

Our Responsibility

2013

Pentland Group
Corporate Responsibility Review



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About Pentland Group

Pentland Group plc is a privately owned, global brand management company with wholesale and retail businesses in sports, outdoor and fashion.

Founded in the 1930s in Liverpool by the current Chairman's parents, Pentland started as a small shoe business and has grown into one of the largest private companies in the United Kingdom. Pentland is a member of the **Institute of Family Business** and the **Unquoted Companies Group**.

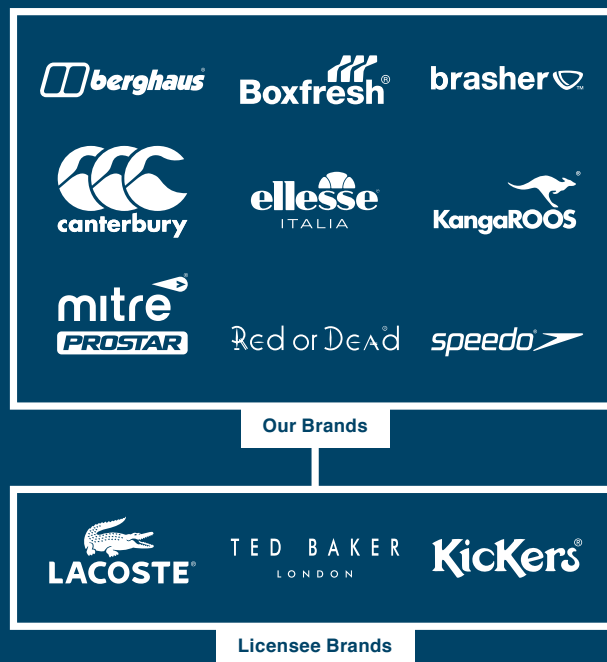
In 2013 the business achieved consolidated global turnover (*excluding licensees*) of \$3 billion.

Pentland has sales in nearly *200 countries* across Europe, the Americas, Asia, the Middle East, Africa and Australasia, and *19,000 employees*.

Portfolio

Through our wholly-owned subsidiary **Pentland Brands**, we manage sports, outdoor and fashion brands including **Berghaus**, **Boxfresh**, **brasher**, **Canterbury**, **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 the license for **Kickers** in the UK and Ireland.

The Group holds a variety of other shareholdings, including a 57% controlling stake in **JD Sports Fashion plc**, which operates a portfolio of retail fascias including: **JD Sports**, **Bank**, **Blacks**, **Millets**, **Scotts**, **Size?**, **Champion**, **Chausport**, **Sprinter** and **Tessuti**.



Global Reach

Pentland Group's headquarters are in London, UK. Within the UK, we also have offices in **Nottingham**, **Reddish**, **Sunderland** and **Wakefield**, and distribution centres in **Blackburn**, **Sunderland** and **Wakefield**.

We maintain a significant presence in Hong Kong, where we formed a sourcing company in the early 1960s. Our other Asia Pacific bases include **Auckland** (*New Zealand*), **Bangkok** (*Thailand*), **Brisbane** and **Sydney** (*Australia*), **Chennai** (*India*), **Jakarta** (*Indonesia*), **Ho Chi Minh City** (*Vietnam*), **Shenzhen** (*China*), and **Tokyo** (*Japan*).

In North America we have offices in **New York** (*USA*), **Montreal** and **Toronto** (*Canada*), and in mainland Europe we have a presence in **Paris** (*France*) and **Bad Reichenhall** (*Germany*).

About this Review

This Review presents Pentland Group's approach to being a responsible business and an overview of our corporate responsibility activities during the 2013 calendar year.

It covers the companies and brands wholly-owned by Pentland Group. Where appropriate, it includes information relating to JD Sports Fashion, in which Pentland Group holds a significant stake but does not exercise direct management control. JD Sports Fashion also reports separately on its corporate responsibility activities through its own Annual Report and Accounts.

This Review comprises our 2013 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 a participant in the UNGC, we have committed to reporting annually on our progress in each of these areas.

UN Global Compact: Ten Principles

Businesses should:			
Human Rights	1	Support and respect the protection of internationally proclaimed human rights.	Ethical Trade, Page 33 Our People, Page 43
	2	Make sure they are not complicit in human rights abuses.	
Labour Rights	3	Uphold the freedom of association and the effective recognition of the right to collective bargaining.	Ethical Trade, Page 33
	4	Uphold the elimination of all forms of forced and compulsory labour.	
	5	Uphold the effective abolition of child labour.	
	6	Uphold the elimination of discrimination in respect of employment and occupation.	
Environment	7	Support a precautionary approach to environmental challenges.	Product Sustainability, Page 17
	8	Undertake initiatives to promote greater environmental responsibility.	
	9	Encourage the development and diffusion of environmentally-friendly technologies.	Environmental Efficiency, Page 25
Anti-Corruption	10	Work against corruption in all its forms, including extortion and bribery.	Our Approach, Page 09

Introduction

“In this, our **2013 Corporate Responsibility Review**, we give an overview of the work we are doing in our four priority areas: product sustainability, environmental efficiency, ethical trade and community, as well as our efforts to be a ‘great place to work’.

Over the past 18 months, factory accidents have served as a sad reminder of the importance of doing business responsibly, with partners we trust and that share our high ethical standards. As an industry we must collaborate to reduce the risk of such incidents happening again.

We are proud to be a member of multilateral alliances such as the **Ethical Trading Initiative**, which brings together companies, trade unions and non-governmental organisations. By providing a forum for constructive discussion and debate on labour issues, ETI helps put its members in a good position to improve working conditions on the ground.



We are also proud of our longstanding manufacturing partnerships – several of which exceed 10, 20, and even 30 years. A good working relationship with our manufacturers is absolutely vital for the success of our ethical trade programme.

Each of our brands and businesses takes responsibility for their ethical and environmental performance, and we provide them with the guidance and support necessary to meet our standards. Within Pentland we have a fantastic network of product and supply chain professionals, and I am delighted to see increasing collaboration and knowledge sharing between our brands.

This Review constitutes our latest communication on progress to the **UN Global Compact**, an organisation with a significant role to play in raising awareness across the private sector of the world's prevailing social and environmental issues. I am delighted to use this medium to once again renew our commitment to the UN Global Compact.”

R Stephen Rubin

Chairman,
Pentland Group plc



Our Approach

We believe in doing business responsibly, with respect for people and the environment, and we expect everyone who works for Pentland Group to do business the right way.

Our Standards

During 2013 we developed a revised set of **Pentland Group Standards** which make clear our commitments and expectations with regard to:

The way we treat our people, and the way they behave.

The way we work with our customers and other business partners.

The way our manufacturing partners treat the people who make our products.

The environmental efficiency of our operations.

Our way of doing business, ethically and with integrity.

For Group companies where Pentland holds 50% or more of the share capital, we expect each company to develop and implement detailed policies and procedures that enable these standards to be met, and that reflect the specific character and requirements of their businesses and the environment in which they operate. Pentland Brands will introduce these Standards across the business in 2014, as an update to its existing Business Standards Policies.

Corporate Responsibility Priorities

We are committed to taking steps that improve working conditions in our supply chain and reduce the impact of our activities on the environment.

Corporate Responsibility (CR) activities at Pentland Brands focus on four strategic areas: product sustainability, environmental efficiency, ethical trade, and support for charities and community organisations.

Product sustainability and ethical trade are our most material issues; that is, the areas in which we can make the most significant contribution and that pose the greatest risk to our business.



Overview of CR at Pentland Brands

	Objective	Focus Area
Product Sustainability	To reduce environmental impacts across our products' life cycles.	<ul style="list-style-type: none"> Materials sustainability Packaging sustainability Restricted substances management Supply chain environmental footprint Product end-of-life
Environmental Efficiency	To reduce the environmental impact of our business operations.	<ul style="list-style-type: none"> Facilities energy use / carbon footprint Business travel Water use Waste and recycling
Ethical Trade	To conduct business honestly, fairly and with respect for people, their dignity and their rights.	<ul style="list-style-type: none"> Robust ethical trade processes Long-term manufacturer relationships Improving working conditions
Community and Charity	To contribute positively to the communities in which we operate.	<ul style="list-style-type: none"> Charitable giving Fundraising Employee volunteering Product donations

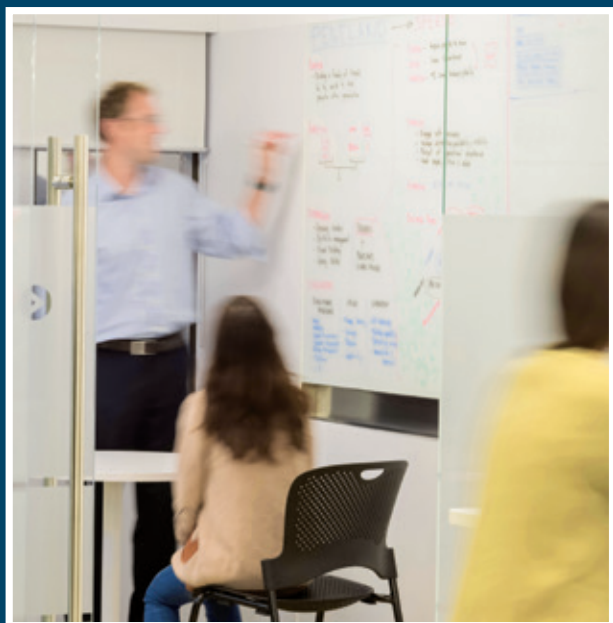
CR Management and Governance

Pentland Brands' CR team is based in London, Hong Kong and Shenzhen, and manages CR initiatives in collaboration with colleagues from across the business.

Close partnerships with representatives from each brand and facility enable the team to ensure that Pentland standards are applied consistently, and that we share examples of good practice and information about new collaboration opportunities.

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. He has oversight of all Pentland Group's CR activities. Within Pentland Brands, the Chief Operating Officer is responsible for CR-related issues.

Engaging Employees on CR



Everyone who works for Pentland has a role to play in meeting our corporate responsibility objectives, so it is important that we engage regularly with our employees to explain the steps we are taking and listen to their opinions on what we could do differently.

New starters receive an overview of CR as part of their Pentland Brands induction. Over 100 employees from the UK and Europe attended induction workshops at our London headquarters in 2013, with a further 52 new joiners receiving a CR induction at our Asian offices.

Regular blog posts and a biannual internal newsletter provided employees with updates on our CR activities during 2013. These will be replaced in early 2014 by the new '**MyPentland**' intranet for Pentland Brands employees, which has a dedicated CR area that provides up-to-date news on ethical and environmental activities within Pentland and in our industry more broadly.

See *Our People*, **page 43** for more on employee engagement.

External Stakeholders

We have formed longstanding partnerships with industry groups and non-governmental organisations that support CR progress at Pentland and within our industry more broadly. Collaborations are profiled in relevant sections throughout this Review.

Throughout the year, we receive enquiries about CR-related issues from our business partners and consumers. During 2013, enquiries most frequently related to our ethical trade commitments and processes, the chemicals used in the manufacture of our products, and animal welfare in relation to the materials used to make our products.

Academic collaborations

Through our partnership with **University College London**, we have long supported research and debate on human rights.

Now, a new collaboration between Pentland and **Lancaster University** will support academic research on sustainability, ethical trade, and how business can have a positive impact in a constantly changing environment. Launched in December 2013, an initial five-year partnership will establish a research hub, the **Pentland Centre**, as well as a dedicated post to focus on sustainability in business.

Drawing on expertise from across the university, including the **Lancaster University Management School** and the **Lancaster Environment Centre**, the Pentland Centre will be a hub that brings together the latest global views from across academic disciplines with business and economic perspectives to develop opportunities, understand risks and challenge the status quo.

In Profile

World Federation of the Sporting Goods Industry

The **World Federation of the Sporting Goods Industry (WFSGI)** is an independent, non-profit association that represents the sporting goods industry on a global level, and supports and coordinates industry collaboration in areas such as CR, trade, physical activity and intellectual property. Pentland Group Chairman, Stephen Rubin, is Honorary President of the WFSGI, and Pentland Brands' CEO is a Vice President and active board member. Pentland Brands sits on several WFSGI committees – including the **Corporate Social Responsibility Committee**, of which it is a Vice Chair.

In December 2013, WFSGI brought the world's leading sporting goods brands and manufacturers together in Taipei, Taiwan, to discuss the future of sporting goods manufacturing. Academic and industry speakers emphasised the importance of efficiency and sustainability, and discussed the role that innovative technologies such as 3D printing might play.

In Profile

“There is a need for a new wave of thinking around sustainable design and manufacturing. We anticipate significant changes in how sports products are designed and manufactured – including a shift towards a higher level of automation, digital manufacturing technologies, customisation, and greater collaboration between brands and suppliers to ensure products are *‘designed for manufacturing’*.”

Robbert de Kock
Secretary General,
WFSGI



Product Sustainability

Our Group's products include footwear, apparel, sports and outdoor equipment, and accessories. We are conscious that manufacturing and transporting these products has an environmental impact, and encourage each of our brands to look for commercially-viable opportunities to reduce their footprint.

Materials and Packaging Sustainability

Our products are primarily made using leather, rubber, cotton and synthetic materials. We investigate ways to source these materials more sustainably, as well as alternative materials that may have a lower environmental impact but that are still cost-effective, of a high quality, and deliver the necessary technical performance.

We are members of the **Leather Working Group**, an organisation that measures the environmental impact of tanneries and encourages them to reduce these impacts. Around a third of the tanneries that supply Lacoste's footwear factories – *our largest leather user by volume* – are Leather Working Group members. Lacoste encourages its other existing tanneries to join, and considers Leather Working Group membership a positive factor when sourcing new leather suppliers.

We also take steps to reduce the quantity of pulp and paper required for packaging, by encouraging our brands to follow the '*reduce, reuse, recycle*' principle.

For example:

- Redesigning packaging can help to significantly reduce material use. Mitre has reduced its sock packaging by 46%, while Speedo has slimmed down its watch and MP3 player packaging by 88% and 56% respectively.
- Mitre has also redesigned its goalkeeping glove packaging to double as protective storage that consumers can reuse to prolong the life of their gloves. The packaging also has heat-sealed seams that eliminate the use of glue.
- Berghaus packages all its footwear in 100% recycled and recyclable shoe boxes that are printed with soya-based inks. It is reducing the number of paper swing tickets used on all products, and its retail stores provide customers with 100% recycled paper bags.



JD Sports Fashion stores used around 28 million carrier bags in 2013. Around 31% of these are high quality, reusable drawstring duffle bags. 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 stores in the Republic of Ireland use paper bags, and the business complies with the carrier bag charge scheme in Wales and Northern Ireland.

Sustainable Apparel Coalition

Formed in 2011, the **Sustainable Apparel Coalition (SAC)** is our industry's leading collaboration on product sustainability.

A trade organisation comprised of brands, retailers, manufacturers, government and non-governmental organisations, and academic experts, the SAC membership represents more than a third of the global apparel and footwear market.

Its main focus is the **Higg Index**, a suite of tools that help brands to measure and compare the environmental and social impacts of apparel and footwear products. An updated version, Higg Index 2.0, was launched in December 2013.

Pentland is a founder member of the SAC, and we have been involved in the development of the Higg Index.

In Profile



“With the Higg Index, we are working to standardise the way sustainability is measured and talked about across the apparel and footwear value chain, and to help member brands scale up their product sustainability activities.

Our members’ efforts to test and provide feedback on each iteration of the Index is vital for this.”

Jason Kibbey
Executive Director,
Sustainable Apparel Coalition

Efficient Design and Manufacturing

We take steps to make the design and manufacturing process more efficient.

When developing a new product, brands ask their manufacturers to make a series of samples that can be reviewed and used to amend or approve the design and materials used. Increasingly, we are using 3D design and printing to make this process more efficient for footwear and equipment such as swimming goggles. This cuts down the number of physical samples that are manufactured and transported, reducing the resources and time required for sampling, as well as air freight.

A significant portion of our environmental footprint is indirect: the result of activities in our supply chain. We do not have direct control over the environmental efficiency of our supply chain, but we do have a role to play in influencing our manufacturing partners to making their operations more efficient.

In 2012, we were part of a **Textile Industry Sustainability Platform** initiative to develop an energy efficiency guide for Chinese apparel manufacturers. Following the guide's launch, in 2013 we piloted the use of the guide with two manufacturers – *a Berghaus factory in Thailand and a Canterbury factory in China* – to help them start implementing efficiency improvements.



Managing Restricted Substances

The responsible use of chemicals in manufacturing helps to protect the health of our consumers and our manufacturers' factory workers, as well as the environment downstream from factories.

We give our product design teams and our manufacturers the guidance they need to avoid the use of any potentially harmful substances. Compliance with our restricted substances list (*RSL*), and relevant laws and regulations, is a condition of business with our manufacturers. We update our RSL and associated guidance documents regularly to ensure they are up-to-date.

To share restricted substances good practice and discuss legislative changes, a working group comprising representatives from each Pentland brand comes together once a quarter. We are also a member of the **Apparel and Footwear International RSL Management Group (AFIRM)**, and our brands use specialist testing centres to ensure products comply with relevant requirements.



Shipping

We ship our products by the most efficient means possible, predominantly by sea and rail. Air freight is used only when necessary, and must be signed off by senior management.

See *Enviromental Efficiency* on **page 25** for details of the steps we take to improve the environmental efficiency of our distribution centres.



Prolonging the Life of Samples and Surplus

We look for ways to avoid sending samples, surplus and unsaleable stock to landfill. This includes our longstanding collaboration with **In Kind Direct**, which provides us with a way to divert surplus products away from landfill and towards charities that can put them to good use, as well as regular sample sales for our employees. See *Community*, **page 55**, for more information about product donations.



Environmental Efficiency

Across the Group we measure, monitor and work towards reducing the environmental impact of our operations. Our priorities are to reduce our energy consumption, reduce waste and increase recycling, and use natural resources responsibly.

JD Sports Fashion's retail operations account for the vast majority of our environmental footprint, and are the main focus of efforts to improve efficiency.

In 2013, JD operated 860 retail stores in six European countries, covering 3 million square feet in total.

Operational Energy Use and Greenhouse Gas Emissions

We report on our carbon dioxide (CO_2) emissions through the UK government's **Carbon Reduction Commitment (CRC)**. In 2012/13, Pentland Group's UK facilities were responsible for 46,251 tonnes of carbon dioxide emissions, of which 88% is associated with JD's operations. The total emissions are 22% higher than the previous year, due to the inclusion of JD's Blacks and Millets operations (*acquired in early 2012*) for the full year, as well as changes in CRC reporting scope.

JD Sports Fashion

JD's **Carbon Management Programme** aims to ensure that relevant team members at all its retail operations understand and manage their site's energy consumption and CO_2 emissions. The programme uses smart meters to help identify the causes of peak energy usage, encourages the reduction of energy use during non-trading periods, and uses training to raise staff awareness about the importance of energy efficiency. JD has installed smart meters in over 360 retail stores in the UK and Ireland, and plans to expand coverage further.

In February 2013, JD reported a 7% reduction in like-for-like electricity use, with natural gas consumption remaining stable compared with the previous year. JD's investment in environmental efficiency during 2013 included adopting energy-efficient LED lamps as standard in its retail stores across Europe following a trial in the UK, and continuing to replacing inefficient air-conditioning systems in stores where necessary.

Pentland Brands

We enjoy the use of modern, energy-efficient facilities and offices, and seek ways to reduce our footprint through the use of more efficient technologies and raising employees' awareness about environmental issues and the simple steps they can take to save energy. For example, we promote energy efficiency by participating in **WWF's annual Earth Hour**.

Four times a year, a team of facilities managers from all our UK offices and distribution centres meet to share best practice and collaborate on energy efficiency projects.

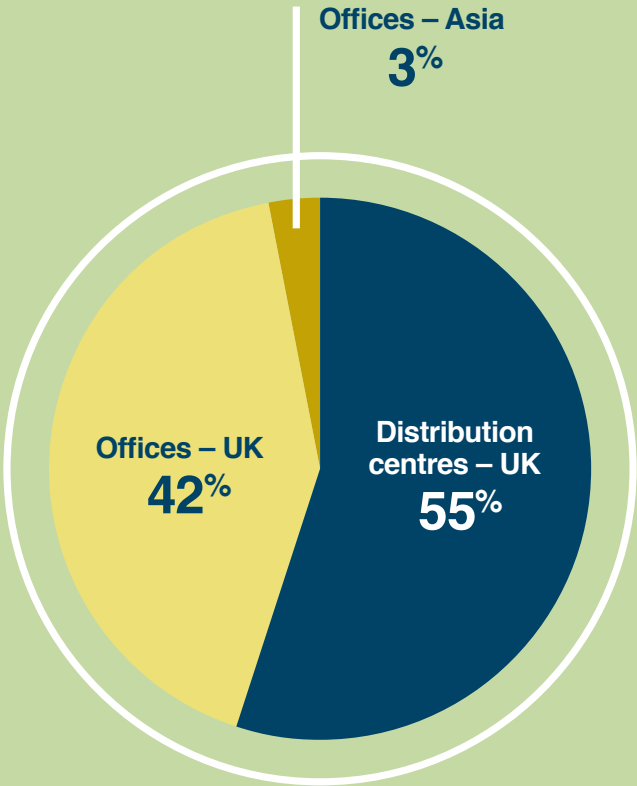
Energy saving features at our UK facilities include:

- Motion-sensitive lights at our distribution centres, which dim to 10% of their normal light level in areas that are not in use.
- At Speedo's office in Nottingham, which is rated as 'excellent' by sustainable building experts BREEAM, a ground-source heat pump that makes use of warmth from the ground outside. Since 2011, solar panels on the building's roof have generated over 20,000 kWh of electricity.
- Skylights at Mitre and Prostar's distribution centre in Wakefield, which permit enough natural light to virtually eliminate the use of electric lights in summer.
- Voltage optimisation technology at our London headquarters, which adjusts energy supply according to demand and help reduce energy consumption and Co₂ emissions.

When refurbishing our offices in Hong Kong, Bangkok and Ho Chi Minh City during 2012 and 2013, we looked for ways to make better use of natural sunlight and reduce our reliance on electric lighting. The changes we made helped the Hong Kong office to reduce its energy use by 15% per capita in 2013. Across Asia, we made energy savings of 8% per capita on average, compared with the previous year.

We consumed around 16 million kilowatt hours of electricity and gas across our global facilities in 2013¹, approximately the same as last year. Just over half of our energy use is associated with our distribution centre facilities in the UK (*see chart*).

Pentland Brands energy use in 2013



¹ Includes Pentland Brands offices and distribution centres in the UK, and offices in Asia.

Emissions from Business Travel and Commuting

As a global business, many of our employees' roles require long-haul travel. To reduce our air travel footprint, we encourage the use of video conferencing to replace in-person meetings where possible.

We promote the use of public transport and cycling to work, and many of our employees car share where practicable. Pentland Brands offers employees the opportunity to participate in the UK government's **Cycle to Work scheme**, which allows employees to save on the cost of a new bike and accessories.



Waste and Recycling

JD Sports Fashion

JD's primary UK distribution centre, Kingsway near Rochdale, achieved its target of sending zero waste to landfill in 2012/13. Using a dry mixed recycling system enabled 87% of its waste to be recycled, with the remainder used to generate fuel. JD is looking to introduce dry mixed recycling at stores and offices across the UK and Ireland, to divert as much waste as possible away from landfill.

JD saw a significant increase in its recorded cardboard and paper waste during 2012/13, due to the relocation of its distribution centre facilities to Kingsway and the closure of older sites. The result was a one-off increase in cardboard recycling to 651 tonnes, compared with 465 tonnes the previous year, as well as nearly a four-fold increase in the recycling of shredded confidential paper waste. With the transition to Kingsway complete, these levels are expected to stabilise in 2013/14.

Pentland Brands

We aim to generate less waste and promote recycling across the business. The facilities teams at each Pentland Brands office and distribution centre are committed to ensuring that the waste we generate is managed responsibly, and we partner with waste contractors that enable us to send the minimum amount of waste to landfill.

Pentland Brands' Glover distribution centre – *which meets the environmental standard ISO14001* – achieved its target of sending zero waste to landfill in 2013. Berghaus and brasher's office in Sunderland, UK, achieved zero waste to landfill for the first time in August 2013. Across our UK facilities, around 87% of the 400 tonnes of waste generated during 2013 was either recycled or used to produce fuel.

Efforts to reduce waste and increase recycling include:

- Reducing our consumption of cardboard – *our largest waste stream* – by reusing boxes where possible at our distribution centres.
- Introducing new paperless systems for expenses and warehouse management, which have cut paper consumption across the business.
- Collecting wood, metal, photocopier and printer cartridges, as well as electronic waste and office furniture. These materials are either recycled or donated to organisations that can reuse them.

Water Consumption

Across the Group we use relatively little water, most of which is used for domestic purposes. We look for ways to reduce our water consumption and improve how we measure our water footprint.

In 2013, the facilities team at Pentland Brands' London headquarters began working with a water management company who are helping us better understand and reduce our water consumption, while at Speedo's Nottingham office, boreholes supply groundwater to sanitary facilities.

In Hong Kong, sensor taps installed in bathroom sinks during the office refurbishment helped reduce water consumption by 29% per capita in 2013 compared with the previous year.

We also make an effort to use other natural resources responsibly, and factor this into our procurement decisions where possible.

Ethical Trade

We have a longstanding commitment to responsible sourcing, and are committed to working only with manufacturers who respect the rights of the people who make our products.

Pentland Brands sources sports, outdoor and fashion products from factories in 19 countries. Around half of our manufacturers' factories are in China and nearly a quarter in Southeast Asia, with the remainder in South Asia, Europe and the rest of the world. We source the majority of our products directly from manufacturers, with a further portion made by business partners under license.

We believe that the best way to make ethical trade progress is to foster long-term relationships with manufacturers that adopt our standards or have policies that reflect the same values. We are proud to have been working with nearly two-thirds of our manufacturers for more than five years, and with some for over 20 years.

Our ethical trade programme focuses on assessing factories and making recommendations for how they can improve working conditions. We collaborate with others in our industry and expert not-for-profit organisations to better understand the complex ethical issues associated with global supply chains, and to bring about sustainable change.

Pentland is a longstanding and active member of the **Ethical Trading Initiative** (*see box*). We value its tripartite nature, which gives us the opportunity to share ideas and challenges with other brands, as well as non-governmental organisations and trade unions.

Ethical Trading Initiative

The Ethical Trading Initiative (*ETI*) is a leading alliance of companies, trade unions and non-governmental organisations that promotes respect for workers' rights around the globe. ETI harnesses the expertise, skills and resources of its members to identify workers' rights issues and develop innovative, long-lasting solutions.

Pentland joined ETI shortly after its launch in 1998. We are one of more than 80 company members who together have a combined turnover of more than £180 billion, and who are committed to upholding international labour rights standards across their global supply chains. In 2013, ETI's company members' ethical trade activities collectively touched the lives of more than 10 million workers.

We report annually to ETI on our ethical trade strategy and performance, and regularly attend meetings on pertinent ethical trade issues.

In Profile

“This past year, the world witnessed large scale factory disasters that shone a spotlight on working conditions in global supply chains. These events have highlighted the need for even greater collaboration between brands, retailers, trade unions, NGOs and governments, in order to drive lasting change for workers. Our members continue to play an important part in this change process.”

Debbie Coulter

Head of Programmes,
Ethical Trading Initiative

Our Standards

Our **Code of Employment Standards for Suppliers** is based on the Ethical Trading Initiative Base Code and reflects **International Labour Organization** standards. We expect all factories producing our brands' products to comply with our Code, and all relevant legislation.

The Code requires manufacturers to ensure that:

Living wages are paid.

Working hours are not excessive.

Working conditions are safe and hygienic.

Child labour is not used.

Employment is freely chosen.

We have a series of guidelines and processes that are designed to ensure robust management of ethical trade and support workers' rights. Since becoming part of the Pentland Brands portfolio in 2012, Canterbury has worked with Mitre to ensure consistent ethical trade management within the ball manufacturing supply chain.

No discrimination is practised.

There is no harsh or inhumane treatment.

Freedom of association and the right to collective bargaining are respected.

Regular employment is provided.

Assessing Compliance with our Standards

We visit factories regularly to monitor compliance with our standards. New factories must be evaluated and approved before purchase orders can be placed. Factory assessments are conducted by members of our in-house CR team, or by a nominated third party auditor where necessary. We regularly invite an independent, local interviewer to join our visits and speak directly to the factory employees about working conditions.

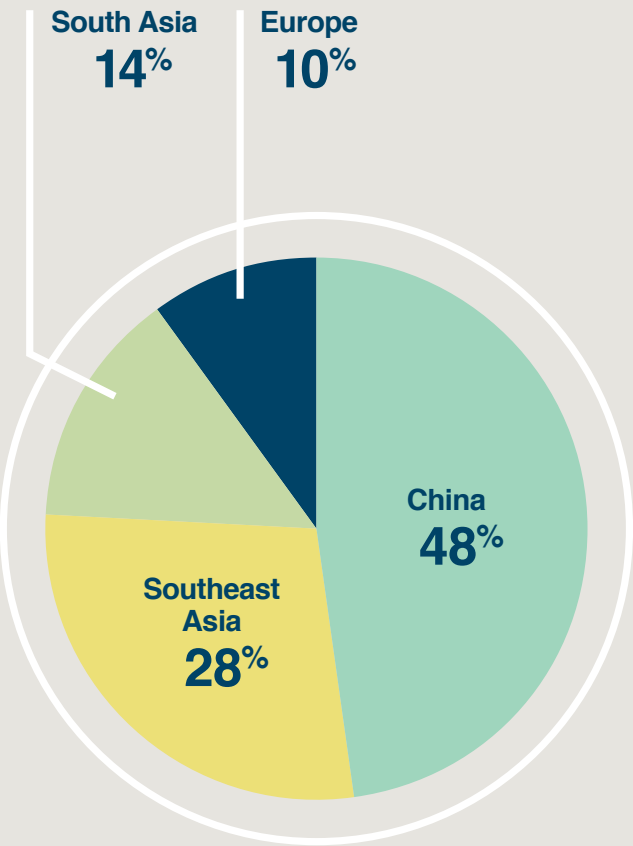
Where we find areas for improvement in a factory's ethical trade performance, we make recommendations, agree a timed action plan, and follow up to check on progress. We encourage manufacturers to include worker representatives in the improvement process, by consulting them on the changes they feel would make the biggest difference.



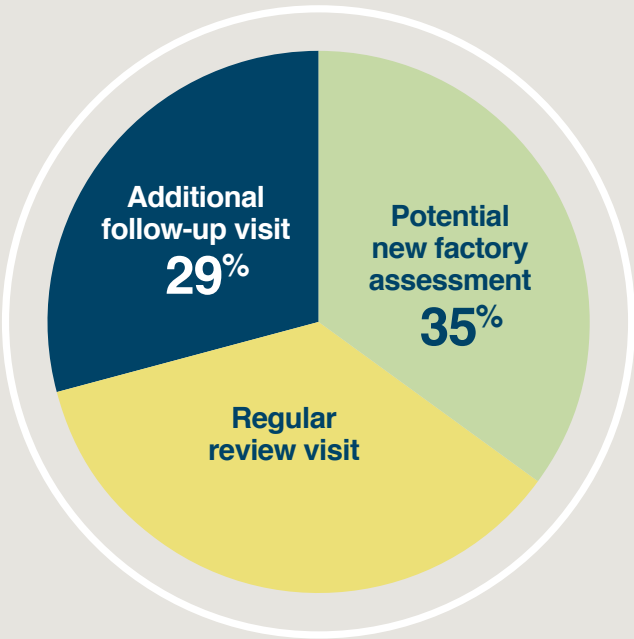
Our standards apply equally to manufacturers that our licensees use to make Pentland Brands' products. Recognising the added complexity of working with third parties, we engage with licensees to ensure they understand our expectations and have an appropriate system in place to monitor manufacturers' compliance with our standards.

Factory Assessments in 2013

Factory assessments by region:



Factory assessments by type:



Working with Others

We see great value in collaborating with expert organisations to improve working conditions in the factories we use. We mostly work with local organisations that have in-depth knowledge of specific issues and good practice in that country or region.

For example, we are a *'buyer partner'* of the **Better Work** programme (*see box*), an International Labour Organization and International Finance Corporation initiative that aims to improve compliance with labour standards, as well as competitiveness, in global supply chains. In 2013, we collaborated with Better Work in four factories in Indonesia and one in Vietnam, as well as one in Cambodia with sister organisation **Better Factories**. In these factories, Better Work manages ethical trade assessments and capacity building projects on behalf of Pentland and other member brands, reducing the pressure on manufacturers to manage multiple assessments and corrective action plans, and avoiding duplication of effort by brands sourcing from the same factories. We continue to encourage our manufacturers in these markets to participate in the Better Work programme.

We work with local **Red Cross** organisations to ensure the people making our products have the first aid training they need to protect the health and safety of themselves and their colleagues.

In 2013, we also provided training on fire safety and the safe use and storage of chemicals to a Ted Baker footwear factory in southern China.



Active in around *900 factories* in seven markets, *Better Work* has already helped improved working conditions for *1 million people*.

Better Work

A collaboration between the International Labour Organization (*ILO*) and International Finance Corporation (*IFC*), the programme combines expertise in labour standards and private sector development. Its activities include:

- Factory assessments that give a clear and credible snapshot of working conditions.
- Giving factories guidance on how to improve labour standards – including increasing the ability for workers and management to solve problems together.

- Industry-specific, and culturally appropriate, training – *for example with a focus on enhancing supervisory skills, occupational health and safety, and workplace cooperation* – using innovative media such as comic books, soap operas and text messages.
- Efforts to positively influence labour law reform and enforcement in manufacturing markets.

In Profile

We partner with Better Work in six factories in Cambodia, Indonesia and Vietnam, and see real progress being made. At a Berghaus apparel factory in Indonesia, Better Work has helped to implement systems that use SMS messaging for workers to raise grievances and for management to share company updates. They also run occupational health and safety training, and a programme to enhance the factory's ability to hire and support disabled workers. In 2014, the factory will collaborate with Better Work to pilot a new environmental assessment.

“At *Better Work*, our mission is to improve the lives of 3 million workers by 2017. We do this by engaging and ensuring accountability from brands, promoting supplier ownership of working conditions, and bringing worker voices to the table”

Ayesha Barenblat
Buyer Relations Officer,
Better Work

JD's approach to ethical trade

JD is committed to providing its customers with high quality, good value merchandise from manufacturers that comply with internationally-accepted labour standards. Nearly 500 suppliers, mostly in Asia and Turkey, manufacture products for JD's brands. All must commit to comply with JD's **Conditions of Supply**, which include a **Code of Employment Standards for Suppliers**.

Prior to purchase orders being placed, potential new suppliers must complete an ethical trade self-assessment, which existing factories then repeat annually. 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 that factory. As part of a rolling programme, JD will have audited around half its supply base in the year to February 2014.

Our People

Around 19,000 people work for Pentland Group companies. This includes nearly 17,000² who work for JD Sports Fashion and almost 2,000 who work for Pentland Brands.

² Equates to 10,400 Full Time Equivalent (FTE) JD employees.

Pentland Brands People

For our business to succeed, we need to *attract, retain, develop and engage* a talented and creative global workforce.

We engage regularly with our employees, offer a variety of development opportunities, and focus on enhancing talent. We support diversity and inclusion, and are committed to providing a supportive, safe and stimulating working environment.

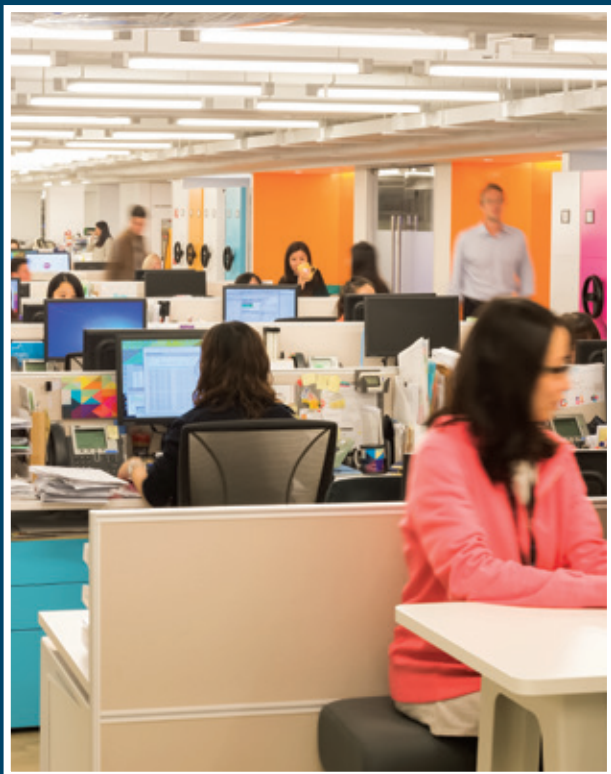
Our culture is underpinned by our company values: **Always Learning, Courage, Creativity** and **Passion**. To recognise those who notably demonstrate these values in their work, our Chairman hosts an annual awards ceremony (*see box*).

The Chairman's Awards: recognising achievements and long service

Each December our Chairman, Stephen Rubin, presents the '**Chairman's Awards**' for that year.

The Awards recognise our people's achievements, and specifically focus on how employees live our values. In 2013, we opened award nominations to everyone in the business globally, giving employees the opportunity to vote for a colleague from any brand, team or location. We received 270 nominations, resulting in 49 award winners from 19 locations in 13 markets.

We also recognise those with long service to the business at an annual luncheon held in London.



Employee engagement

We value employees' feedback and ideas.

Regular dialogue with our workforce gives us an insight into their needs and expectations, and provides a channel for people to suggest how we can improve as a business and as an employer. It enables us to make everyone aware of our business strategy and their role in ensuring we achieve our objectives, as well as any changes that might affect them.

Our employee engagement channels include:

- The new MyPentland intranet, developed during 2013 and launched in January 2014. Featuring a blog, newsfeed, team sites and personal profiles, this will be the primary tool for our employees to communicate with one another, and with the Pentland Executive.
- An annual presentation by our CEO and other members of the Executive, delivered in person at each of our global locations. It includes a review of the year and a look forward to priorities for the following year.
- An employee survey, which we ran globally for the first time in 2013 (*see box*).
- Induction sessions that give all new starters globally an introduction to Pentland on their first day.
- Quarterly workshops that give recent joiners in the UK an opportunity to meet the CEO, hear the Pentland story, and receive an overview of topics such as the product development process, consumer insights, employee development opportunities, and corporate responsibility.

- Regular Q&A sessions with the CEO.
- Monthly company briefings given by senior management to their teams in Europe and North America, and a quarterly company update presented in person at each of our Asian regional offices by a member of our Asia division's Executive.
- A confidential telephone line that employees can use to report any concerns or suspected unethical behaviour.

In 2013 we introduced a new initiative in our Hong Kong, Bangkok (*Thailand*) and Ho Chi Minh City (*Vietnam*) offices. The “**I Heart**” campaign is designed to encourage employees' pride in their workplace and our brands, and enhance the feeling that they are part of a close-knit global organisation.

Valuing our employees' feedback

Our people are integral to our business success. We want every member of our team to feel passionate about what they do, empowered and supported in their development. We also want their feedback on what it's like to work for Pentland, and how we can improve as an employer.

Having been named one of the UK's best employers in 2012, following our inaugural **Great Place to Work**® survey, in 2013 we invited all our people globally to share their views on working at Pentland. We received an outstanding response, with 93% of our employees taking part and 84% of them saying that Pentland is a "great place to work".

Following the survey, we ran focus groups across Pentland to dig deeper and get clarity on what our people think would make Pentland an even better place to work. In the UK alone, we ran over 40 such focus groups.

We will be taking on board the feedback we received, and looking for opportunities to implement our employees' suggestions. Already in 2013, as a result of feedback we have increased the visibility of internal job vacancies and opened up applications for our leadership programmes, so that people can nominate themselves rather than line managers being responsible for nominating members of their teams.

Talent and development

We are passionate about giving our people the opportunity to develop themselves and their careers at Pentland, and we are proud that many of our leaders have come from within the business.

Every employee has access to a variety of training and development opportunities through our comprehensive people development programme, **Pentland Pathways**. The programme comprises masterclasses run by members of our leadership team, workshops on subjects such as stepping into management, finance, and leading people through change, as well as e-learning courses including ethics and integrity. Employees may also request time off and sponsorship to study for professional qualifications. During 2013, 2,400 participants attended training courses, around the same number as in 2012 (*this includes individuals attending more than one course*). The most popular courses included sessions on managing time effectively, communicating with credibility and confidence, and our CEO's 'Brand Building' masterclass.

Our annual talent review process allows us to identify high potential employees and discuss the ways in which we can support their development. One way in which we do this is through our three leadership programmes, which are designed to help high potential people at different levels of the business to stretch their thinking, challenge their ways of working, and learn from new situations and experiences. In 2013, 24 recent graduates, managers, and senior managers joined our **Future Leaders**, **Emerging Leaders** and **Strategic Leaders** programmes respectively.

Diversity and inclusion

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

A diverse workforce enhances innovation and creativity. It helps our brands understand the needs and wants of different consumer groups, and supports the creation of the right products for different markets.



Our employees
are based in *17*
countries across
five continents,
and speak nearly
40 languages
between them.

Health, safety and wellbeing

Our people's *health, safety and wellbeing* is paramount.

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. For employees whose roles involve potentially risky activities such as lifting heavy objects and working at height, including those who work at our distribution centres, we take additional health and safety measures as required.

We offer a variety of benefits that help support employees' wellbeing and work-life balance.

These include:

- Competitive parental leave.
- A subsidised nursery for children under five years old, at our London headquarters.
- More flexible working arrangements, under our 'smart working' initiative.
- Complimentary, state-of-the-art recreation facilities at our London headquarters, including a gym, swimming pool, and astroturf sports pitch.
- Regular visits by external finance and pensions advisors.
- A private and confidential employee assistance helpline, run by an external partner, to offer counselling, advice and other support.
- A 24-hour travel and health advisory service, providing support to business travellers.

Working at JD

JD Sports Fashion is the largest of the Pentland Group companies but is a separately listed public company with outside shareholders.

Around 8% of JD's workforce is based at the JD Sports Fashion group headquarters and distribution centre, both of which are located close to Manchester, UK. The remaining 92% are employed at its Bank, Blacks, Champion, Chausport, JD Sports, Millets, Scotts, Size?, Sprinter and Tessuti retail stores in the UK, Republic of Ireland, France, Spain, the Netherlands and Germany.

Employment and equal opportunities

Large numbers of school leavers and university graduates work for JD, and the company participates regularly in work experience schemes with schools and colleges. JD is also looking to formalise its internship and graduate placement programmes to offer greater development opportunities for people early in their careers.

JD is committed to equal opportunities and to treating all employees and job applicants equally and with respect. It gives full and fair consideration to applications for employment by people who have a disability, and continue wherever possible to provide development opportunities to staff who become disabled. The company also aims to provide opportunities to people seeking flexible or part time work.

Training and development

JD recognises the importance of employee training and development in order to enhance performance, increase morale, improve staff retention and keep knowledge and skills within the business.

Training and development for employees across all JD retail fascias in the UK and Ireland (*as well as for the Managers and Assistant Managers of JD stores in mainland Europe*) is provided by JD's dedicated training team at its Kingsway Distribution Centre, Rochdale.

Retail employees are encouraged to seek development opportunities that will help them progress, ultimately, to management level.

These include:

- A twelve week Training Academy, held three times a year, designed to help retail supervisors develop management skills, with a focus on communication, leadership, motivation and delegation. During 2013, 62 people attended the Academy.
- Week-long induction programmes for new managers, held regularly throughout the year. Nearly 300 managers participated during 2013.
- Half-day leadership skills workshops for junior managers. Around 600 people joined these workshops during 2013.

In addition to the support it offers to the retail workforce, the training team also designs and implements bespoke programmes for people who work at JD's headquarters and distribution centre.

During 2013

62

**People
attended
Training
Academy**

300

**Managers
attended
week-long
induction
programmes**

600

**Junior
managers
attended
leadership
workshops**

Employee engagement

JD's large number of geographically-dispersed retail stores make employee communications challenging, but even more essential. Regional and area managers communicate regularly with store managers and retail staff, while the human resources department issues team briefs with updates on the company's financial performance. It also produces a quarterly '**People 1st**' newsletter for staff at its headquarters and distribution centre.

In 2013, JD introduced a regular Q&A forum that gives employees the chance to speak directly with the Executive Chairman and ask questions. A summary of the discussions that take place at these sessions is distributed widely within the business.

All new starters participate in a health and safety induction and training programme, and JD also runs targeted safety awareness campaigns throughout the year. In 2013, this included a campaign to raise awareness about reporting 'near-misses' (*incidents that could have resulted in an accident*) at its main distribution centre. A monthly newsletter ensures that JD's safety message is communicated consistently throughout the business.

Health and safety

JD is committed to protecting the health and safety of its employees and retail store customers. The company saw health and safety improvements in 2013, including a 15% reduction in reportable employee accidents and a 4% decrease in the number of customer accidents.

The health and safety team is responsible for ensuring high standards are maintained. JD strengthened the team during 2013 to ensure correct health and safety procedures are established within its recently acquired companies. The team has input into the design of all new and retrofitted retail stores, and audits stores for high safety standards during construction.

JD's Health and Safety Committee meets four times a year, allowing every employee the opportunity to raise any safety concerns through their nominated representative.



Community and Charity

We are committed to supporting the good work done by organisations ranging from small, grass-roots community groups to large, international charities.

Charitable Giving

Our support for communities and charities comprises charitable giving, fundraising, employee volunteering and product donations. Some of this support is Pentland-wide but much of it is given by our individual brands and offices to causes that are relevant to their activities and location.

As a Group, we have several significant charity partners to whom we provide regular support. This includes **The Prince's Trust**, **Young Enterprise** and **TrainE-TraidE**, all of which help young people start off in business.

We are also a longstanding member of the **Clinton Global Initiative**, which convenes global leaders to create and implement innovative solutions to the world's most pressing challenges.

Fundraising by Our Brands

Our brands work closely with charities that resonate with them and their consumers, to raise awareness and funds.

In 2013:

- Boxfresh teamed up with **Teenage Cancer Trust** to launch '**Swich It Up**', a competition that invited people to create a new design for Boxfresh's classic Swich hi-top. Picked by an expert judging panel, the winner saw their design sold at Schuh stores nationwide and on boxfresh.com. The winner also received a prize of £1,000. Boxfresh donated £1 for every entry, and 10% from the sale of each customised Swich trainer, to Teenage Cancer Trust.
- Mitre partnered with the **Bobby Moore Fund**, part of Cancer Research UK, to raise funds for bowel and prostate cancer research. For every Mitre Pressure Jersey sold, £1 is donated to the fund.
- Canterbury donated £5 from the sale of each new Royal Air Force (RAF) Rugby 7s Spitfires rugby shirt towards charities supported by the RAF, including a tag rugby project for disadvantaged children in India and the **RAF Benevolent Fund**.



Boxfresh 'Swich It Up'



Mitre Pressure Jersey



Canterbury Rugby 7s

Speedo supports 'Swim N Survive' to save lives in India

In a country that loses more than 100,000 people to drowning a year, the **Swim N Survive** programme is designed to bring life-saving swim skills to semi-urban and rural communities across the Indian state of Bangalore.

Launched in August 2013, Swim N Survive is a joint initiative between Speedo, **Rashtriya Life Saving Society India (RLSSI)** and **International Inspiration**, a charity chaired by Lord Sebastian Coe as part of the **London 2012 Olympic Legacy Programme**.

Through demonstrations of basic life-saving skills (*performed by RLSSI experts*) and educational activities based on teaching floating, sculling and object recovery, Swim N Survive aims to equip children with the swimming skills they need to ensure they can survive, and save the lives of others, should they fall into water.

Safety and education are at the heart of the initiative, and Speedo hopes that the fun, confidence-boosting activities also inspire a life-long love of swimming.

Employee Volunteering

Volunteering provides our employees with a way to give back to their local communities, as well as an opportunity to develop teamwork and leadership skills.

Volunteering activities in 2013 included:

- In February, 20 employees from our Hong Kong office took part in the **Standard Chartered Marathon Corporate Challenge** 10k race, raising over HKD 21,000 (£1,600) for the **Hong Kong Paralympic Committee and Sports Association for the Physically Disabled**.
- In May and October, Berghaus and brasher employees volunteered at the **Cragside Estate**, Northumberland and at the **Wildfowl and Wetlands Trust**, Washington, helping to maintain footpaths and shrubs.
- In June, a team of 19 women from our London headquarters participated in the **Cancer Research Race for Life** 5k, raising over £5,300. Other charities supported by London-based employees in 2013 include the **North London Hospice**, **Comic Relief**, **Jeans for Genes**, and the **Fashion and Textiles Children's Trust**. Collectively, we raised over £13,000 for these organisations in 2013.
- In October, team members from the Shenzhen office organised a care visit to the **Elderly Nursing Home of Shenzhen Society Welfare Centre**. The team donated three handcarts and three telephones to the nursing home, and brought boxes of fresh fruit to greet the residents.
- Also in October, 16 Hong Kong office staff took part in the **Raleigh Challenge Wilson Trail**, a 78 kilometre, 24-hour relay hike to raise funds for **Raleigh Hong Kong**, a local youth charity with an international focus on development and community projects. The team successfully completed the challenge, raising £2,300 including matching funds.
- In December, a team from the Bangkok office hosted a dinner at **Baan Nontapum**, a care home for children with disabilities who come from disadvantaged backgrounds. Employees spent the afternoon helping care home staff prepare the meal and socialising with residents. The team also made a charitable donation and provided essential resources such as soap, shampoo, toothpaste and medicines.

Product Donations

Each season, our brands are left with surplus, useable samples and stock. Donating these items helps extend their life, and avoids them being sent to landfill as waste.

In 2013, we celebrated our 14th year of working in partnership with **In Kind Direct**, a charity founded in 1996 by HRH The Prince of Wales that provides an efficient way for businesses to donate their products to good causes. During the year, working with In Kind Direct enabled our surplus stock to reach 384 charities in a variety of sectors, including child/youth care, disability support and family welfare.

Both Berghaus and ellesse have also donated footwear via **Africa Shoes**, a social enterprise that redistributes products to local entrepreneurs for resale across Africa. This helps boost the entrepreneurs' livelihoods, and allows local people to buy merchandise that might otherwise be unaffordable.

Our relationship with **Reuseful UK** (*formerly Scrapstores UK*), a network of independent charities, has enabled us to donate a variety of waste materials for creative reuse by community organisations, schools and performing art groups. The charities accept items ranging from clothes to furniture and office equipment, point of sale and marketing materials. In 2013, working with Reuseful UK allowed us to find a new home for old mannequins and other fixtures and fittings during the refit of the in-house retail store at our London headquarters. We also made donations of stationery, office supplies and old furniture throughout the year.

Surplus office furniture finds a new home in Thailand

Moving to a new office in November 2013 left our team in Bangkok, Thailand with more than 100 items of good quality furniture that did not fit into the design or layout of the new workspace – including a fridge, workstation, steel safe box, and large meeting room table.

Rather than throw the unwanted furniture away, we looked for opportunities to give it to organisations that could benefit from a donation. We teamed up with the Hong Kong-based **Crossroads Foundation** to find a suitable charity partner in Thailand.

Through its **Global Hand** initiative, which facilitates public-private partnerships by matching donors with organisations in need, we identified an appropriate community organisation in Chiang Mai. They arranged to transport all the furniture to northern Thailand and redistributed it to more than ten non-governmental organisations and community groups.

We are looking to expand our collaboration with the Crossroads Foundation in 2014.










JD's support for charities

JD works with a number of charities and community organisations, and in particular those with a focus on children and sport.

In 2013, JD's support included:

- Raising funds for **The Christie**, an **NHS Foundation Trust** that is Europe's largest cancer centre and treats 40,000 patients a year. JD is helping The Christie raise £500,000 to build the UK's leading cancer treatment centre for young people. We are now very close to reaching that target, following the **JD Diamond Charity Balls** in February 2013 and 2014 that were generously supported by many of our key partners.
- Sponsorship for the **Once Upon a Smile** celebrity football team. The team plays tournaments throughout the year to raise money for the charity, which offers support to families who have suffered the loss of a child or parent from a long term or terminal illness.
- A donation to the charity **Kids Company**, which provides practical, emotional and educational support to vulnerable inner city children.
- Sponsoring 60 children at the **Udavam Karangal** orphanage in Coimbatore, India, with a monetary donation as well as t-shirts, water bottles, footballs and caps.
- Sponsoring a special needs school in Coimbatore that educates 27 children. As well as providing a monetary donation, a team from JD's headquarters sent the children gifts at New Year.

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Made with care.

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