

The power of
relationships

World Swim
Against Malaria

Tackling child
labour

Reaching the
poorest

Red letter
days

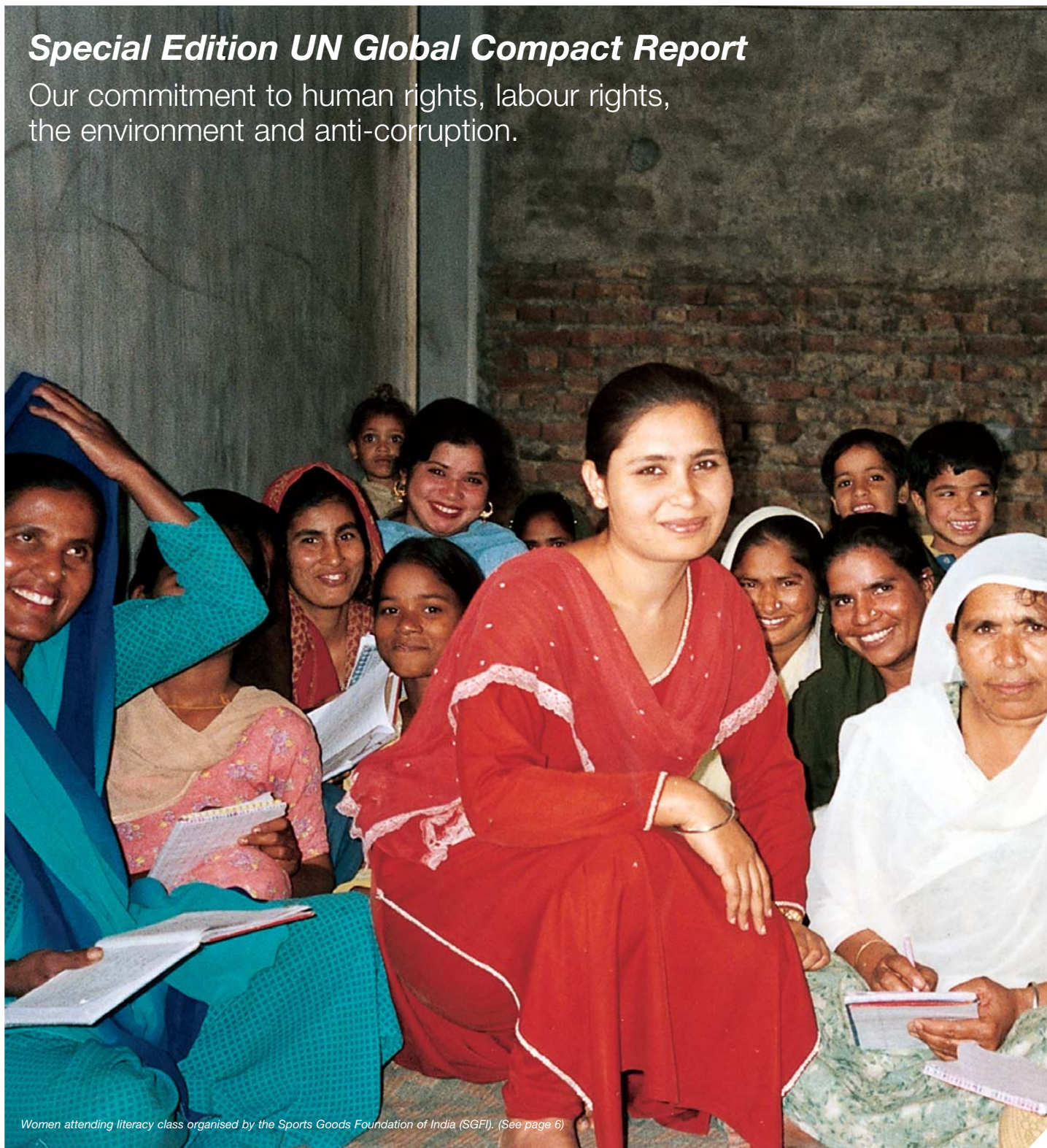
Corporate Responsibility Review

Winter 2008/09



Special Edition UN Global Compact Report

Our commitment to human rights, labour rights,
the environment and anti-corruption.



Women attending literacy class organised by the Sports Goods Foundation of India (SGFI). (See page 6)

Message from the Chairman

UNITED NATIONS GLOBAL COMPACT: OUR CONTINUED SUPPORT



R Stephen Rubin.

At the heart of everything we do at Pentland, is our belief that business should be conducted honestly, fairly and with respect for human rights, the natural environment and wider society.

We aspire to make a positive difference to people's lives through our Corporate Responsibility programme and continue to learn from our experiences every year. Our involvement and partnership with many international and UK organisations and alliances helps us find lasting solutions to the local and global challenges we face.

We have been a Signatory to the United Nations (UN) Global Compact since 2000. We are a Member of the World Federation of the Sporting Goods Industry (WFSGI), a Council Supporter of the International Business Leaders Forum (IBLF) and a founding Member of the Ethical Trading Initiative (ETI). We also seek to address the UN Millennium Development Goals (MDGs) through the Business Call for Action, a UK government led initiative.

In this special edition of our Corporate Responsibility Review, we address each of the **UN Global Compact's 10 Principles** and demonstrate through our practical actions our commitment to human rights, labour rights, the environment and anti-corruption.

R Stephen Rubin
Chairman, Pentland Group plc

WHAT IS THE UN GLOBAL COMPACT?



The UN Global Compact is a strategic policy initiative for businesses all over the world to embrace, support and enact, within their sphere of influence, a set of ten universally accepted principles in the areas of human rights, labour standards, the environment, and anti-corruption. The initiative aims to bring these principles into the mainstream activities of businesses and in support of broader UN goals, including the Millennium Development Goals (MDGs).

For more information -
www.unglobalcompact.com
www.un.org/millenniumgoals/



Children in Bangladesh.

“Business and the United Nations might seem to have different purposes... But many of our objectives are the same: building and supporting strong economies and communities, providing opportunities for people to pursue a livelihood, and ensuring that everyone can live in dignity.”

UN General-Secretary Ban Ki-moon
United Nations 2007

COMMUNICATING PROGRESS

Signatories to the UN Global Compact are asked to produce a Communication On Progress (COP) every year to report on how they are aligning their operations and strategies with the 10 Principles.

Pentland was recognised for our Notable Communication on Progress (COP) 'In for the long term' in 2005 which highlighted our achievements from 1999-2004. Since then, we have produced two further COP reports that focus on our environmental initiatives aligned with the environment Principles – 'Pentland's Footprint Around the World' in 2006 and 'Responsible Products – Concepts and Consequences' in 2007. These are available on www.pentland.com

Our **Responsible Products – Concepts and Consequences** booklet and associated training during 2008, has helped support inspiring initiatives across all brands to embrace the need to reduce the environmental impacts of our products.

Learn more about some of these initiatives on pages 8 and 9.



Our Achievements

Improving the lives of workers in our supply chain is one of our top priorities. Delivering lasting change takes time, so we remain committed for the long term.

During the last 12 years, some of our highlights include:

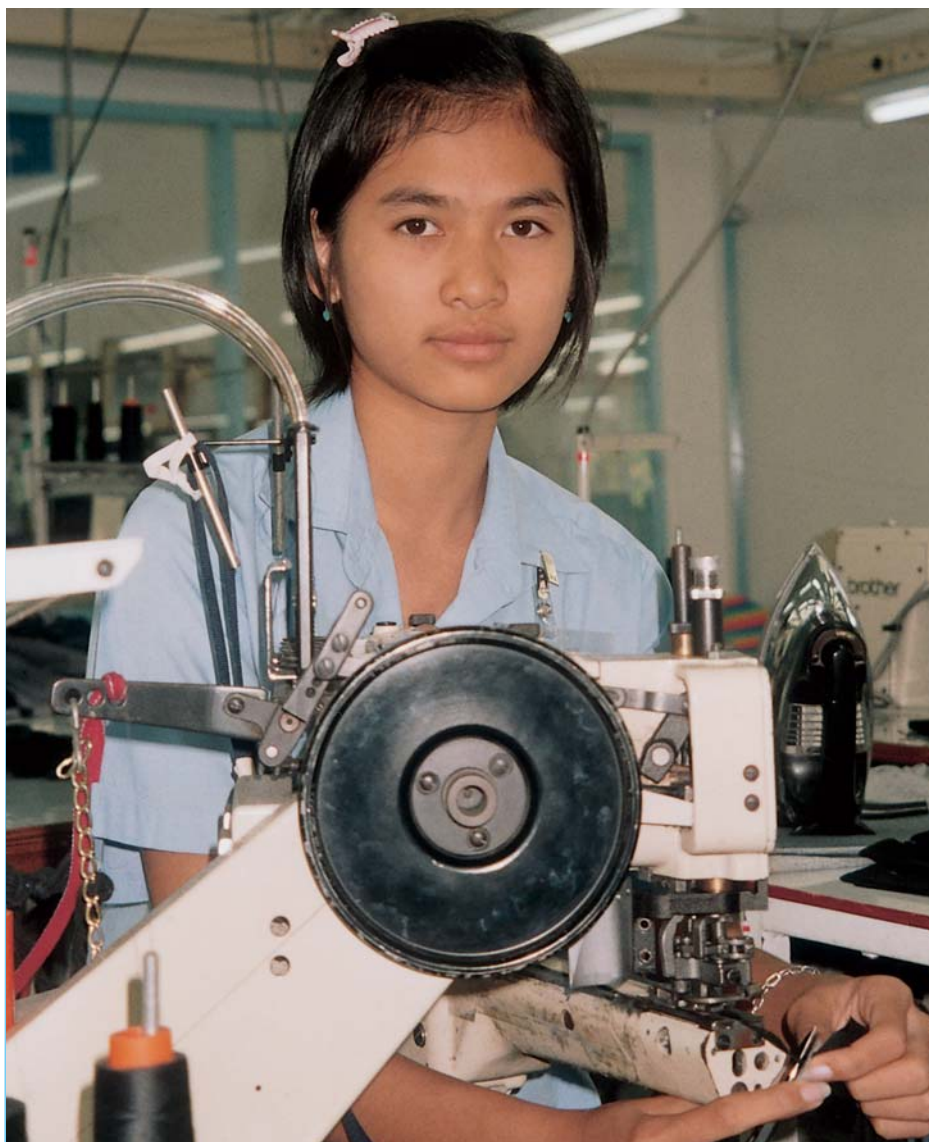
- Developing an open and consultative way of reviewing our supplier factories.
- Supporting our suppliers to develop and strengthen their factory management systems to improve working conditions and workers' lives.
- Embedding corporate responsibility into our core business strategy across all Pentland brands and functions.
- Producing a number of resources for suppliers including manuals about hazardous substances and good health and safety practice, which are available in multiple languages.
- Working with our suppliers to improve working conditions for homeworkers in Portugal, India and Pakistan.
- Developing training materials (manual, DVD, best practice booklet) to improve health and safety in the footwear and textile industries in Vietnam in partnership with government and local organisations
- Working with our suppliers in India to initiate and develop a programme to tackle child labour in India, managed by the Sports Goods Foundation of India.
- Producing three booklets to help raise awareness of rights and responsibilities for suppliers and workers in China in partnership with the Guangdong Human Resources Management Association, part of the Labour Department in China.

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2: Businesses should make sure that they are not complicit in human rights abuses

The power of good relationships

At Pentland, we have long believed that business should be conducted honestly, fairly and with respect for people and the natural environment. The best way to implement these beliefs is not just through our policies, but through our relationships.



Worker in Thailand.

Although companies need to make profit, it should be through legitimate and non-exploitive ways. In practice, that means ensuring that both our direct employees and the workers who make our brands' products are treated properly, in accordance with internationally recognised standards. These core values are reflected in the way we do business and in our formal policies (available on www.pentland.com).

Ethical Sourcing The Pentland Way

Many of our products are sourced from supplier factories overseas. So we need to know about working conditions in these countries and take responsibility for the people who make our products, even when they do not work for us directly.

Local legal compliance is always part of our trading contract with suppliers and we have a Code of Employment Standards for Suppliers which is based on the Ethical Trading Initiative (ETI) Base Code.

We help our suppliers implement the Code which includes provisions to give workers fair wages and working hours, safe and hygienic working conditions, regular employment, and no discrimination, harsh or inhumane treatment. Our Code also specifies that no child labour is used, employment is freely chosen, and workers



Ethical Trading Initiative



Worker in China.

ETI CELEBRATES 10 YEARS

Pentland is proud to be a founder member of the Ethical Trading Initiative (ETI), which celebrated its first decade in 2008.

The ETI is an alliance of companies, trade union organisations, charities and campaigning organisations that promotes and improves the implementation of codes of practice for working conditions in global supply chains.

The ETI facilitates multi-stakeholder cooperation and experimental projects on a range of labour rights issues and provide tools and guidance for brands like Pentland to improve the lives of workers around the world.

www.ethicaltrade.org

have the right to freedom of association and collective bargaining.

Our approach to monitoring supplier factories is based on building good relationships that encourage cooperation in an open and constructive way. We review factories with factory management to identify risks and make recommendations for improvements. We then help and encourage our suppliers by sharing best practice, providing resources, training, regular follow up and linking them with appropriate local organisations where possible.

Research and Partnerships

If we find difficult issues within our supply chain, our first step is to understand why they come about. Many human rights

abuses, such as exploitation of workers, are linked to poverty and are widespread in some countries, regions or communities.

We research the issues, often in partnership with local and international experts. We then work constructively with our suppliers, local and international human rights organisations, local governments and our competitors where appropriate, to address problems in a practical, progressive and sustainable way, with the goal of helping them to manage conditions better and improve their workers' lives.

Working with others allows us to share experiences, pool resources and find solutions together to issues that affect us all. Governments are increasingly realising

that they cannot tackle major social and environmental issues without the active involvement of companies.

We also believe that promoting a global perspective based on respect for human rights and international standards, is the best way to improve workers' lives and make a lasting difference. Our commitment is public and demonstrated through our involvement with international organisations such as the UN Global Compact, the International Business Leaders Forum (IBLF), the Ethical Trading Initiative (ETI) and the World Federation of the Sporting Goods Industry (WFSGI).

Training and Awareness

Training our staff and raising awareness about human rights, labour rights, the environment and anti-corruption is the best way to embed Corporate Responsibility into our core business. Our goal is to empower our staff to live the company values and manage relationships internally and externally in a productive and responsible way.

Good relationships across our business, our industry and the communities in which we operate, are essential to the success of our Corporate Responsibility programme and to the continuing success of Pentland.



Workers in Sri Lanka.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Worker – Management Communication in China



Workers and management participate in workshop at supplier factory in China.

‘Freedom to associate’ involves workers’ representatives, employers and unions freely discussing issues at work to reach agreements that are acceptable for everyone.

Over the last 5 years, Pentland’s Corporate Responsibility team has worked with major suppliers in China to improve worker-management communication in factories. Participatory techniques have been used to build trust and open up dialogue. This enables both workers and employers to understand each other’s problems better and find ways to resolve them.

A typical project involves a team of specialist consultants working with managers, supervisors and workers

over several days to identify common interests. Together they identify problems in the factory, which may include too much overtime, high turnover of workers, or food waste in the canteen. The consultants work with the factory to improve communication skills and develop structures to tackle these problems. Local resources in mainland China to support these sorts of initiatives, however, remains scarce.

The strength of participatory techniques (such as films, games and

role play) is that they help people to open up and talk. The sessions are designed to be fun. Laughter often helps break down the barriers that stop people communicating well. They also provide opportunities for constructive, rather than confrontational, discussion.

To be fully effective, this type of project must work in the interests of both workers and management so all participants see the need and potential value. It should also be aligned with the current political and social situation in a country. For example, structural changes (particularly in South China) have impacted negatively on many factories. Unless management develops tools to manage these situations, their business may not survive. Under China’s 2008 Labour Contract Law, management are required to consult with worker representatives on issues that affect workers, such as working practices, pay and hours, benefits, health and safety.

We also realise that these projects are unlikely to have lasting effects if they are not supported by local and national governments, industry infrastructure, local and international human rights organisations.

What does success look like? It is when workers find a voice and a forum for airing their concerns and continuing the dialogue. As their confidence grows, leaders emerge to help keep the process dynamic and ongoing.

Principle 4: The elimination of all forms of forced and compulsory labour



“One of the biggest problems is the extreme vulnerability of these workers and it is all too easy to walk away, thereby making their situation worse.”

When we find issues with migrant workers, we work with our suppliers to:

- Establish their legal rights to wages and benefits and ensure that these are implemented, if necessary backdated
- Translate their contracts into their native language
- Facilitate local language lessons
- Try to ensure that at the end of the contract that they will have paid off the debt and managed to accumulate some surplus. Many of course will also be sending money back to their families throughout the period as well.

However, we feel this is still not sufficient, so we have been working with other companies through the Ethical Trading Initiative (ETI) to raise the issue at governmental and intergovernmental levels. We believe a multi-stakeholder approach is required to improve working conditions for migrant workers, no matter where they are in the world.

But they signed the contract...

Many farms, plantations, factories and homes around the world employ migrant workers. Their labour is cheap and flexible. They have often borrowed money to obtain the job, have signed contracts they cannot read and do not understand, and they may have little awareness of their rights in that country.

Many migrant workers are indentured to the employer for a length of time. If working conditions are bad, they cannot simply leave the job or they will forfeit their right to stay in the country.

Many migrant workers have put themselves in debt to obtain the job in the first place and therefore find themselves in a situation of bonded labour.

One of the biggest problems is the extreme vulnerability of these workers and it is all too easy to walk away, thereby making their situation worse.

Pentland has a policy against any kind of forced, bonded or involuntary prison labour and has established some best practice to improve the situation for migrant workers at some of our supplier factories.



Principle 5: The effective abolition of child labour

Tackling child labour

Child labour is found worldwide and is closely linked to poverty.

Pentland supports the abolition of child labour through our ethical sourcing policy and programmes. We have built up considerable experience for over a decade in how to deliver a good result to the children and young people concerned.

Child labour is a complex and sensitive issue, not limited to any particular industry, sector or region. There may be a number of reasons why it can occur. It is therefore necessary to divide resources (time and money) between addressing the needs of the children directly involved and moving beyond the particular case, to addressing the underlying causes with more long term, sustainable initiatives.

Manufacturers in many countries sub-contract to village based manufacturing units and homeworkers, providing income to families who could not otherwise work in factories.

In some cases, children have been found helping their parents with work in the home and not attending school. There may be many reasons for this: school may be expensive; or they may not value the education school offers.

All children have a right to education and play. Our focus has therefore always been to work in partnership with others to provide children with such opportunities. We have helped bring multiple stakeholders together at the local, national and international level. Our efforts include working with other sporting brands since the mid 1990s through our membership of the World Federation of the Sporting Goods Industry (WFSGI). In particular, we have been instrumental in the creation of successful programmes in India and Pakistan.

A programme in India was initiated and coordinated by the football industry in and around Jalandhar which resulted in the formation of the Sports Goods Foundation of India (SGFI). It is considered a model of its kind.

Sports Goods Foundation of India (SGFI)

The SGFI initiative brought together local, national and international partners, including Mitre and other football brands, the World Federation of the Sporting Goods Industry (WFSGI), United Nations International Children's Emergency Fund (UNICEF), Save the Children, Fédération Internationale de Football Association (FIFA), the Government of India, the Department of Labour, local Rotary clubs and local schools.

Extensive research was undertaken to identify the problems, how and why they come about, and determine the resources needed to improve the lives of both children and adults in a lasting way.

The programme includes the registering and monitoring of stitchers. If children are found helping out with ball stitching in the home, the SGFI helps them to reintegrate into local schools.

Mitre supports the SGFI's education programme for children and literacy tuition for parents.

The programme continues to be successful because it directly helps children, parents and their local communities through education, skills training, literacy classes, health care and community awareness.

For more information - www.sgfi.org



Children attending school under the SGFI programme.

Principle 6: The elimination of discrimination in respect of employment and occupation

Reaching the poorest

The most vulnerable workers are often not in the factory; they are temporary, under contract or working at home.

Codes of conduct were brought in by brands and retailers to identify and improve poor working conditions by addressing issues of health and safety, low wages and excessive working hours.

Brands and retailers, however, have mainly focussed on the factory where the final product is assembled.

Homeworkers may undertake intricate work by hand and are often paid a piece rate. They may not be guaranteed regular work, nor social security benefits. Many homeworkers are women.

Pentland has a no discrimination policy and we engage with our suppliers to improve working conditions for all workers, taking into consideration the cultural traditions of a particular country. We find homeworking in the stitching of some footballs and some footwear. While we acknowledge that sending work out of the factory is a risk, we also recognise that it can bring enormous benefits to marginalised people and communities.

When we first tackled child labour in the Sialkot/Pakistan soccer ball industry in the late 1990s, we realised that trying to centralise stitching in formal workplaces was not the answer. The programme effectively excluded the women, who made up over half the workforce. These women did not want to, or could not, come to the centres. A study also established that the piece rates of pay for football stitching were among the best available.



Homeworker in India.

The answer was to accept the need for stitching 'units' which could be smaller and in people's homes. A subsequent programme in India also accepted homework, registering units and stitchers, publicising piece rates and improving record keeping.

In our experience, establishing a paper trail, identifying training needs and linking up to other community initiatives has resulted in business benefits of improved quality as well as better working conditions for workers.

Principle 7: Businesses should support a precautionary approach to environmental challenges

RESPONSIBLE PACKAGING

Almost everything we buy comes in packaging. If it is not recycled, it ends up in landfill.



Brands, retailers and consumers all have a shared responsibility to help reduce the environmental impacts of packaging.

Following the lifecycle assessment work in our Responsible Products project in 2007, Pentland set objectives to firstly reduce product packaging, as well as use more sustainable, recycled and recyclable materials. We see these initiatives as part of our duty of care.

Improvements have been made across all brands during 2008. Speedo and Boxfresh have led the way with their fresh and innovative designs.

Speedo introduced new goggle packaging made of 100% recyclable Forest Stewardship Council (FSC)

approved cardboard, using vegetable based inks, and reusable goggle pouches partially made from swimsuit fabric cut offs. Speedo's efforts earned them a nomination for Best Green Packaging (Over £50k) at the 2008 Green Awards that recognise creative work in the area of sustainability.



Boxfresh have also developed unique designs for their shoe boxes, point of sale and swing tags using 100% recyclable FSC approved cardboard and vegetable based inks.



Forest Stewardship Council (FSC)

FSC is an independent, non-governmental, not for profit organisation established to promote the responsible management of the world's forests. FSC certified paper and cardboard comes from managed forests that meet the social, economic and ecological needs of present and future generations. www.fsc.org

Principle 8: undertake initiatives to promote greater environmental responsibility

2008 ENVIRONMENTAL AWARD WINNERS

We encourage all employees to help reduce the environmental impacts of our business.

Every year, our Chairman, Stephen Rubin, recognises and rewards outstanding achievements by companies, brands, sites and individuals across the Pentland Group through the Environmental Awards.

Best Overall Environmental Site Management:

Pentland Asia, Hong Kong Office for remarkable improvement during 2008 with their policy and action plan for energy, waste, communications and staff awareness.

Best Environmentally Responsible Product:

Lacoste Traceable Shoe Collection, an eco-friendly shoe collection (see page 9 for more details).

Speedo Goggle Packaging made from 100% recyclable card from FSC approved sources (see above for more details).

Best Overall Environmental Programme:

Kickers & KangaROOS UK for outstanding achievements in recycling, reduced energy consumption, staff awareness and community support.

Environmental Champion:

Dale Smith, Glover Distribution Centre for providing constant inspiration, guidance and leadership, managing community relationships and achieving ISO14001 accreditation for the site.

Lara Karpel, MIS for leading a new recycling initiative and motivating her colleagues.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

STEPS TO SUSTAINABILITY: LACOSTE FOOTWEAR

Finding a commercial balance between costs and more environmentally responsible products can be challenging.

Lacoste footwear designers and sourcing teams are working together towards more responsible products and have made some significant improvements at different stages of the product life cycle during 2008.

The concept began with a new product range called 'Traceable' which focused on materials. The leather was tanned using natural dyes; the rubber soles use 10-15% recycled content; the linings use recycled PET or bamboo; and the insoles are made from 50% recycled EVA.

Due in stores in early 2009, the 'Traceable' range kick started research and development that has infiltrated the entire Lacoste collection. Many Lacoste footwear suppliers reuse and recycle off-cuts of both EVA and rubber on site, streamlining the process, reducing waste and saving costs.

From 2009, all insoles in Lacoste's Sports and Sportswear ranges will be made of 50% recycled EVA content, and outer soles on Lacoste's best selling shoes will be made of 10-15% recycled rubber.

Steps towards more responsible products can be seen in many other Lacoste footwear initiatives such as sourcing leather and other materials as close to the place of manufacture as possible, and using water based adhesives where possible. All Lacoste shoe boxes are made from recycled cardboard, use soya based inks and are 100% recyclable.



Gifts and entertainment are a normal part of doing business around the world, but what happens when these acts of generosity come with an expectation for preferential service?

In Chinese society, a red envelope, known as Hong Bao in Mandarin and Lai See in Cantonese, is a monetary gift which is given at birthdays, weddings and special holidays such as Chinese New Year. Red is considered a lucky colour. There are similar customs in Vietnam, Thailand and Japan.

The line between genuine cultural customs and bribery can sometimes be hard to identify and can place company representatives in a compromising position.

Pentland has had a policy on gifts and entertainment for many years. We have conducted internal training and recognise that employees need and want more guidance.

The real difficulty comes when the policy is applied in different cultures. What is considered inappropriate in one culture can be normal and expected in another. We have had instances where inappropriate gifts or entertainment were offered by business partners, and people have also lost their jobs for misconduct in this area.

To help our employees manage this better, Pentland has decided to establish a Gift Register. The recipient or giver of a gift over a certain amount will be required to disclose their gift on a secure register which will be monitored by the Corporate Responsibility and Human Resources functions.

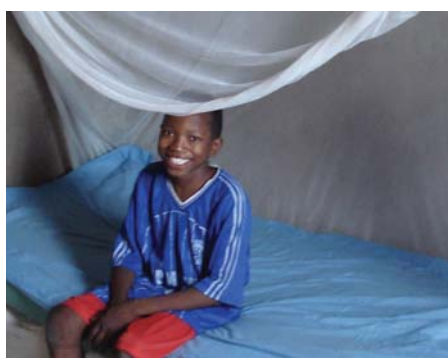
WORLD SWIM AGAINST MALARIA

SUPPORTED BY SPEEDO
speedo

Malaria claims at least 1.5 million lives a year, of which 70% are children under five. Malaria is a serious human rights issue which is both a cause and a consequence of poverty, and yet it is preventable and treatable.



Supermodel Alex Wek wearing Speedo swim suit.



Mosquito bed nets in Africa.

As a supporter of the Millennium Development Goals (MDGs), Pentland is committed to helping reduce global poverty and to increase the health and well being of all peoples. We understand that tackling malaria is a critical step towards these goals and are proud that Speedo is a founder sponsor of the World Swim Against Malaria (WSAM), a grassroots initiative that encourages people all over the world to swim and raise money to help prevent malaria.

Malaria is transferred by infected female mosquitoes carrying a parasite known as Plasmodium. The most effective way to prevent this tropical disease is by sleeping under simple mosquito bed nets which cost only US\$5 each.

Approximately 20 nets (costing US\$100) save one life. So for every US\$1.5m raised, 15,000 lives are saved. WSAM has raised over US\$2 million since 2005, 100% of which has been used to purchase bed nets for people in Africa, Asia and Pacific regions.

Every year, Speedo organises events around the world to raise money and awareness for malaria prevention. In 2008, over 1 million people swam for the cause and were encouraged to log how far they swam on the 'Speedo Swim Around the World' meter on the WSAM website.

Speedo have also produced a successful WSAM 2008 product range with a donation made for every item sold. So far, funds from the initiative have purchased 30,000 bed nets and saved 1500 lives.

The WSAM is part of the 'Against Malaria' global campaign which attracts participation from any sort of fundraising activities, not just swimming.

For more information -
www.worldswimagainstmalaria.com



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- 2 Airborne International Limited is the UK and Ireland Licensee for apparel, footwear and accessories under licence from Kickers International B.V.
- 3 Pentland Chaussures Limited is the worldwide Licensee for footwear under licence from Lacoste S.A.



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Pentland Group is a founding Member of the Ethical Trading Initiative, a Member of the World Federation of the Sporting Goods Industry, a Council Supporter of the International Business Leaders Forum and a Signatory to the UN Global Compact.

We welcome comments and feedback.
Please contact:
corporateresponsibility@pentland.com

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