plastic carrier bags annually, around 42% of which are high quality drawstring duffle bags that customers can use and re-use. All JD's plastic bags are made from 33% recycled material, and contain an oxo-biodegradable additive that helps them break down more quickly after disposal. JD Sport Fashion's stores use paper-based bags in the Republic of Ireland, and are fully compliant with the Welsh Assembly's carrier bag charge scheme.

Restricted substances

We give our designers and manufacturers the guidance they need to avoid the use of any potentially harmful substances in Pentland Brands' products. Compliance with our restricted substances policy and relevant laws and regulations is a condition of business with our suppliers.

Our 'Policy, Standards and Guidelines for Managing Restricted Substances'

helps to ensure that products are safe to use and comply with relevant regulations, and helps protect environmental and worker health at our suppliers' manufacturing sites. We released a revised edition of this document in September 2012. Pentland's brands have each received a copy and are responsible for informing their suppliers about our requirements. We have also established a working group that brings together

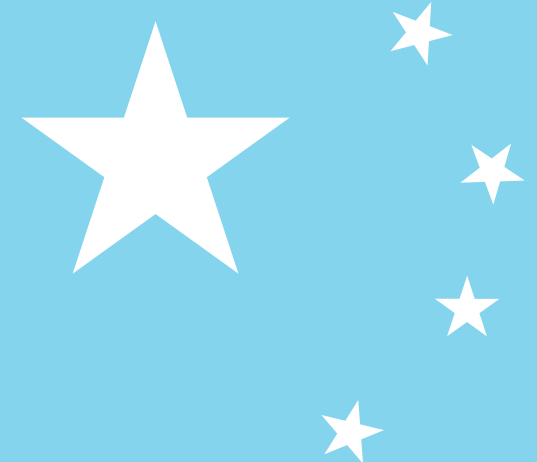
representatives from each Pentland brand to share restricted substances good practice and discuss legislative changes. This group met three times in 2012.

Pentland Brands is a member of the Apparel and Footwear International RSL Management (AFIRM) Group, and our brands use several specialist testing centres to ensure products comply with relevant requirements.

Manufacturing efficiency

Our supply chain's environmental footprint is significantly greater than that of our own office and warehouse facilities. We do not have direct control over the environmental performance of factories, but we do have a role to play in influencing suppliers that manufacture our products to make their sites more efficient. We ask these suppliers about their energy saving measures as part of our factory assessment process. Our direct influence on businesses further down the supply chain, such as raw material providers and dye-houses, is limited.

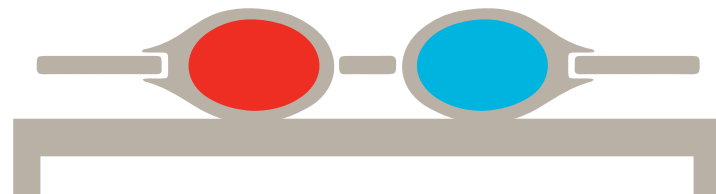
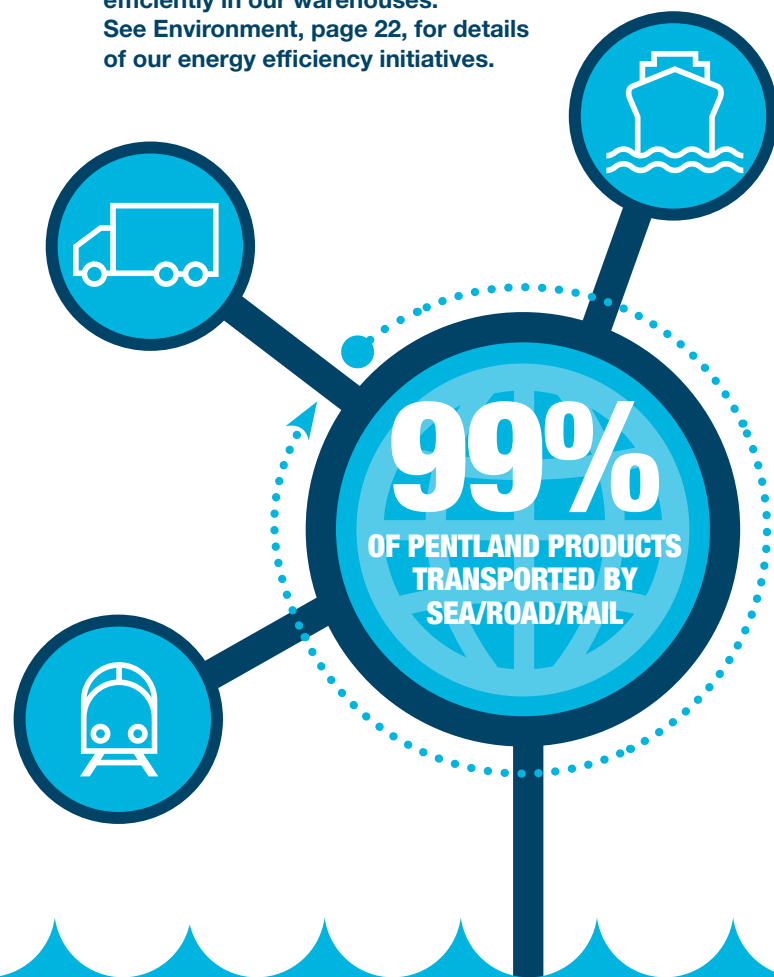
As part of the Textile Industry Sustainability Platform, in 2012 we collaborated with six other brands and four consultancies to develop an energy efficiency guide for Chinese suppliers. The guide includes an overview of the business case for energy efficiency, advice on energy management and data reporting, and a series of case studies. We will be making the guide available to suppliers during 2013.



Shipping

For cost and environmental reasons, we choose to ship our products by sea instead of air freight where possible. Around 99% of Pentland Brands' products were transported either by sea, rail or road in 2012, up from 98%⁶ in 2011.

We also take steps to store products efficiently in our warehouses. See Environment, page 22, for details of our energy efficiency initiatives.



3D printing improves sampling efficiency

Developing a new product requires the manufacture of several physical samples that allow the brand to review and approve the design and materials used. These samples are made by our manufacturers, and usually sent by air to our offices in the UK.

We have begun using 3D design and printing to make product sampling more efficient. The process creates a 3D prototype from compressed powder or layers of resin, which designers can review and mark-up with any changes. This cuts down on the number of physical sample stages required to perfect the design of footwear and equipment such as swimming goggles, reducing material consumption, waste and air freight, as well as the time taken to develop a product.



Product end-of-life management

We look for ways to reduce waste associated with the disposal of surplus stock and products that are no longer wanted or fit for purpose.

Our longstanding collaboration with the charity In Kind Direct provides Pentland Brands with a way to divert surplus, unsaleable products away from landfill and towards charities that can put them to good use. JD Sports Fashion also gives surplus product to charity, including In Kind Direct. See Community, page 40, for details of our contribution to In Kind Direct in 2012 and other product donation initiatives.

We also support a Loughborough University research project that investigates how shoe design and recycling processes can be adapted to achieve a vision of 'zero waste to landfill' in the footwear sector. Lacoste footwear developers have contributed to the project by giving feedback on draft guidelines on design for recyclability, by testing tools designed to aid the selection of more recyclable materials, and by providing researchers with information on shoe construction methods, material types and material density.

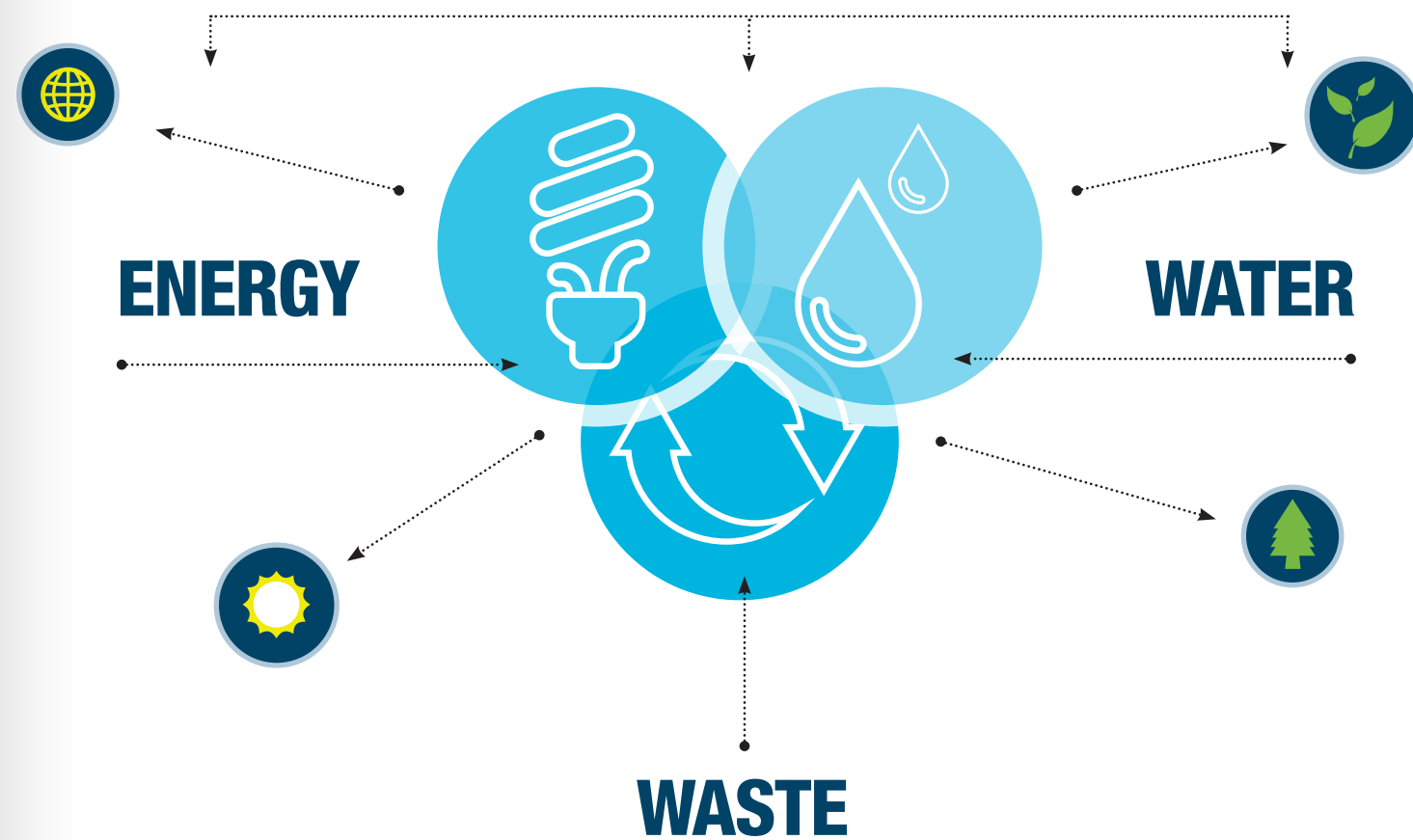
In 2012, Speedo collaborated with sustainable fashion label, From Somewhere, to create a dress using surplus fabric from Speedo's Fastskin3 Super Elite swimsuit. Designed by From Somewhere in collaboration with a graduate from Falmouth University, the 'Unity dress' was made using off-cuts from special edition versions of the suit in the colours of Speedo-sponsored swimming teams from around the world.



Industry collaboration improves sustainability measurement

Pentland is one of the founder members of the Sustainable Apparel Coalition (SAC), an industry-wide group that aims to measure, compare and reduce the environmental and social impacts of apparel and footwear products. The SAC now has over 80 members that, combined, account for around one third of the global apparel and footwear industry's economic value. It brings brands, suppliers, retailers, government departments, academic institutions, and research and advocacy organisations together to collaborate on making the industry as a whole more sustainable.

During 2012, the SAC launched its product sustainability measurement tool, the Higg Index. The first iteration of the index focuses on environmental factors including water use and quality, energy use and greenhouse gas emissions, waste, and chemicals. We contributed to the development of the tool, using data on the composition and manufacture of two Berghaus products.



We are committed to reducing our environmental footprint by operating our offices, retail stores and distribution centres more efficiently. The majority of this footprint is associated with JD Sports Fashion's 800 stores in the

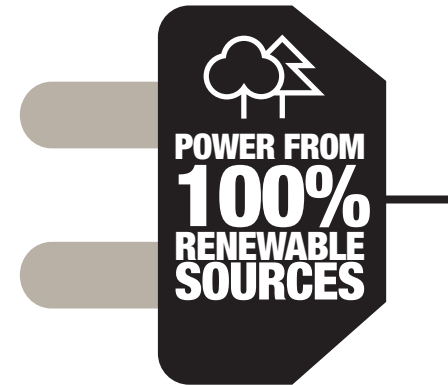
UK, Republic of Ireland, France and Spain. The rest of the Group's direct environmental impacts – from other stores, offices, distribution centres and business travel – are relatively low by comparison.

Our priorities are to use energy more efficiently, reduce waste and increase recycling, and we also look at ways to use water and other natural resources more responsibly. The Pentland Group Environmental Policy outlines our standards.

Energy and climate change

As a UK-based company, we measure and report our greenhouse gas emissions in line with the UK government's Carbon Reduction Commitment. In 2011/12 our UK facilities were responsible for 37,826 tonnes of carbon dioxide emissions, around 87% of which is attributable to JD's stores, offices and distribution centres. This is around 3% higher than 2010/11, due to JD's acquisition of Blacks and Millets stores in the UK.

All Pentland Brands and JD Sports Fashion's stores, offices and distribution centres in the UK and Republic of Ireland receive power that is derived from 100% renewable sources.

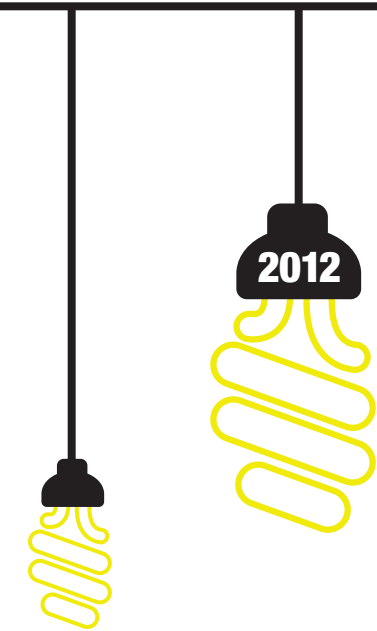


JD Sports Fashion

JD's stores are responsible for the largest portion of our carbon emissions, so making them more efficient is a priority. JD looks 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. Stores are fitted with 'smart' energy meters that measure electricity and gas use every 30 minutes, and a remote building management system allows greater control over power consumption.

In 2011/12, JD succeeded in reducing its carbon footprint by around 5% compared with the previous year, on a like-for-like basis. This has been achieved largely through the replacement of inefficient air-conditioning systems in 29 retail stores, as well as a switch to lower watt lamps – which reduce the energy required for lighting by over 50% – for retail lighting in the UK. During 2012, JD has also trialled the use of low-energy LEDs for retail lighting.

Over 440 retail staff received energy efficiency training during 2011/12, as part of JD's commitment to continually develop its employees' understanding of retail operations.



Pentland Brands

We look for ways to reduce energy consumption at all our sites globally. In general our offices are modern and relatively energy efficient. Our London head office is designed to make good use of natural light, and has an automated building management system that controls and helps reduce energy use, for example by using air conditioning in parallel with natural ventilation.

Speedo's base in Nottingham is rated as 'excellent' by sustainable building experts BREEAM, and is fitted with energy saving technologies such as motion sensitive lights and a ground source heat pump that makes use of warmth from the ground outside. At Mitre and Prostar's warehouse in Wakefield, skylights permit enough natural light to virtually eliminate the use of electric lights in summer.



Considering emissions from business travel and commuting

The nature of our business means that many employees need to travel to visit manufacturers and our global offices, but we regularly use videoconferencing to connect employees without the need for air travel. We have also switched to lower emission vehicles for our company fleet.

To reduce the environmental impacts of commuting, we encourage employees to car-share or travel by public transport. For example, around a third of car commuters to Berghaus and brasher's Sunderland office share their journey with colleagues. In Nottingham, Speedo offers its staff discounted season tickets for local public transport, arranges for a mechanic to visit the office to service employees' bicycles, and has showers and lockers on site for those who choose to cycle to work.



Globally, we consumed around 16 million kilowatt hours of electricity and gas in 2012, just over half of which was used to power and heat our UK distribution centres.

Energy efficiency measures implemented during the year included:

- + Installing voltage optimisation technology at our London headquarters in June 2012. The 'powerPerfactor' system adjusts our site's electricity supply according to energy demand, resulting in reduced energy consumption, cheaper energy bills and lower carbon emissions
- + Testing motion-sensitive lights in the mezzanine areas at our Blackburn distribution centre. These have the potential to reduce energy use by 60% if implemented across the whole site
- + Considering energy use in the redesign of our Hong Kong office, making better use of natural light to illuminate offices
- + Promoting energy efficiency through participation in WWF's annual Earth Day. On 30th March, employees switched off lights and computer monitors for one hour at all our global sites.

Waste

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

Pentland Brands

In 2012, 81% of waste from Pentland Brands' UK offices and distribution centres was either recycled or used to produce fuel, up from 73% in 2011. In total, our sites generated around 550 tonnes of waste in 2012 – this was around 5% more than the previous year, largely due to the volume of construction waste being produced during the decommissioning of Speedo's former Ascot Road facility, much of which was recycled.

Our facilities have centralised waste bins that help employees to quickly and easily segregate paper, cardboard, metal cans and plastics. We also separately collect wood, metal, and photocopier and printer toner cartridges, as well as electronic waste which we sell to companies that either recycle or responsibly dispose of old equipment.

Efforts to manage our waste include:

- + Cardboard: our largest waste stream, as a result of the boxes used to store and ship our products. We reuse boxes where possible, and recycle anything we cannot reuse

- + Paper: we encourage employees to 'think before they print', and set all printers to default to double-sided printing. In 2012, we piloted a new online expenses system that will significantly reduce our paper waste from printing expenses records and copies of receipts. We estimate that, when implemented across our UK sites, the system could save over 31,000 sheets of paper each year

- + Furniture: where possible, we donate unwanted furniture to charity. In 2012, the team in charge of our Hong Kong office refurbishment donated items including chairs and sofas to the local Salvation Army and the Children's Heart Foundation. In London we donate surplus furniture to Green Works, a charity that passes it on at low cost to small businesses, charities, community and educational groups. During 2012 our donations to Green Works included around 80 chairs, 10 desks, and 7 cabinets.



JD Sports Fashion

Cardboard is a major source of waste for JD. Where possible, used cardboard is transported from stores back to JD's distribution centres where it is baled and passed to a recycling contractor for reprocessing. JD recycled 465 tonnes of cardboard in 2012, nearly 10% more than in 2011.

During 2012, JD also implemented an expanded dry mixed recycling scheme to divert more cardboard, paper, plastic and metal waste from landfill at its offices, distribution centres and most UK retail stores. Using the dry mixed recycling scheme will help JD to achieve its target for its new distribution centre in Rochdale to be zero waste to landfill in 2012.

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 at Pentland Brands' sites include the use of mains-fed water dispensers in place of bottled water, a grey water system at

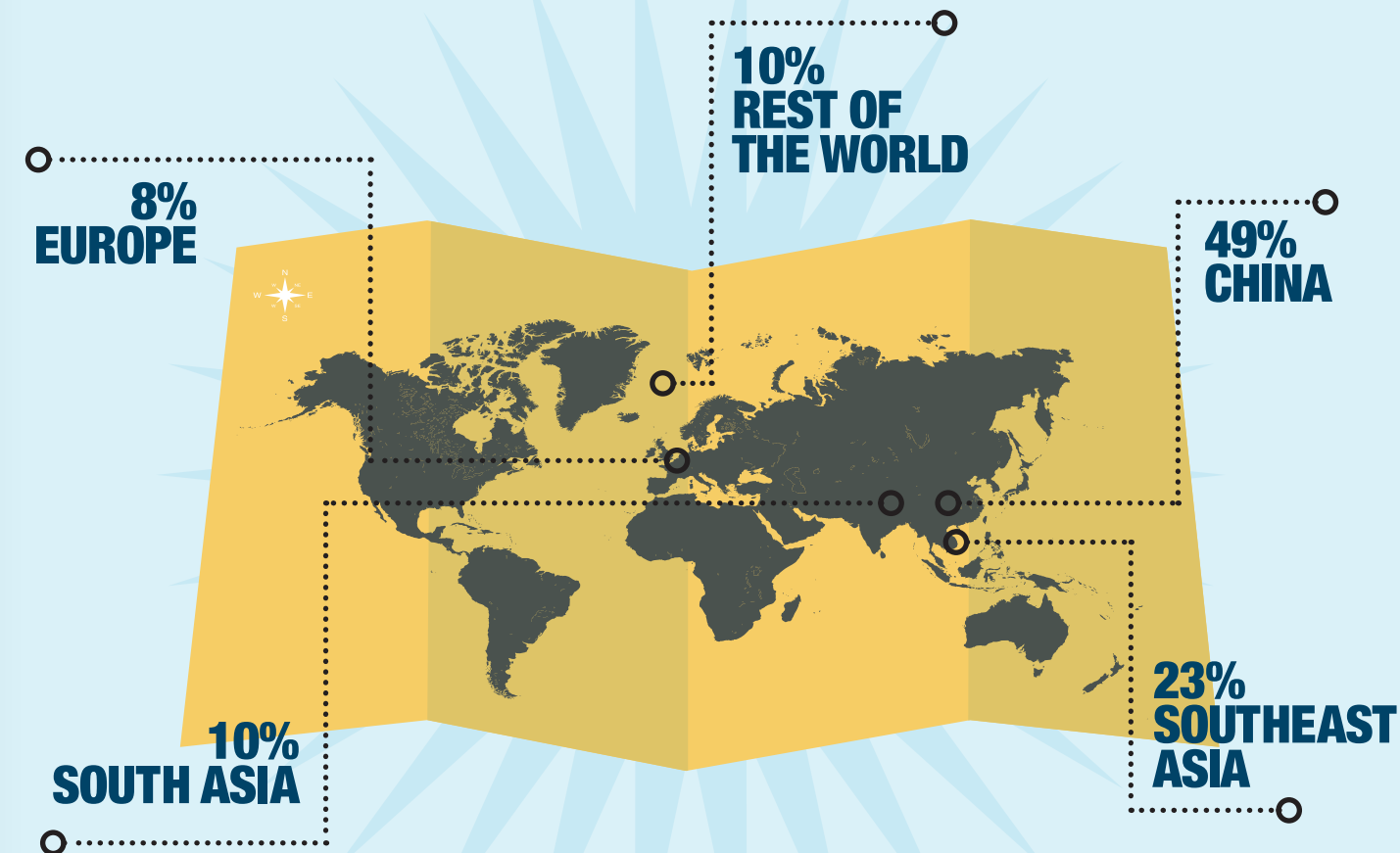
Speedo's Nottingham office that uses boreholes to supply groundwater to sanitary facilities, and water efficiency devices fitted in toilet cisterns at Berghaus and brasher's office in Sunderland. During the refurbishment of our Hong Kong office in 2012, we installed sensor taps in washrooms to reduce water waste.

We also make an effort to use other natural resources responsibly, and factor this in to our procurement decisions where practicable. For example:

- + Washrooms at our newly-refurbished Hong Kong office now have electric hand dryers in place of paper towels
- + The catering contractor at Pentland Brands' London headquarters 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's office, we use natural and water-based cleaning products, stock a Fairtrade choice in vending machines, and provide staff with recycled stationery
- + In winter, we use renewable marine salt – instead of rock salt – to grit paths at our London office.



{ ETHICAL TRADE }



Tens of thousands of people work for the manufacturers that make our products, mostly in Asia. We are committed to working only with business partners who respect the rights of these workers.

Global supply chains such as those servicing the apparel and footwear industry pose many complex ethical issues. Pentland Group companies take steps to better understand and address these issues, by assessing factories and making

recommendations for improvement, and by collaborating with others to bring about sustainable change.

Pentland Brands sources products from factories in 22 countries. Around half of our suppliers' factories are in China and nearly a quarter in Southeast Asia, with the remainder in South Asia, Europe and the rest of the world (see chart). We source the majority of our products directly from factories, with a further portion made by business partners under license.

Our ethical trade priorities include:

- + Raising awareness within our business about the importance of ethical trade
- + Fostering long-term relationships with suppliers that adopt our values, or have policies that reflect the same standards
- + Managing the supply base in line with local legal requirements, the Ethical Trading Initiative (ETI) Base Code, and best practice
- + Helping to improve conditions for workers, with a focus on wages, factory health and safety, worker representation, and vulnerable workers.

Our standards

We expect all factories producing Pentland Brands' products to comply with our Code of Employment Standards for Suppliers. The Code is based on the ETI Base Code and stipulates that:

- 01 Living wages are paid
- 02 Working hours are not excessive
- 03 Working conditions are safe and hygienic
- 04 Child labour is not used
- 05 Employment is freely chosen
- 06 No discrimination is practised
- 07 There is no harsh or inhumane treatment
- 08 Freedom of association and the right to collective bargaining are respected
- 09 Regular employment is provided

Factory assessment and follow-up

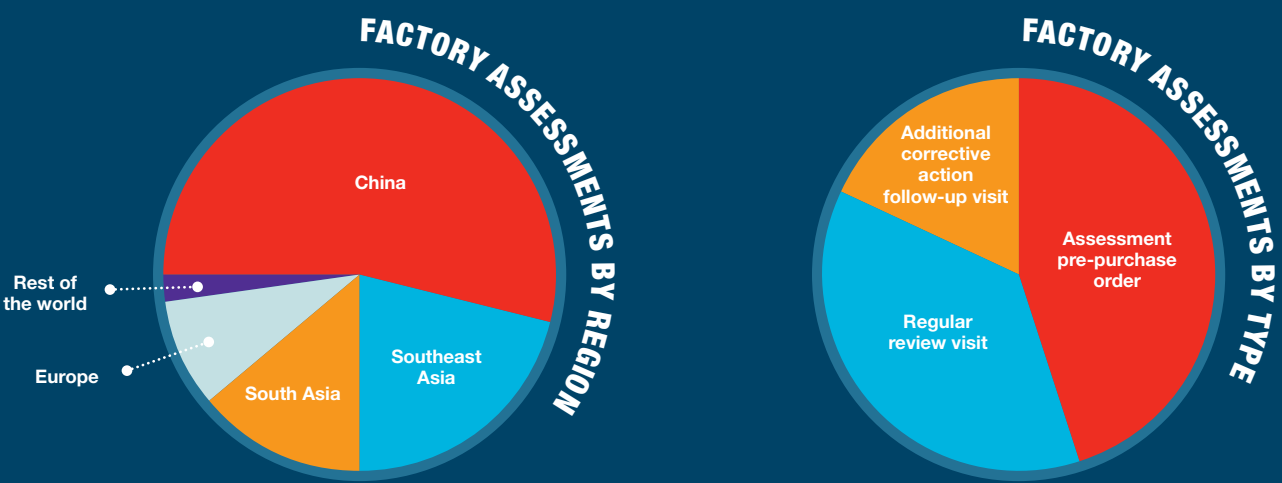
We visit factories regularly to monitor compliance with our standards, and new factories must be evaluated and approved before purchase orders can be placed. Assessments are conducted by members of our in-house CR team, or by a third party auditor where appropriate. If at any visit we find gaps in a factory's ethical trade performance, we make recommendations for improvement, agree a timed action plan, and then follow up to check on implementation and progress. We encourage suppliers to include worker committees in the improvement process by consulting them on the changes they feel would make the biggest difference.

Our standards apply equally to factories commissioned by our licensees to make Pentland Brands' products. We engage with licensees to ensure they understand our expectations and are monitoring factory compliance with our standards.

In 2012 we began using the Fair Factories Clearinghouse (FFC) system to manage our factory assessment reports and corrective action plans. Being a member of FFC also enables us to identify other brands that use the same factories as us, opening the door to potential collaboration.



Factory assessments in 2012



Working with others

Helping factories to improve

We are committed to supporting projects that help factories meet our standards and improve conditions for workers. These initiatives are largely done in partnership with local organisations that have expert knowledge of specific issues and current good practice in that country or region.

We collaborate with ethical trade organisation Better Work in five factories in Indonesia and one in Vietnam, as well as one in Cambodia

with sister organisation Better Factories. A partnership between the International Labour Organization and International Finance Corporation, Better Work aims to improve compliance with labour standards, as well as competitiveness, in global supply chains. In factories that are part of the initiative, Better Work manages assessments and capacity building projects on behalf of Pentland and other member brands. Having worked together since 2010, in February 2012 we strengthened our relationship by signing up to become a Better Work Buyer Partner.

Worker health and safety is a high priority, so where necessary we work with local non-governmental organisations to ensure the people making our products have the training they need to protect themselves and their colleagues. In August 2012, we organised a first aid course for 23 workers from seven factories in Fujian, China. We invited the local Red Cross to conduct a one-day session covering the basics of how to stop bleeding, the preliminary treatment of fractures, and what to do if someone has stopped breathing. All participants passed the course and are now certified first aiders.

Industry collaborations

We engage with others in our industry, and specialist non-governmental organisations, on projects that focus on broader ethical trade trends in the apparel and footwear supply chain.

As longstanding members of the Ethical Trading Initiative (ETI), we meet regularly with other apparel and footwear brands, as well as non-governmental organisations and trade unions, to discuss current issues and potential solutions. We are also part of the Apparel and Footwear Brand Collaboration Forum, which brings together 18 brands for collaborative CR initiatives in Asia.

In Indonesia, we are one of six brands that signed a Protocol on freedom of association in 2011. As signatories, we commit to promoting adoption of the Protocol among our suppliers in Indonesia, and to joining local trade unions, suppliers, non-governmental organisations and other signatory brands in reviewing its implementation. We source products from a relatively small number of suppliers in Indonesia. Around a third have also signed the Protocol, with the remainder so far preferring to retain their existing collective bargaining agreements.

Between March 2011 and May 2012, we participated in a project that focused on the rights of children and young workers in China, led

by the Center for Child Rights and Corporate Social Responsibility (CCR CSR). Pentland was one of seven brands supporting the project, which ran workshops designed to help young workers under the age of 25 develop communication and team work skills, and to raise awareness of health issues and the importance of drug prevention. In total, 800 young workers at nine factories – including 100 working for a Boxfresh manufacturer – participated in the workshops. Complementary training for nearly 300 line managers focused on how to communicate better with a younger workforce. As part of the initiative, participating brands also worked together on the development of a practical underage worker remediation plan.

Ethical trade at JD

JD sources products for its own and licensed brands directly from around 600 suppliers, mostly in Asia and Turkey. Prior to purchase orders being placed, all new suppliers must complete an ethical trade self-assessment, and this process is repeated annually for existing suppliers.

Third party auditors conduct factory visits on JD's behalf, to check on 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. As part of a rolling programme, JD audited around a third of its supply base during 2012.



OUR PEOPLE

Over 12,000 people work for Pentland Group companies. This includes 10,400 who work for JD Sports Fashion (mostly retail staff), and around 2,000 who work for Pentland Brands⁷.

Pentland Brands employees

We rely on the skills, experience and creativity of a global workforce, and recognise that attracting, retaining and developing talented people is critical for our business success.

To support this, we engage regularly with employees, offer a variety of development opportunities, champion diversity and inclusion, and endeavour to provide a supportive, safe and stimulating working environment.

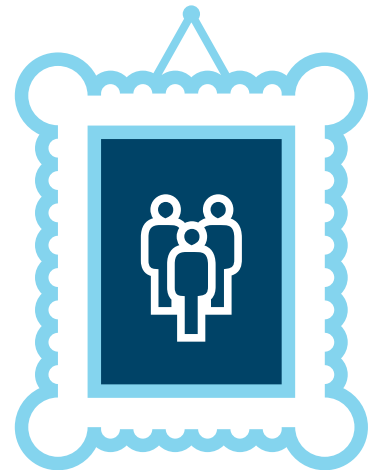
Employee engagement

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 people know about our company strategy, and any changes that might affect them.

Communication channels include:

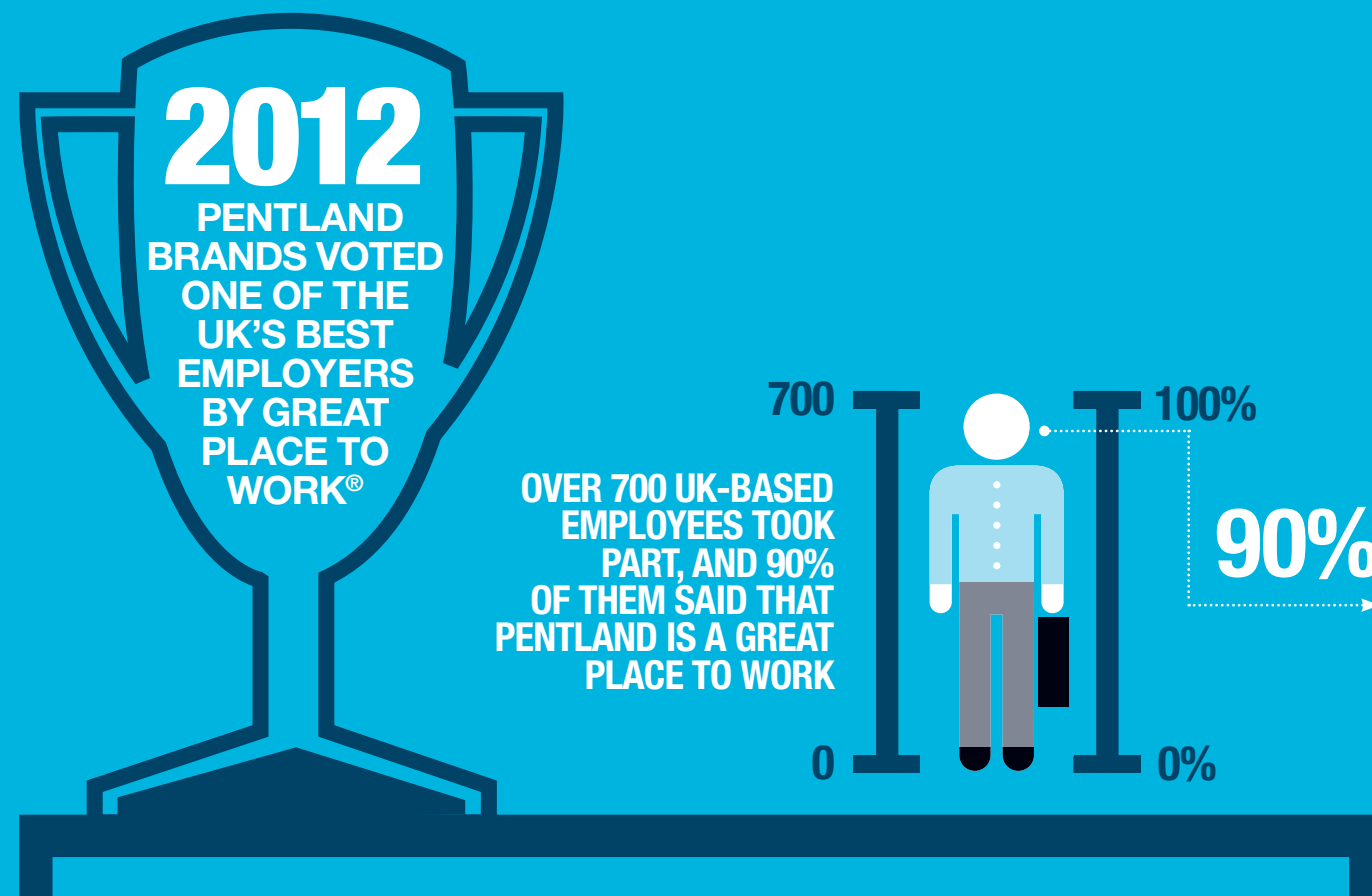
- + A company blog that highlights the latest news from across the business
- + Regular Q&A sessions with our CEO
- + A monthly company update presentation, circulated to all department heads and brand managing directors, and communicated by them to their teams

**OVER 12,000 PEOPLE
WORK FOR PENTLAND
GROUP COMPANIES,
OF WHICH 10,400
WORK FOR JD
SPORTS FASHION**



- + Regular meetings between individuals 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.

⁷ This includes Canterbury.



Pentland Brands wins employer award

In 2012 we were voted one of the UK's best employers by Great Place to Work®, following an assessment and survey designed to capture employees' opinions on working for Pentland. Over 700 UK-based employees took part, and 90% of them said that Pentland Brands is a great place to work. We received positive feedback from 79% or more of the respondents in all seven survey categories. The highest scores related to our corporate responsibility (91% positive responses), employees' sense of camaraderie (86%), and people's pride in working for Pentland (85%).

We followed the survey with a series of workshops designed to explore people's responses in greater depth. We will use the findings to look for ways to further improve the experience of people who work for Pentland. For example, based on survey feedback we have moved our annual talent review process to the third quarter of the year, rather than the first, to ensure it focuses more on development potential than on performance over the past 12 months.

We plan to run the survey globally in 2013.

People development

To nurture talent within our business, we provide employees with a variety of opportunities to obtain new knowledge and develop new skills.

We offer access to internal and external development programmes, masterclasses run by senior executives in their area of expertise, and e-learning courses. Employees may also request time off to study for professional qualifications. Nearly 2,400 participants attended internal training courses in 2012, 84% more than the previous year⁸. The most

popular courses included our CEO's masterclass on building successful brands, and sessions on self-awareness and presentation skills.

Our annual performance review process provides each employee with the chance to identify and discuss their personal development needs with their line manager. A review of talent across the business, led by Pentland Brands' CEO, allows us to identify high potential employees and the ways in which we can support their development. In 2012, 36 high potential managers and senior managers took part in bespoke

leadership programmes, while 15 recent graduates joined our 'future leaders' programme.

We have several initiatives aimed at bringing in the next generation of talent. Participants on our graduate scheme follow a two year development programme. Four new graduates joined the business in 2012, taking on roles in Lacoste, Speedo and our product distribution department. We also offer internships and work experience placements.

Welcoming new starters

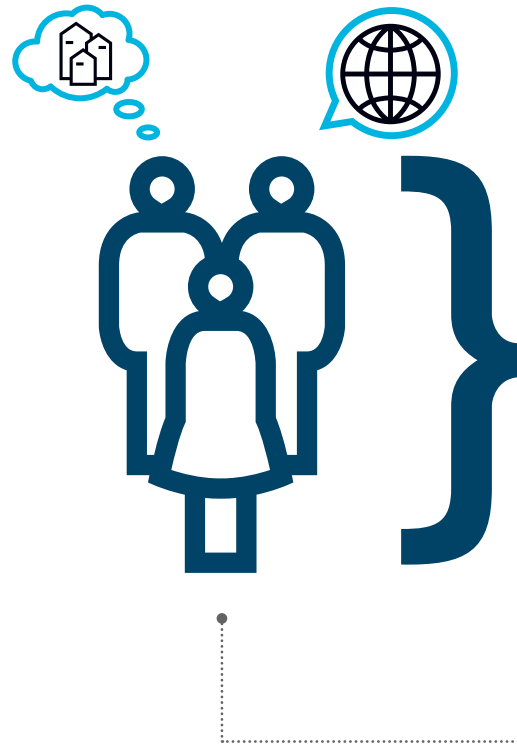
We want everyone who joins Pentland to feel welcome from the day they sign their contract. Along with their contract, we send them a welcome pack that includes a new starter handbook and a hand-signed note from our CEO.

On their first day with the business, new starters receive an introduction to Pentland, see short films that give an insight into our purpose, business and brands, take part in a tour of their new workplace, and have time to meet and get to know their team.

In 2012 we developed and piloted a new quarterly induction workshop, aimed at new and recent joiners in the UK. The workshop includes an opportunity to meet the CEO, as well as sessions on the product development process, consumer behaviour and CR. It also gives people the chance to meet colleagues from across Pentland, and to share their knowledge and experiences with the group. We plan to run these induction workshops globally from 2013.



⁸ Many individuals attended more than one training session during 2012, therefore this figure is larger than the 2,000 people who work for Pentland Brands.



A DIVERSE WORKFORCE ENHANCES INNOVATION & CREATIVITY

Diversity and inclusion

A diverse workforce enhances innovation and creativity, and helps our brands understand and create the right products for our increasingly global consumer base.

We are committed to treating all Pentland employees equally and with respect, regardless of age, disability, ethnicity, gender, marital status, religion, social background or sexual orientation.

Around 40 languages are spoken at Pentland Brands' London headquarters.

Health, safety and wellbeing

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

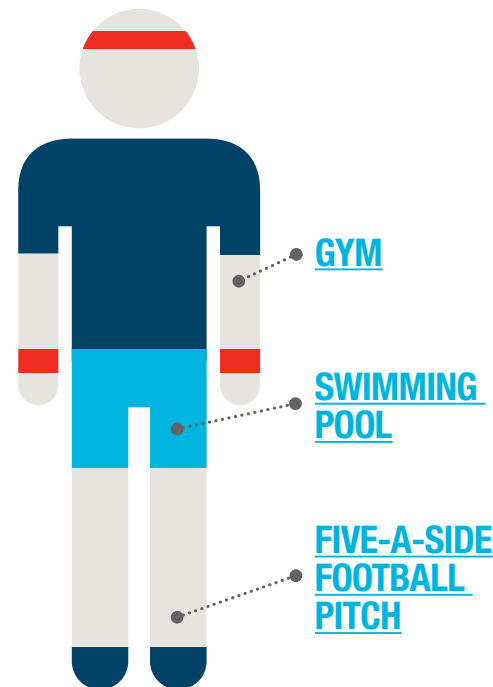
Health and safety measures are especially important for workers at our distribution centres, whose roles often involve lifting heavy objects and working at height. At our offices, health and safety risks are relatively low and accidents are infrequent. Those that do occur are most commonly associated with slips, trips or falls.

Upon joining Pentland, employees complete an e-learning course on health and safety risks and how to

minimise them. Desk-based new starters complete a risk assessment that helps to ensure they have the correct set-up and posture during computer use.

Benefits that help support employee wellbeing include:

- + Competitive maternity, paternity and adoption leave
- + A subsidised nursery for children under five years old, at our London headquarters
- + Flexible working, where appropriate
- + Complimentary recreation facilities at our London headquarters, including a gym, swimming pool, and an astroturf sports pitch.



JD people

JD employs around 10,400 people (full-time equivalent), most of whom work in the UK, Republic of Ireland, France and Spain at its Bank, Blacks, Champion, Chausport, JD Sports, Millets, Scotts, Size? and Sprinter retail stores. Together they comprise 84% of the people who work for Pentland Group companies.



Training and development

Employee development is a major focus for JD, which recognises the significant role it plays in increasing morale, improving staff retention, and keeping knowledge and skills within the business.

Retail staff are encouraged to seek development and progression ultimately up to management level. To help them achieve this, JD's training team provides a range of opportunities including:

- + A twelve week training academy for retail supervisors who want to progress into management. Held three times a year, the course covers management skills such as communication, leadership, motivation and delegation
- + Week-long induction programmes for managers new to the business, held regularly throughout the year
- + Half-day leadership skills workshops for junior managers.

Health and safety

JD is committed to protecting the health and safety of employees and customers.

The health and safety team provides input to the design of all new and retrofitted retail stores, and also audits stores for high safety standards during construction. Upon joining

the business, employees participate in a health and safety induction and training programme, and JD also runs targeted safety awareness campaigns throughout the year.

In late 2012, JD began using a new, 860,000 square foot distribution centre in Rochdale, UK, and expanded its health and safety team to ensure the

Equal opportunities

JD is committed to equal opportunities, and aims to fulfil requests for flexible or part-time work wherever possible.

Employee engagement

JD takes steps to ensure consistent communications across its large, geographically-dispersed and flexible retail workforce. 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 news from within the business, such as the arrival of new senior staff, training opportunities on offer, and employee of the month awards. JD's finance department also issues updates on the company's financial performance.

implementation of good health and safety practices at the new facility.

JD's Health and Safety Committee meets three times a year and provides employees with an opportunity to raise any safety concerns through their nominated representative. The Committee also monitors progress towards JD's health and safety targets.



We are committed to supporting community groups and charities, and are involved in a variety of philanthropic activities.

Each Pentland Group company and Pentland Brands office has the flexibility to support the organisations and causes that are most relevant to them. They contribute through a combination of product donations, fundraising activities and employee volunteering.

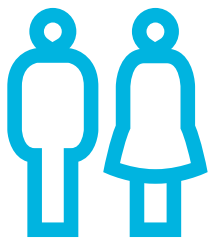
Product donations

For over a decade, Pentland Brands has partnered with In Kind Direct, an organisation that redistributes surplus goods from manufacturers and retailers to UK charities working at home and abroad. In 2012, nearly 700 charitable organisations – including child and youth care, disability support, and family welfare charities – received donations of our products. Our contribution included jackets, rugby shirts, t-shirts, footballs and footwear.

We also donate surplus product through other channels where appropriate. For example, in 2012, Speedo donated surplus swimwear to Oxfam's 'Frip Ethique' social enterprise programme in Senegal. The initiative provides local entrepreneurs, mostly women, with products for them to sell and boost their livelihoods.

In February 2012, our distribution centre near Blackburn in the north of England

donated surplus point of sale displays, shoe boxes, mannequins and shelves to local charity, the Scrap Art Material Store (SAMS). SAMS recycles items that would normally end up in landfill, making them available to educational organisations as free arts and crafts materials.



Fundraising and donations

Pentland Brands employees participate in a variety of fundraising events throughout the year.

Often these have a sports theme. In 2012, staff from our London headquarters raised funds for two charities by participating in races across the city's parks. In July, a team of 20 women took part in a five kilometre race in support of Cancer Research UK, raising more than £3,000. At the Royal Parks Half Marathon in October, 16 new and experienced runners raised over £2,000 for Right to Play, a charity that uses sport for development in disadvantaged areas.

Employees also swam a total of 10km for World Swim Against Malaria, a charity supported by Pentland and Speedo that raises funds to buy mosquito nets for people in developing countries. The swim raised over £1,000 – the equivalent of over 300 nets.

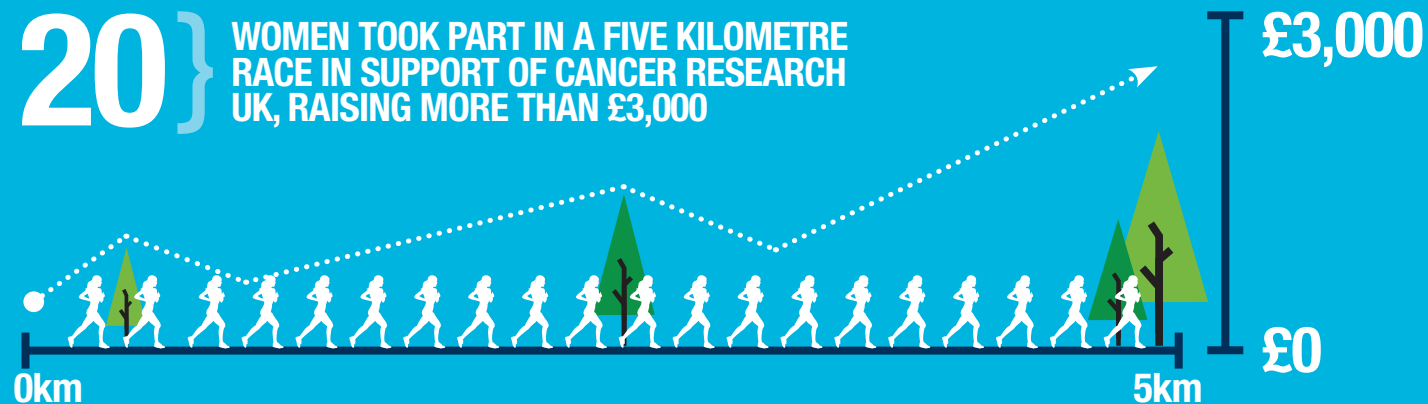
Staff at our offices in Asia made a variety of charity and community donations in 2012, including:

+ Hong Kong: supporting the Salvation Army for the third year running, with employees donating items including clothes, books, musical instruments and electrical appliances for distribution to people in need

+ Shenzhen, south China: donating around RMB 3,000 (£300), as well as product samples from Kickers, Lacoste and Speedo, to a local children's care centre that is home to around 300 children under the age of 14

+ Bangkok, Thailand: bringing Christmas gifts including clothes, books and toys to children at a school in Ayutthaya that was badly affected by floods earlier in the year. We also replaced the school's audio equipment, which had been damaged by flood waters.

20 WOMEN TOOK PART IN A FIVE KILOMETRE RACE IN SUPPORT OF CANCER RESEARCH UK, RAISING MORE THAN £3,000



Employee volunteering

Pentland employees enjoy volunteering as a way to combine team building with giving back to their local communities.

In April, staff at our office in Ho Chi Minh City, Vietnam, organised a trip to a nearby beach, equipped with gloves and bags to gather plastic bottles and other litter. Also in 2012, employees in Vietnam visited a local

care home for elderly disadvantaged people, many of whom suffer from disability and poor health. Pentland staff brought care packages and spent the morning socialising with the residents.

Colleagues at our distribution centre in the northeast of England spent a day in June volunteering on a conservation project at their local

Wildfowl and Wetland Trust wetland centre. By digging a new pond they have helped to create a vital new woodland habitat. The distribution centre is a member of the WWT Corporate Partnership Scheme and has previously donated around £1,000 to fund the purchase of grass-cutting equipment and the establishment of a sustainable garden.

JD community investment

JD made cash and in-kind donations of around £55,000 to a variety of charities and community initiatives in 2012.

Its major focus is on supporting The Christie, a Manchester-based NHS Foundation Trust that specialises in cancer treatment and research. JD has made a commitment to help The Christie raise £500,000 for a teenage cancer unit. During 2012 it sponsored The Christie's fundraising ball, and a team from JD raised nearly £8,000 by participating in the Great Manchester Run.

To support communities near its southern Indian manufacturing base, JD has an ongoing relationship with the Udavum Karangal ('Helping Hands') orphanage in the city of Coimbatore. During 2012, JD donated around £5,000 to the orphanage – a contribution that covers the cost of education for around

60 children, as well as examination fees, school books, educational materials and school uniforms.

JD's donations in 2012 also included:

- + Scrap metal worth over £12,000 to Sports Traider, a charity that gives young people the support they need to get into sport
- + £10,000 to Once Upon a Smile, which offers support to families who have lost a child, or a parent of a young child, as a result of terminal illness
- + Over £7,500 to help Kids Company provide practical, emotional and educational support to around 17,000 vulnerable inner-city children across London
- + Nearly £4,000 to the Marina Dalglish Appeal, in support of cancer treatment facilities in Liverpool.










£55K
JD DONATIONS
TO CHARITIES
IN 2012

Pentland Group plc
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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