

Advancing
human rights

Training our
people

Safeguarding
migrant workers

Protecting
children

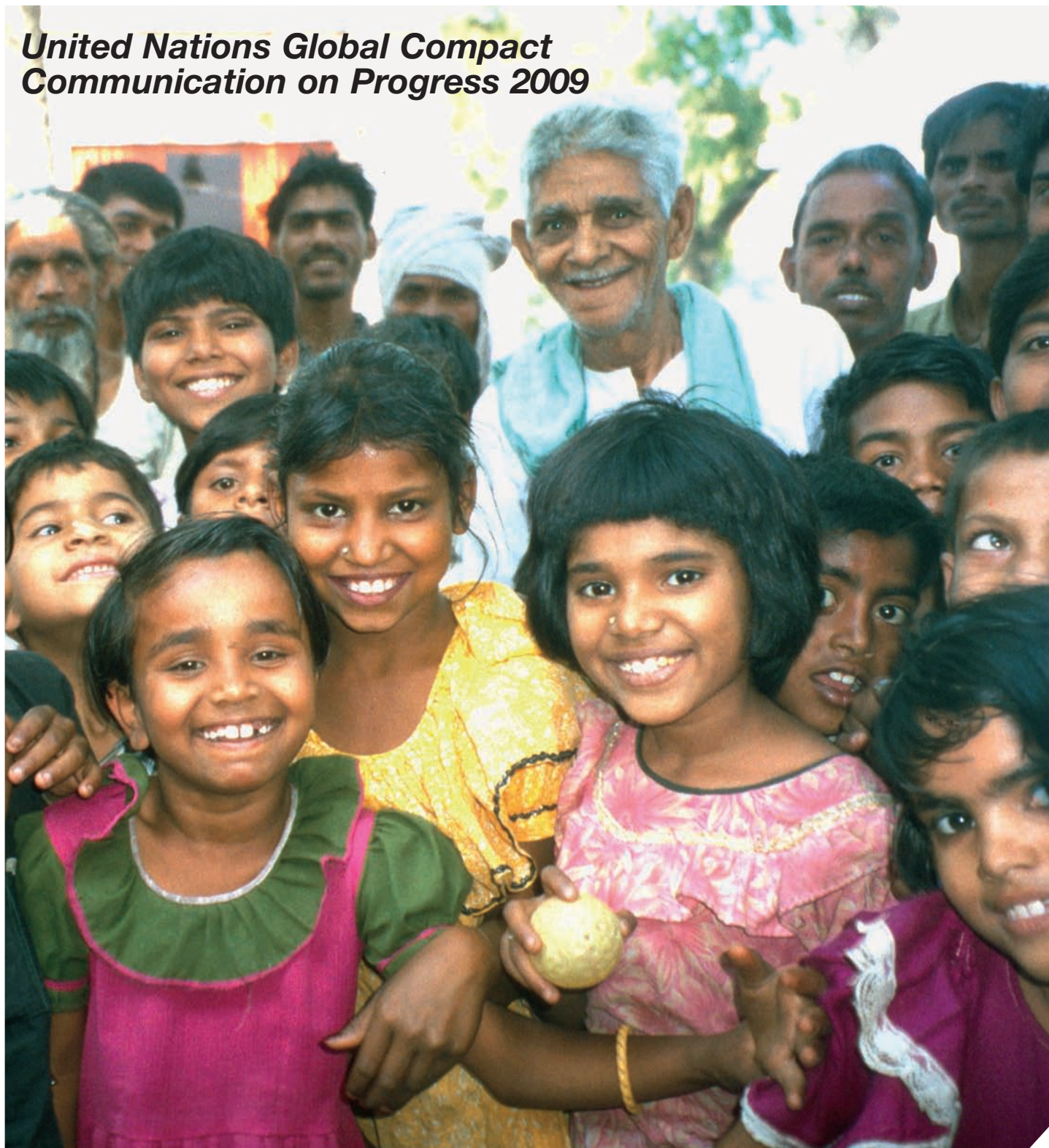
Fighting
corruption

Corporate Responsibility Review

Winter 2009/10

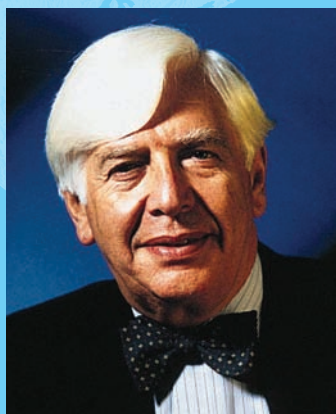


United Nations Global Compact Communication on Progress 2009



*Message from the
Chairman*

SUPPORTING THE UNITED NATIONS GLOBAL COMPACT



R Stephen Rubin.

At Pentland, our goal is to engage with as many people as possible in support of human rights, the natural environment and the communities in which we operate.

As a Signatory to the United Nations Global Compact (UNGC), we are committed to aligning our business with the ten UNGC Universal Principles. This edition of our Corporate Responsibility Review reports on our progress towards these Principles during 2009.

We continue to work with the Ethical Trading Initiative (ETI), the World Federation of the Sporting Goods Industry (WFSGI) and the International Business Leaders Forum (IBLF) to address challenges and opportunities within our

industry and our supply chain because we believe this to be the best way to find sustainable solutions.

In recognition of the role that companies can play in initiating and driving change, this year we have supported two new initiatives around climate change and one for human rights.

In support of climate change, we have committed to Seal the Deal and the Prince's Rainforest Project. We are also sponsors of the University College London (UCL) Institute for Human Rights, an initiative which will provide an invaluable contribution to the protection and advancement of human rights.

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 catalyse their actions in support of broader UN goals, including the Millennium Development Goals (MDGs).

www.unglobalcompact.com
www.un.org/millenniumgoals/

COMMUNICATION ON PROGRESS

As a Signatory to the UN Global Compact (UNGC), we are asked to produce a Communication On Progress (COP) each year to report on how we are aligning our operations and strategies with the ten UNGC Principles.

Our COP reports from previous years include:

- **In for the long term 2005**
- **Pentland's Footprint Around the World 2006**
- **Responsible Products – Concepts and Consequences 2007**
- **Corporate Responsibility Review, Winter 2008/09**

Our COPs are available on
www.pentland.com



Worker in India.

HUMAN RIGHTS

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



Dr Saladin Meckled-Garcia and Dr George Letsas from UCL, Mr Stephen Rubin and Miss Ingelise Jones from Pentland, and Professor Dame Hazel Genn from UCL.

Advancing human rights

Pentland's support for the protection and advancement of human rights globally extends beyond our operations and industry partnerships.

We acknowledge the role that academia can play and are proud to support the new University College London (UCL) Institute for Human Rights in London, UK.

UCL offers both international and UK expertise in human rights. The Institute is dedicated to advancing the theory and practice of human rights and aims to establish collaborative projects and innovative partnerships between academia and practical non-academic partners, as well as

facilitating public engagements, human rights legal clinics and training courses.

Pentland's Chairman Stephen Rubin, a fellow of UCL, spoke at the Institute's launch in October 2009.

Pentland will sponsor the UCL Institute for Human Rights Symposia, a twice yearly event designed to attract experts from many disciplines including law, politics, biomedical science and philosophy to address current human rights issues.

We also support UCL's Human Rights programme in other ways, including the original donation of the Rubin Building at the London campus and an annual internship with Pentland's Corporate Responsibility Department.

For more information
<http://www.ucl.ac.uk/human-rights/>

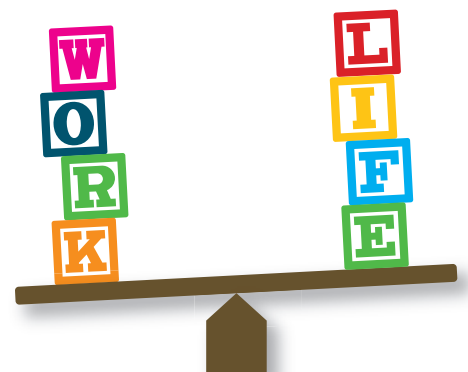
BALANCING WORK AND LIFE

We believe that a successful business considers the welfare of its employees by encouraging the balance of work and life.

Rights at work, rights to family life, to an adequate standard of living, and to health are established in the International Covenant on Economic, Social and Cultural Rights (1966) of the United Nations. It was recognised that these rights can be constrained by resources but states are obliged to realise them progressively. Companies employing people in a responsible way can facilitate the realisation of these rights.

To raise the awareness of work-life balance as a business issue and to demonstrate the company's commitment to improve, Pentland Asia took part in a Work-Life Balance Day in October 2009. Events were promoted by Community Business, a non-profit organisation based in Hong Kong.

All of the Pentland Asia offices participated including Shenzhen, Dongguan, Ho Chi Minh City and Bangkok. Each office organised activities to suit local interests and needs. Staff were encouraged to have a flexible lunch break and leave on time. Activities included neck and shoulder massages, healthy fruit baskets and morning yoga classes.



HUMAN RIGHTS

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



Workers in a factory in China.

Training our people

Training our employees is an important aspect of Pentland's Corporate Responsibility programme.

In 2009, 376 individuals received 1,025 hours of Corporate Responsibility (CR) training at eight Pentland locations across six countries. Attendees ranged from new starters to senior management.

The CR Department offers a range of training options:

We need to know about working conditions in the countries we buy

from. It helps us make more informed, responsible and sustainable decisions. CR awareness training covers the main issues, challenges and opportunities we face.

For new starters: The 'Introduction to Corporate Responsibility' training course is now part of the induction programme managed by Human Resources Department for new employees worldwide.

For sourcing teams: With many sourcing activities and team members moving from the UK to Asia in 2009, the CR team launched a new Ethical Sourcing Strategy and Process. Additional training is offered to these employees both formally and on the job in supplier factories.



Case Study: Improving Chemical Safety in the Workplace

Manufacturing footwear, equipment and garments involves the use of toxic chemicals that can be dangerous to both workers and the environment. It is a human right for workers to know and understand the risks of the chemicals they use in the workplace.

We conducted chemical safety awareness training at a supplier factory in south China during 2009. The training was designed for supervisors and workers. It covered correct handling of chemicals and good practice for personal protective equipment.



An illustration of bad practice used to provoke discussion.

Plans for 2010 include the further development and roll out of this training to additional suppliers. This training complements the publication 'Hazardous Chemicals in Factories', a resource for supplier factories available in English or Chinese. Contact the Corporate Responsibility Department for copies.

LABOUR STANDARDS

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

FACILITATING FREEDOM OF ASSOCIATION IN INDONESIA

Many factories in Indonesia have unions but best practice has yet to be established.

Members of the World Federation of the Sporting Goods Industry (WFSGI) Corporate Responsibility Committee and some of their suppliers are working together with Oxfam Australia, the International Textile, Garment & Leather Workers' Federation (ITGLWF), the Clean Clothes Campaign and several local unions in Indonesia.

Indonesia ratified the International Labour Convention (ILO) 87 on Freedom of Association and Protection of the Right to Organise in 1998. Free and independent trade unions have rapidly developed since that time in many workplaces.



Participants in communications training for workers and management in a Chinese factory.

Improving communications in China

We have been working with six suppliers in China to improve communications between workers and management.

During 2009, five factories have been visited to establish the impact of the work.

Although communications have improved between workers and management, it is clear that without more consistent intervention and support, the structures that were established will remain weak and relatively ineffective.

Since the start of the project, unions affiliated to the All China Federation of Trade Unions (ACFTU) have been established in some of the factories. We conducted a survey among our suppliers to establish capacity. We also discussed how we might be able to work together to strengthen these representative structures through the ACFTU training centres in Shenzhen and Dongguan.

The All China Federation of Trades Unions (ACFTU) is the sole legal workers' organisation in China. Up until recently the ACFTU have not been very active in the private sector, but this is now changing.



WORLD FEDERATION OF THE SPORTING GOODS INDUSTRY

Pentland is a Member of the World Federation of the Sporting Goods Industry (WFSGI), an independent non-profit association that supports and coordinates cooperation and collaboration across the industry in areas such as corporate social responsibility, trade and intellectual property. The WFSGI is the officially recognised industry representative for the International Olympic Committee (IOC). www.wfsgi.org

GUIDELINES TO SUPPORT POLICIES

In 2009, Pentland has developed and issued operational guidelines on: • **Migrant workers** • Child Labour • Homeworkers

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

Safeguarding migrant workers

Migrant workers can be vulnerable when they don't know their rights.

Some migrant workers may find themselves in a situation of bonded labour. This may be because to secure work in another country, they have taken on debt which they find difficult to pay off, and their contracts are inflexible.

Labour shortages are emerging in many countries where we source product. Suppliers are therefore hiring workers from other countries and regions. These workers, however, do not always know their rights.

We believe the key to safeguarding workers' rights is improving recruitment procedures. The guiding principle is to avoid discrimination and ensure that migrant and local workers are treated equally. We have developed the following guidelines during 2009 to frame our discussions with our suppliers:

- All legal requirements regarding recruitment of migrant workers should be met.
- The conventions of the International Labour Organisation (ILO) recommend that all costs associated with the hiring of workers, should be borne by the employer. A worker should not have to pay the recruiting agency for the work.
- Return travel fares to the factory should be funded by the employer and not be subject to minimum periods of work. Workers who become pregnant in the course of the contract should have their return air fares paid.



Migrant worker. Source: Still Pictures

- The contract should be in the language of the worker, and should be between the employer and the worker and agreed before the worker travels to the country of work. The clauses should be explained in simple language, so that they are clear and not able to be misinterpreted.
- Direct recruitment is preferable, but not always possible. If recruitment agencies are used, these should be registered businesses according to law and there should be a contract between the agency and the final employer. Records should be held of any dealings with agents and the requirements indicated above should apply.
- Any medicals and related vaccinations should be paid for by the employer.
- Information concerning health checks of the worker should remain confidential other than indicating the worker's ability to do the work.

GUIDELINES TO SUPPORT POLICIES

In 2009, Pentland has developed and issued operational guidelines on: • Migrant workers • **Child Labour** • Homeworkers

Principle 5: Businesses should uphold the effective abolition of child labour

Children in school in Sialkot, Pakistan.



or below the statutory minimum working age if this is higher.

The Pentland Guidelines on Child Labour explain the definitions from key international conventions, outline the main areas in which child labour is found in our sector, and summarise the guiding principles for remediation. In every case, the best interest of the child comes first. It is also important to understand the needs, circumstances and aspirations of the child and his/her family and the factors which push the child into work.

There are three main areas of concern:

Young workers in factories between the minimum working age and 18

Usually there are laws which govern working conditions for these workers, such as no hazardous work and no night work or overtime. Often factories need to be informed of these laws.

Verification of age

Clear procedures for hiring workers are often not developed and verification of age is not straightforward in many countries. Usually there are some good practice guidelines developed by local organisations which can be recommended to factories.

Children working with their families as homeworkers

If the work is not hazardous and the children are attending school, then within certain parameters, they can help out. However where there is poverty, significant migrant communities and inadequate schooling, measures must be taken to prevent harm to the child. Research, consultation and remediation is essential to make sure that the rights of the child are upheld.

Protecting children

Child labour is a form of exploitation and a violation of human rights. It is always unacceptable.

Although the international community and almost all governments have a policy to abolish child labour, it still happens and is found worldwide. It exists in many industries and in most of the countries in which we live and do business.

Child labour is work which is hazardous, interferes with the child's education, or is

harmful to the child's health, or physical, mental, spiritual, moral or social development.

At Pentland, we value and respect the rights of all people, and support the abolition of child labour. Our policy is to not buy from factories that employ, directly or indirectly, children under the age of 14,

GUIDELINES TO SUPPORT POLICIES

In 2009, Pentland has developed and issued operational guidelines on: • Migrant workers • Child Labour • **Homeworkers**

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

Preventing discrimination of homeworkers

Homeworkers, by the very nature of their work, can sometimes be overlooked or not included in provisions for safe and fair working conditions such as insurance, social security, health and safety, fair wages and worker representation.

Homeworkers are generally 'out of sight' and receive their work through intermediary agents.

Our suppliers around the world manage seasonal and irregular demand for product by using contract workers, temporary workers, homeworkers and subcontractors, especially for unskilled work.

The production of moccasins and footballs in our supply chain uses homeworkers consistently. We work with our suppliers to identify good practice for these workers

and extend such good practices through the sector where possible.

We are currently undertaking a study with a local non-governmental organisation in Tamil Nadu, India, of the working conditions of homeworking in the shoe industry.

The areas most critical to work on include:

- **Health and safety:**
 - Assessments should be made by the principal employer.
 - Provisions should be made for equipment such as first aid kits and personal protective equipment, accident / health insurance.
 - Factories should ensure that homework does not entail the use of harmful or dangerous substances, or equipment that does not conform to current safety standards.
- **Calculations of piece rate** with reference to at least the relevant minimum wage.
- **Training procedures** for homeworkers.
- **Payments** for raw materials and personal protective equipment.
- **Accident insurance and social security** provision.
- **Representation** to communicate with management and give workers a voice.



Homeworkers in Jalandhar, India.

ENVIRONMENT

CLIMATE CHANGE

UN Secretary-General Ban Ki-Moon has called climate change the “defining challenge” of our generation. Finding solutions to climate change and reducing our carbon emissions is a responsibility shared by everyone – governments, organisations, businesses and individuals.

In 2009, Pentland has supported:

The Prince's Rainforest Project, set up by HRH The Prince of Wales to gather as much support as possible from companies and individuals worldwide to help 'make rainforests worth more alive than dead' ahead of global climate change negotiations in Copenhagen in December 2009.

Seal the Deal, an initiative in partnership with UN Global Compact to galvanise political will and public support to the world's Heads of State and Government gathering at UN Headquarters in September 2009. Testimonials from company CEOs were published on the UN Global Compact website.

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



INCREASING ENERGY EFFICIENCY



JDSports.co.uk

With over 450 retail stores across the UK and Ireland, JD Sports, a Pentland Group company, is acutely aware of the cost of energy, both financially and for the environment.

Over the last 18 months, they have made outstanding progress with the implementation of an impressive energy project. All store managers receive environmental training and all employees are encouraged to take responsibility for saving energy. More than 200 UK retail stores are now fitted with half hour meters to allow for more accurate energy use monitoring, with all remaining stores due to be fitted in 2010.

JD Sports also has a policy to use renewable energy where possible. Stores in Ireland now get 80% of their energy from wind power and in the UK, 70% of their energy supply comes from renewable sources.

MANAGING RESTRICTED SUBSTANCES



We strive to make products that meet quality and safety standards for the protection of workers, consumers and the environment. This includes the management of chemicals that are subject to legal limits or bans in the finished product, known as 'restricted substances'.

For over eight years, Pentland has had a restricted substances policy, guidelines and testing programme. To strengthen our efforts, we have enhanced our programme in 2009. We are focusing on improving the way we manage risks by working with suppliers and delivering internal training across product development, design, sourcing, and marketing functions. Our Pentland Restricted Substances Requirements & Guidelines is available on www.pentland.com

Principle 8: Undertake initiatives to promote greater environmental responsibility

AWARDING EXCELLENCE

Pentland's annual Chairman's Environment Awards recognise outstanding efforts by brands, offices and warehouses.

The 2009 winners are:

-  **Speedo for Best Overall Brand Environment Programme**
-  **Pentland Distribution Services - Blackburn for Best Energy Management**
-  **Glover Distribution Centre, Sunderland, for Best Overall Environment Management**

REDUCING ENERGY CONSUMPTION AND WASTE



An essential part of minimising our impacts on the environment is the reduction of energy consumption and waste to landfill.

In 2002, we set ourselves goals to reduce energy consumption and waste to landfill by 20% by 2012. At the end of 2009, we are proud to say that we have already reduced energy by about 18% like for like across our UK sites. We have also reduced our waste to landfill by 70%.

Our success has largely been due to the support from management and the efforts of environmental champions at every Pentland location who have helped raise awareness and engage colleagues to act.

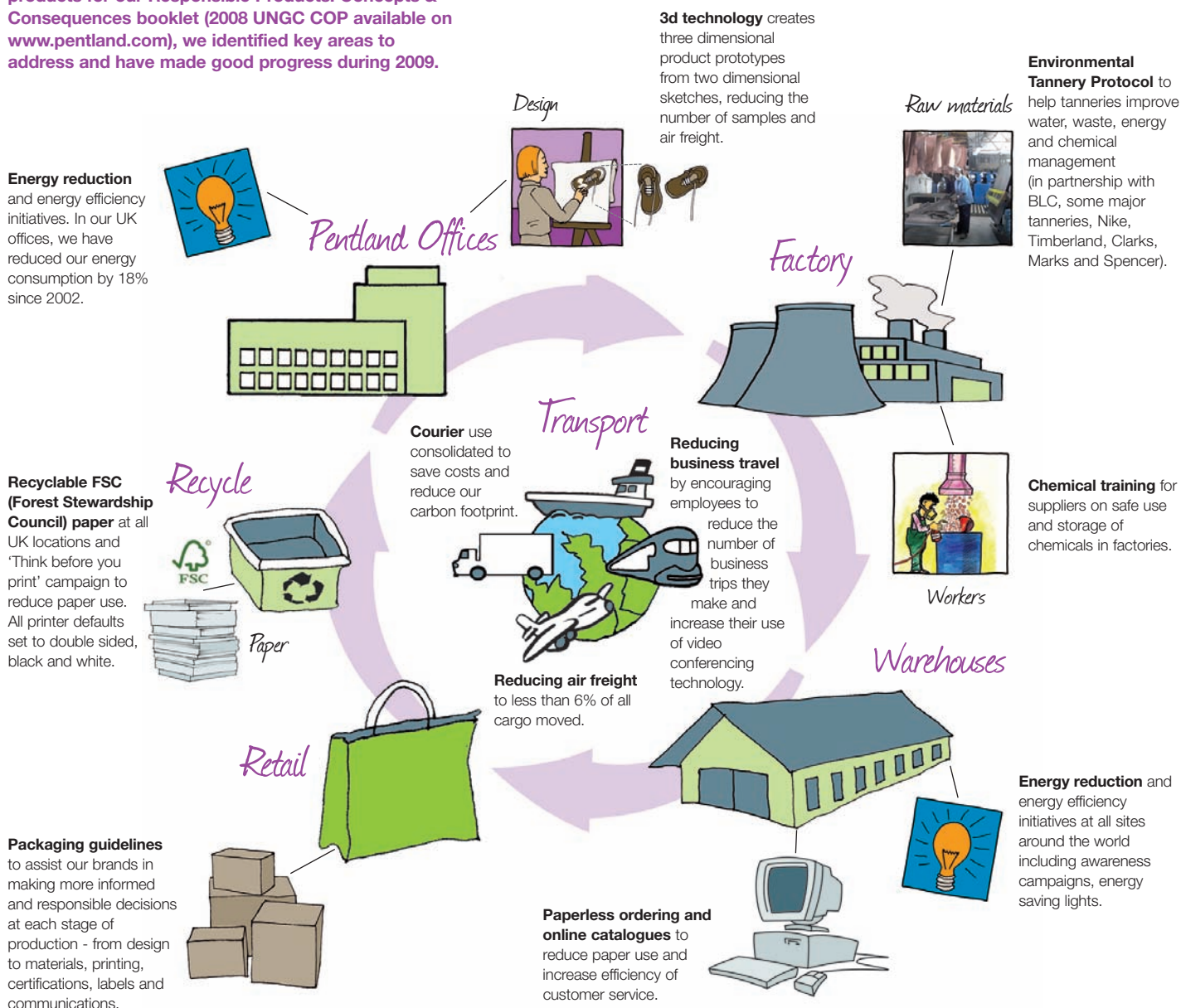
ENVIRONMENT

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

Harnessing technology for sustainability

Reducing the environmental impacts throughout the product lifecycle has been a focus for Pentland over the last three years.

Following our research into the lifecycle of five typical products for our Responsible Products: Concepts & Consequences booklet (2008 UNGC COP available on www.pentland.com), we identified key areas to address and have made good progress during 2009.



ANTI-CORRUPTION

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

Fighting corruption

Our success depends on quality products that meet consumer expectations. It is therefore essential to protect our brands' heritage and company integrity by preventing corruption.



Several departments across Pentland are involved in helping to prevent and address corruption.

Corporate Security

Our Corporate Security team works closely with our global businesses to prevent counterfeit and corruption. They monitor and investigate trade mark infringements of brands either owned or licensed by Pentland. In Asia, and in particular, China, they engage in regular market and factory visits and assist the Chinese authorities to raid factories with counterfeit production. They also have a successful internet investigation programme where various sites around the world are monitored for

unlicensed sales and counterfeit.

The Corporate Security team consists of former police officers who offer expertise in criminal investigations and a global network of contacts. Pentland is a member of the Anti-Counterfeiting Group in the UK, who lobby government on intellectual property issues and act as a hub for law enforcement and brand protection. In 2009, the team has dealt with 34 suspect importation cases in the UK and removed over 900 internet sites involved in selling counterfeit footwear and clothing.

Risk, Assurance and Internal Audit

In 2009, Pentland created a new Risk and Assurance function to enhance the effective delivery of our risk management

strategy and processes, which includes ethics and corruption. Reporting to senior management, this role will monitor trends, facilitate discussions, share best practice and use risk management to inform decision makers to take effective action.

Gift Register

In 2009, training was delivered in Pentland Asia to support the roll-out of the Anti-Corruption Policy and Gift Register. Employees who give or receive a gift over a certain amount are required to disclose their gift and its value on a secure gift register. The register and associated training will be rolled out in other offices around the world in 2010.

Helping others

Our passion for the performance and quality of our products extends to the entire product lifecycle. This means preventing products from being sent to landfill and encouraging the reuse of products by donating to charities and recycling where possible.

GIVING TO CHARITY

When we have surplus products, we give what we can to charity. One of our recipients is In Kind Direct, a charity founded by The Prince of Wales in 1996, which is dedicated to collecting and distributing products from manufacturers and retailers to other charities in need.

Pentland has been a supporter of In Kind Direct since 1999 and our CEO, Andy Rubin, has been a trustee for the last 10 years. In 2009, our support has helped a range of charities including Mission Without Borders in Eastern Europe, as well as Barnardo's, Action for Children and Mental Health Matters in the UK. Our products have also been donated to many local hospices, community centres, homeless shelters and elderly outreach projects.

For more information www.inkinddirect.org

DONATING FOR D DAY

Our employees are also consumers and understand how important it is to reuse products and give what they no longer need to charity.

In 2009, Pentland employees at our London headquarters donated over 400 good quality items of clothing, footwear and homewares to the local Cancer Research UK charity retail store.

Our donations sold for an estimated £3,000, which will be used to fund research into the prevention, diagnosis and treatment of cancers. Cancer Research UK is the world's leading independent organisation dedicated to cancer research.

Inspired by Mary Portas' popular BBC TV programme, D Day not only supports charities by making money from sold items, it also aims to improve the quality and quantity of donations, and encourage reuse rather than sending unwanted goods to landfill. Any textiles or materials from our donation that cannot be sold will be recycled. Due to the success of D Day, Pentland will run similar donation days in 2010.

For more information

www.cancerresearchuk.org and www.ddaydonate.charityshops.org.uk/



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3. Pentland Chaussures Limited is the worldwide Licensee for footwear under licence from Lacoste S.A.
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Pentland Group plc
Lakeside, Squires Lane
London N3 2QL
England
Tel: +44 (0)20 8346 2600
Facsimile: +44 (0)20 8346 2700
www.pentland.com
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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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Forest Stewardship Council



Eco-Management and Audit Scheme



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