

Making things better

Pentland Group Corporate
Responsibility review 2016

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Introduction

Who we are and what corporate responsibility means to us

2016 Highlights

This page summarises some of the year's key achievements:

40%

OF BERGHAUS' RANGE
now carries the Made Kind™ swing tag

90%

OF LACOSTE'S & BERGHAUS' LEATHER
comes from Leather Working Group medal-rated tanneries

SPEEDO

launched its H2O Active range made with recycled fishing nets

MITRE

is using environmentally friendly inks across all its training balls

Pentland Brands worked with **LANCASTER UNIVERSITY** to develop a modern slavery risk assessment tool

ZERO

NO ZERO TOLERANCE ISSUES
found as part of our factory social audit process

32,500

WORKERS AT SUPPLIER FACTORIES
in Southeast Asia are covered by the Better Work programme

47%

of our spend was with vendors we have worked with for **MORE THAN 10 YEARS**

We reduced **GREENHOUSE GAS EMISSIONS** 6% in the UK year on year

100%

We used **100% RENEWABLE ENERGY** at Pentland Brands sites across the UK

0

We sent **ZERO WASTE** to landfill at Pentland Brands HQ, the Glover Distribution Centre and Berghaus HQ

We raised **£10,000**

for our charity partners through our partnership with Africa Shoes

Every area of the business **PARTICIPATED IN GIVE BACK DAY** – a day of volunteering in the community

596

WE DONATED SURPLUS PRODUCTS TO 596 CHARITIES through our partnership with In Kind Direct

We were named as one of the **BEST LARGE WORKPLACES** by the Great Place to Work® Institute

1.1

Continuously evolving our approach

Building a sustainable business has never been more important. It's also the right thing to do, and our stakeholders expect it.

A note from our Chairman

2016 marked another successful year for Pentland Group across its three business groups: Pentland Brands, JD Sports Fashion and our Ventures Division.

As a family company, people are at the heart of what we do. We work hard to create a working environment that inspires and nurtures, where everyone feels welcome to contribute ideas on how we can do things better. In this spirit, I'm pleased to report that, once again, Pentland Brands has been named as one of the Best Large Workplaces by the Great Place to Work® Institute.

We've continued our long history of collaborating with others to improve factory working conditions. In 2016, Pentland Brands' activities included developing a toolkit to prevent modern slavery and making our due diligence in Thailand even better. Meanwhile, JD Sports Fashion continued to work with suppliers to reduce chemical use and the JD Foundation raised over £1 million for eight youth charities.

Consumer interest in how products are made, how long they last and how they end their life is at an all-time high. This is why Pentland Brands initiatives like Speedo's H2O Active range, made using recycled fishing nets, are so important. Not only do they deepen our relationships with consumers, but they reduce the impact that these products have on the environment.

I am proud of the way we have continued to commit to doing business responsibly. We hold ourselves to high standards of ethics and corporate responsibility, especially those outlined in the United Nations Global Compact. We are delighted to renew our commitment to this initiative and its Ten Principles, which set a clear framework on how business can help to address the world's prevailing issues.

R. Stephen Rubin
Chairman
Pentland Group

Reporting in line with the UN Global Compact Ten Principles

If you want to see how our activities align with the UN Global Compact, see page 47.



1.2 Who we are

We're in business to build great brands and make great products for people to love, generation after generation.

Pentland Group plc

A family business

Pentland Group plc is a family-owned company operating in the areas of sports, outdoor and fashion. As a family business, honesty, fairness, respect and hard work run through everything we do.

Our three divisions

Pentland Brands

Our brand management division, Pentland Brands, is made up of 12 sports, outdoor and fashion brands.

JD Sports Fashion plc

Our retail division comprises of the JD Sports Fashion plc group, one of Europe's leading retailers of aspirational branded sportswear, fashion wear and outdoor clothing and equipment.

We hold a 57% share in the company, which has approximately 1,200 outlets.

Pentland Ventures Division

We also take equity in other businesses across a variety of industries.

PENTLAND BRANDS







* Footwear Licensee

JD SPORTS FASHION PLC







For a full list of outlets and brands visit the JD Sports Fashion plc website

INVESTMENTS AND TRADING SUBSIDIARIES









This report focuses on Pentland Brands

This report provides an overview of activities that relate to Pentland Group plc and its three business areas. It focuses especially on Pentland Brands. This is because we fully own this business and therefore have more opportunity to influence positive change across the supply chain.

You can find more information about JD Sports Fashion plc's activities in its annual report. We refer to its report throughout this review.

RIGHT

DETAIL FROM OUR HISTORY WALL

07

08

1.3 Our approach to corporate responsibility

We have three pillars that guide our efforts to make our business more sustainable. They make sure we go beyond the boundaries of our business and contribute to the UN Sustainable Development Goals.

Management and governance

Our standards and policies guide the way we work. They also provide a template for our employees and suppliers. They include guidance on how to do business ethically with integrity and with respect for our stakeholders, and include our standards on anti-bribery.

We require all Group companies in which we hold 50% or more of the share capital to align with these policies and procedures. Our central CR team sets standards, monitors compliance and drives our strategic approach.

We endeavour to persuade other companies in which we have non-controlling stakes to comply with these policies.

At Pentland Brands, all new starters receive training that sets out our corporate responsibility priorities and shows what we expect of people and suppliers.



Pentland Brands corporate responsibility strategy



1.4 Partnerships and collaborations

Working with industry groups, academic institutions and non-governmental organisations means we are aware of best practice and we can make positive change happen at scale.



The Ethical Trade Initiative

The Ethical Trade Initiative (ETI) is an alliance of companies, trade unions and voluntary organisations collaborating to improve the lives of workers. We were a founding member.

University College London (UCL)

We continue to work with UCL to offer a Global Public Policy masters scholarship. The programme offers talented young professionals from the southern hemisphere a chance to study at two of the world’s top universities – with teaching split between UCL and NYU – as well as an internship with Pentland. This year’s programme saw a large number of applicants, with the scholarship being awarded to an impressive community organiser from sub-Saharan Africa.

The Pentland Centre for Sustainability in Business

In 2015, we launched the Pentland Centre with Lancaster University. The centre tasks businesses and academics to find practical solutions to real-world social and environmental challenges. In 2016, we worked with them to develop a toolkit to prevent modern slavery.

The Sustainable Apparel Coalition

This industry alliance focuses on developing tools to improve and standardise the reporting of environmental impact across the supply chain. In 2016, Berghaus participated in the Higg Index SME pilot, helping to make sure the tool is accessible for smaller brands.

OEKO-TEX®

OEKO-TEX® is an auditing and testing system for detecting harmful chemicals in the supply chain. All Speedo swimwear meets the OEKO-TEX® 100 standard.

AFIRM Group

The AFIRM Group is an industry collaborative effort to reduce the use and impact of harmful substances in the apparel and footwear supply chain. In 2016, we adopted the AFIRM Restricted Substance List (RSL) helping to promote the harmonisation of restricted substances management in the shared supply chain.

Responsible Down Standard

The Responsible Down Standard (RDS) is an independent, voluntary, global standard, which companies can use to certify that the down in their products has been sourced responsibly. In 2016, 100% of Berghaus down jackets were certified to the RDS.

ACT Living Wages

Action, Collaboration, Transformation (ACT) brings together brands and retailers, manufacturers and trade unions to address the issue of living wages in the textile and garment supply chain. We were a founding member. In 2016 we joined the payment practices working group and have started improving our payment terms in line with best practice.

The Leather Working Group

The Leather Working Group (LWG) aims to improve the environmental compliance and performance capabilities of tanners and promotes sustainable business practices within the leather industry.

This includes creating alignment on environmental priorities, bringing visibility to best practices and the assessment of tanneries against a medal rating system. 90% of Lacoste’s and Berghaus’ leather is from medal-rated tanneries.

bluesign® system

The bluesign® system works to reduce the exposure of consumers, workers and the environment to harmful chemicals. It eliminates substances posing risks from the beginning of the supply chain while also promoting safe production standards and the responsible use of resources. Berghaus is a bluesign® system partner.

Better Work

This scheme aims to achieve lasting improvements to working conditions while creating a more profitable business model for factories. In 2016, we collaborated with Better Work in 12 factories, across Vietnam, Cambodia and Indonesia.

Verité

In 2016, we started working with Verité, supply chain specialists, to take action on modern slavery. We worked with them to develop a suite of training modules and a factory investigation process.

WFSGI

The World Federation of the Sporting Goods Industry (WFSGI) is an independent non-profit association, representing the global sporting goods industry. It promotes responsible business practices and encourage more people to become involved in sport. Pentland Group Chairman Stephen Rubin is Honorary President of the WFSGI and Pentland Brands’ Chairman Andy Rubin is European Vice President and an active board member.

Homeworkers Worldwide and CIVIDEP

We’re currently working with Homeworkers Worldwide, a NGO supporting home-based workers around the world, and CIVIDEP, to understand the role and situation of the homeworkers in our supply chain in India.



2

Building brands with social purpose

Using our brands to make a positive difference

2.1

Building brands with social purpose

It’s important that our brands play a positive role in society.

Berghaus gets people outdoors on Black Friday

From sunrise to sunset on 26 November, Berghaus crews planted flags and prizes in four top secret UK locations – inspiring consumers to ditch the tired Black Friday paradigm and head into the outdoors instead.

Our aim was to help consumers experience the joy of spending more time outdoors. Over 350 people did just that – wild camping, sleeping in caves, hiking up hills – all in a bid to find the Berghaus flag.



Sometimes in life you experience moments that take your breath away. This was one of them. #TheGetOutGame #Berghaus

The Get Out Game participant via social media

OPPOSITE
SUILVEN MOUNTAIN



“Berghaus are a highly committed, long term supporter of the John Muir Trust. We share a passion for enabling people to experience wild places and through partnership work to protect them.

Being associated with a trusted brand like Berghaus helps us to connect with a shared audience of people who love wild places.”

Stuart Brooks, Chief Executive
John Muir Trust

Berghaus supports mountain footpath repairs

The John Muir Trust campaigns to keep wild places unspoiled by inappropriate development, restores damaged natural habitats and helps people reconnect with the outdoors.

With Berghaus’ sponsorship the Trust won a European-wide competition for £18,000 of funding for essential footpath repairs on Suilven, one of Scotland’s most dramatic mountains. The repair of this footpath is now underway.

Outward Bound Trust

Berghaus also supports the Outward Bound Trust, an educational charity that uses the outdoors to help develop young people from all walks of life.

2.2 Brand-specific activities

As the name behind some of the world’s biggest sports and outdoor brands, we want to get more people benefiting from being active.

Canterbury brings the benefits of rugby to school children

Canterbury continued to support the All Schools programme with England Rugby, to encourage more state secondary school children to play rugby and new players to join local clubs.

Canterbury ran a kit design workshop with 100 schools. Each child had the opportunity to design their own kit for their school. The winning design from each workshop was then used to create a rugby kit for their school team, and the winners were invited to wear their winning designs at an England game in front of an 82,000 crowd.



“This is our third year as Official Partner of the All Schools programme – something we are extremely proud to be part of.

I know the students felt immense pride in wearing a shirt that they designed at such a huge game. Hopefully some special memories were made.”

Chris Stephenson, Global President, Active Division, Pentland Brands

Speedo employees contribute during drowning prevention week

Speedo believes everyone, everywhere has the right to swim. In 2016, Speedo used Drowning Prevention Week as an opportunity to engage employees.

People got involved in various activities to educate, engage and fundraise for the Royal Life Saving Society (RLSS) UK:

- ‘Speedo swims the Channel’: a sponsored swim covering 22 miles in seven days
- ‘Save a Baby’s Life’ workshops
- Outdoor activities delivered by RLSS
- Raffle ticket sales

The Royal Life Saving Society Commonwealth Presidents Award

Speedo UK is supporting RLSS Nottinghamshire branch to deliver its goal of providing water safety education to all school children in the county. In November 2016, we were awarded the Royal Life Saving Society Commonwealth Presidents Award in recognition of Speedo’s invaluable contribution to its work.



Speedo inspires thousands of people to swim

Speedo’s Swim Generation programme provides essential swimming skills to the people that need it most. Speedo supports 11 projects as part of this programme, which together have:

- Made at least 9,800 children safer in the water
- Provided over 156,000 free water safety lessons
- Trained 64 new lifeguards and swim instructors

The programme is active in Bangladesh, Northern Ireland, Cambodia, Bulgaria, Sri Lanka and England.

Speedo Swim Generation partners



BULGARIAN RED CROSS



2.3

Volunteering and giving back to local communities

In 2016, every part of our business took part in an employee Give Back Day, taking time to volunteer in their local community.

TOP LEFT

DURING FUNDRAISING FORTNIGHT, OUR PHOTOGRAPHY STUDIO OFFERED TEAM PHOTOS FOR A DONATION

TOP RIGHT

THE FACILITIES TEAM HELP OUT AT BELMONT CHILDREN'S FARM

BOTTOM LEFT

TEAM IN BANGKOK PLANT 150 TREES IN LOCAL PARK

BOTTOM RIGHT

GROUP MARKETING DONATE THEIR TIME AT SWEET TREE FARM

Pentland Brands gives back

In 2014, Pentland Brands asked a group of its emerging leaders to select three charities across themes that are relevant to the business. Then, in 2015, we asked everyone in the business to vote for the specific projects they wanted to support.

The winning projects were:

- A clean water project in Kenya with the British Red Cross
- A project to empower girls in India with International Inspiration
- A project to protect the Javan rhino in Indonesia with WWF

In 2016, our employees raised money for our global charity partners through Fundraising Fortnight. All funds raised were match funded by Pentland.

We were able to donate a further £10,000 to our projects through our partnership with Africa Shoes – a social enterprise redistributes products to entrepreneurs in Africa for repair and resale. We receive a small fee for any products donated, all of which we donated to our charity partners.

We also work with In Kind Direct, the UK's leading redistribution charity, to donate surplus products to those in need.

Last year, 596 UK charities benefited from stock donations from Mitre, Boxfresh, Berghaus, Red or Dead and Kickers.

JD Foundation supports youth charities

The JD Foundation focuses on youth charities and since its launch a year ago has raised over £1,000,000 for eight selected youth charities.

One of these charities is Cardiac Risk in the Young. JD will hold screening days in April and June 2017 and screen over 220 of its head-office staff. There will be seven additional screening days in the North West by the end of this year, meaning JD will have screened just under 1,000 young people for potentially life threatening cardiac conditions.

The Foundation is also working with the Salford Foundation on its mentoring programme, providing career advice and personal development support to young people in schools and colleges.





3

Future-proofing our supply chain

Continuing to reduce the impact of our
products across our supply chains

3.1

Future proofing our supply chain

Our business footprint goes beyond the boundaries of our own operations. It is essential that we think about the entirety of our impact to make sure our business is robust and sustainable for the long term.

Mapping our supply chain

Understanding our supply chain is the first step towards monitoring standards. In 2016, Pentland Brands had full visibility of its tier 1 production and assembly sites (where our products are finished and assembled). We also started a project to map all of our tier 2 suppliers (those that produce materials and component parts) – we hope to continue the good progress in 2017.

In 2016, Pentland Brands published a list of tier 1 suppliers which is available on Pentland.com. Being transparent about who we source from helps us work in a more constructive, open and collaborative way with our suppliers, other brands, NGOs and civil society.

TIER	DEFINITION	MAPPING STATUS
1	Production and assembly sites	100%
2	Specialist processing sites	Majority
3	Material/component production process sites	Partial
4	Chemical suppliers	Limited
5	Raw materials	Limited

JD Sports Fashion plc has mapped all of its tier 2 suppliers and risk assessed them. See JD's annual review for more.

Trialling the Higg Index to monitor sustainability across our supply chain

The Sustainable Apparel Coalition is the apparel, footwear and home textile industry's foremost alliance for sustainable production. The Coalition's main focus is on building the Higg Index, a standardised supply chain measurement tool to help brands understand the environmental and social impact of making and selling their products and services.

The Brand Environmental Module in particular has been an important tool in the development of the Pentland Brands' corporate responsibility strategy, allowing us to identify gaps and areas of opportunity on which to focus. The module measures the impacts of the brand's activities throughout product life cycles, including:

- Material sourcing
- Product design
- Manufacturing
- Packaging
- Distribution
- Care and repair
- End of use programmes



Throughout 2016, Berghaus took part in the SME Brand Pilot Project to help the SAC gain insights into the specific needs of smaller brands and to be able to tailor SAC support and tools to address those needs.

Employees attended workshops with other brands involved in the pilot to share feedback, and best practice. The pilot will continue into 2017 with the focus moving to Berghaus' suppliers and the Factory Environmental Module (FEM), which allows factories to measure and share information on:

- Environmental Management systems
- Energy use and greenhouse gas emissions
- Water use
- Wastewater/effluent
- Emissions to Air
- Waste management
- Chemical use and management

Berghaus is currently connected to over 30 factories and as part of the pilot will continue to work with more of its suppliers to complete factory modules.

LEFT

BERGHAUS PRODUCTS ON DISPLAY

3.2

Chemical management

We are committed to removing harmful substances from our supply chain.

We aim to eliminate harmful substances

Pentland Brands runs a restricted substances management programme which is designed to meet demanding requirements in terms of hazardous substances regulations, worker and consumer safety and environmental protection.

We require all of our suppliers to comply with our restricted substance list (RSL) which outlines chemicals banned or restricted in the manufacture of our products. Our RSL is aligned to that of the AFIRM group. Our suppliers are required to:

- Certify their compliance against our RSL
- Provide evidence of compliance against our RSL

We follow up with testing where appropriate.

Berghaus continues to work with bluesign®

In 2016, Berghaus continued to work with the bluesign® system – designed to reduce harmful substances in the supply chain, by working with chemical suppliers, textile mills and component suppliers. Berghaus is working systematically to increase the number of factories which are bluesign® certified. Currently over 70% of their fabric suppliers are bluesign® system partners.

Speedo is accredited by OEKO-TEX®

All Speedo swimwear is accredited to the OEKO-TEX® 100 standard. So every product is designed, developed and delivered meeting strict industry guidelines. We are continuously growing the number of our suppliers covered by bluesign and OEKO-TEX® certifications.

Mitre aims to be solvent-free by 2017

Mitre is aiming to switch solvent-based glues for water-based ones across its entire range by the end of 2017.

It has also expanded its use of volatile organic compound-free inks across all its key training balls. These products are safer for factory workers and better for the environment.

Testing JD suppliers

All JD's material, component and product suppliers must take part in compliance and testing programmes. JD also does its own due diligence testing. In 2016, it launched its own chemical compliance programme with its top 10 suppliers in China and India.

This will be rolled out over the coming 12 months. It has also mapped its tier 2 suppliers and risk assessed them. See the JD Sports Fashion annual report for more.



TOP

SPEEDO PRODUCT HANDLING

BOTTOM LEFT

BERGHAUS PRODUCT IN USE

BOTTOM RIGHT

MITRE FOOTBALL

3.3 Better materials

We aim to design products with sustainability in mind.

Responsibly sourced leather

Pentland Brands is a member of the Leather Working Group (LWG), an independent organisation that audits environmental standards in tanneries.

In 2016, over 90% of Berghaus' and Lacoste's leather was sourced from LWG gold, silver and bronze rated medal tanneries.

IN 2016 90% OF

LACOSTE'S & BERGHAUS'

LEATHER



came from LWG
GOLD, SILVER
& BRONZE
medal-rated producers



RIGHT

LEATHER MATERIAL
SAMPLES

OPPOSITE

SPEEDO H2O ACTIVE
SWIMWEAR RANGE

Speedo launches H2O Active range made with eco fabric

Speedo's new H2O Active Swimwear range is a new workout collection for women made using chlorine-resistant PowerFLEX Eco fabric – so it can be worn in and out of the water. It includes 78% ECONYL® yarn, a nylon fibre made from regenerated plastics, including abandoned fishing nets that might otherwise harm animals in the ocean.

PowerFLEX Eco is also built to last twice as long as standard swimwear fabrics – meaning its environmental impact per wear has the potential to be much lower.



ADDITIONAL PRODUCTS
from Speedo's current range
have been...

TRIALED
AND
TESTED

with



RECYCLED
POLYESTER



BERGHAUS
MADE KIND™ RANGE

OVER
40%

of 2017 ranges carry the
Made Kind™ swing tag

9 SAVING
MILLION LITRES
OF WATER
and

30,000 tonnes
of CO₂ saved using

COLOURKIND™
FABRICS

The 2017 winter collection uses
SYNTHETIC INSULATION
made from

RECYCLED
PLASTIC
BOTTLES



Berghaus' Made Kind™ range

Berghaus' Made Kind™ range is aimed at reducing the environmental impact of the production of the brands' products. Launched in 2015, the Made Kind™ range continues to grow, with over 40% of the 2017 ranges now covered.

The new spring/summer collection, is on track to save over 30,000 tonnes CO₂ and nine million litres of water from the use of Colourkind™ fabrics alone, while the winter collection will also include synthetic insulation made from recycled plastic bottles.



BELOW

BERGHAUS PRODUCT
DISPLAY

RIGHT

BERGHAUS CAMPAIGN
PHOTOGRAPHY



3.4 Managing climate change, water and waste

In 2016, we reduced our group CO₂ emissions by 6% compared with the previous reporting period.

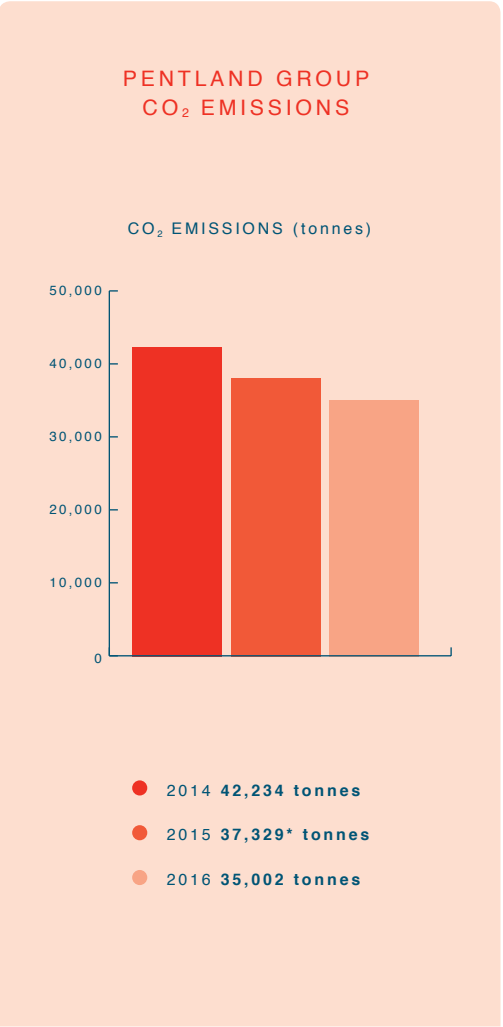
Our own operations

In 2016, we reduced the Pentland Group UK CO₂ emissions by 6% compared with the previous reporting period – from 37,329* tonnes to 35,002 tonnes. This was achieved through a variety of measures, including using more efficient boilers at our Pentland Brands London HQ.

We did not send any waste to landfill at our offices in London, Nottingham, Sunderland and Stockport; distribution centres in Blackburn, Sunderland and Wakefield; or JD's main UK distribution centre, Kingsway.

Overall our UK sites created 367.28 tonnes of waste – 64.63 tonnes less than last year. Of this, 85% was either recycled or used to generate energy. In 2016, Berghaus removed disposable cups from its drinks machines, saving over 10,000 cups.

*We overstated our emissions in our 2015 CR Review, producing 37,329 tonnes, not 39,294 tonnes.



At our factories

We aim to work with factories which are proactive in managing their environmental impact. For example, a number of Lacoste's assembly factories made environmental improvements in 2016. These included waste reduction programmes, water treatment programmes and lowering energy consumption.

Reducing climate and water risk

A number of Pentland Brands' suppliers are located in areas of high climate change or water risk. In 2017, we plan to start mapping our exposure, to aid our future sourcing decisions.

LEFT

LACOSTE'S ASSEMBLY FACTORY

Respecting human rights and tackling inequality

Continuing to conduct business ethically and fairly, respecting everyone involved in making our products

4.1

Tackling inequality and protecting human rights

Our business is heavily reliant on people, and has great potential to contribute significantly to economic and social development.

Auditing factories in line with Our Standards

We expect all Pentland Brands’ manufacturers to comply with our Code of Employment Standards for Suppliers. This adheres to the ETI Base Code and International Labour Organization conventions, as well as regional legislation.

We reviewed and updated our Code in 2014. It requires manufacturers to make sure:

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

Our standards are available in 14 languages. JD Sports has a similar set of standards. Read more in its annual report.

Building lasting relationships

We foster long-term relationships with suppliers and work with them to improve workers’ rights. We’ve worked with nearly half of our suppliers for over 10 years.

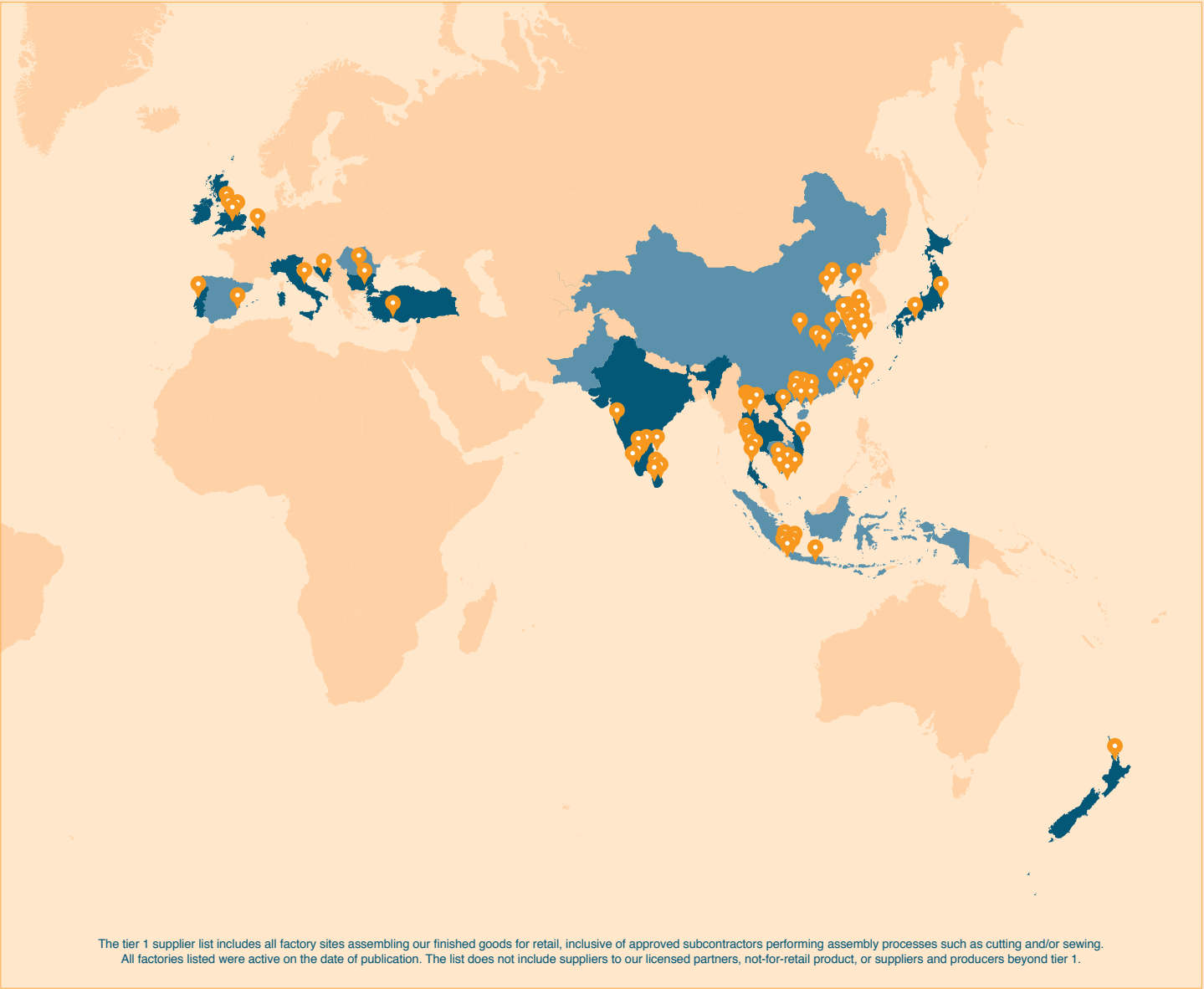
PROPORTION OF OUR SPEND BY FACTORY RELATIONSHIP LENGTH



● LESS THAN 5 YEARS	36%
● 5-9 YEARS	15%
● 10-19 YEARS	39%
● MORE THAN 20 YEARS	10%

PENTLAND BRANDS SOURCING COUNTRIES

In 2016, Pentland Brands published a list of its tier 1 suppliers which is available on Pentland.com.

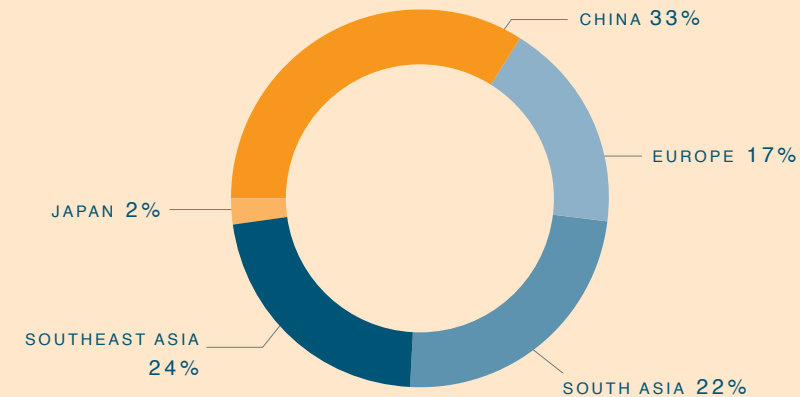


FACTORY REVIEW PROCESS

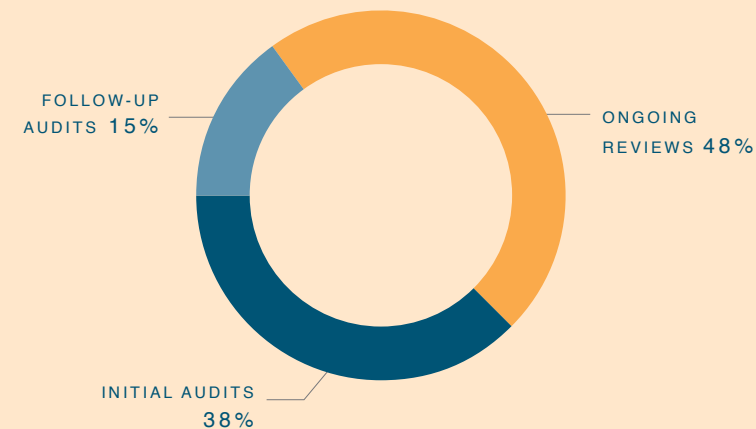
We have a series of policies and processes to help us monitor and improve conditions at our factories.



BREAKDOWN OF VISITS PER COUNTRY



FACTORY ASSESSMENTS BY TYPE



How do we categorise breaches of our Code of Employment Standards for suppliers?

Zero tolerance

An issue that has an unacceptable impact on worker rights or conditions. It could lead us to suspend or even end a supplier relationship if they do not immediately engage in sustainable improvement.

Critical

An issue of serious concern that could turn into a zero tolerance issue.

Minor

Less significant breaches. Alone, they can be quickly tackled. But in clusters they can identify a need for improved management practices.

If we find an issue in our supply chain, we will aim to work with the factory to improve conditions. This is in the best interests of all involved, including the workers. We will only end a relationship if a factory shows a lack of willingness to improve.

Performance in 2016

In 2016, we completed 71 factory audits to assess working conditions and compliance with our business standards. We've also completed four factory assessments with Better Work.

- We discovered no zero tolerance issues in 2016
- Critical issues increased 22% on the previous year
- Minor issues decreased 34% on the previous year

**Reviewing working conditions
at JD's warehouse**

In December 2016, following media allegations about working practices in the Kingsway distribution centre of JD Sports Fashion plc, a team of specialists from Deloitte were appointed to conduct an independent investigation into those allegations.

Their report concluded that, on the basis of their review conducted in January 2017, the issues alleged in the media did not represent a balanced characterisation of policies and practices there.

They nevertheless identified areas for improvement requiring management attention and also observed that plans were in place, some already implemented, which pre-dated the allegations being made or the commencement of the review.

To find out more about ethical trade at JD, see its annual report.

RIGHT

ONE OF OUR WAREHOUSES

OPPOSITE

FACTORY IN SHENZHEN



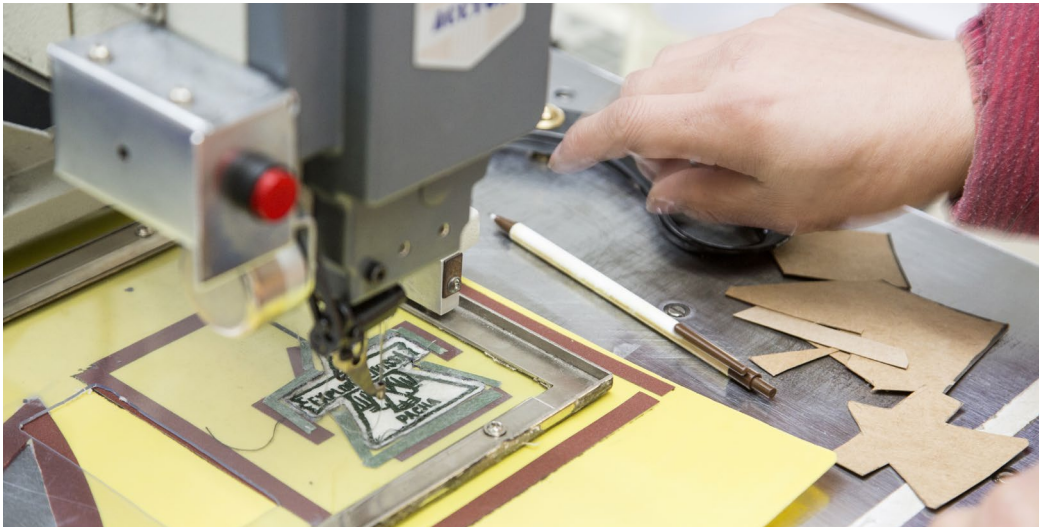
Working with Better Work

We partner with the Better Work programme, an International Labour Organization and International Finance Corporation initiative.

It makes ethical trade assessments and runs programmes to make sure factories meet labour standards.

In 2016:

- We collaborated with Better Work in 12 factories across Vietnam, Cambodia and Indonesia
- We estimate Better Work made a positive impact on over 32,500 workers in our supply base



**Supporting industry-wide
living wages**

A living wage is generally defined as a wage that covers basic needs and provides some discretionary income.

Pentland Brands is active in addressing the issue of living wages at an industry level through our membership of the ACT Foundation – a partnership of brands, retailers and the global union IndustriALL.

ACT aims to improve wages by establishing collective bargaining in key garment and textile sourcing countries, supported by world-class manufacturing standards and responsible purchasing practices.

We are part of the purchasing practices working group and began a review of our purchasing practices to make sure they don't inadvertently have a negative impact on suppliers' ability to provide workers with a living wage. Currently 85% of our suppliers are paid within 30 days of receipt of export documents.

In terms of our own employees, we're committed to providing living wages to all our employees.

**OUR PARTNERSHIP
WITH BETTER WORK**

We collaborated with
Better Work in



across
VIETNAM,
CAMBODIA AND
INDONESIA



We estimate that
Better Work made a

POSITIVE IMPACT



in our supply base



4.2 Preventing modern slavery

Modern slavery and human trafficking are increasingly prevalent issues within modern supply chains.

Human trafficking and modern slavery are criminal acts that can be sophisticated and difficult to detect.

We are in the process of widening and deepening the scope of our existing supply chain monitoring to be increasingly diligent and capable in the detection of human trafficking and modern slavery.

In 2017 Pentland Brands and JD Sports Fashion plc will produce their first modern slavery statements, detailing what they're doing to prevent modern slavery and human trafficking in their supply chains.



RIGHT
FACTORY WORKER

Key activities in 2016

1

Launching a four level training programme

We launched a modular

4
LEVEL

TRAINING PROGRAMME

We trained 49 employees on aspects of HUMAN TRAFFICKING AND MODERN SLAVERY

People in supplier-facing roles were taught how to IDENTIFY AND RESPOND to risk indicators

Corporate responsibility practitioners and auditors were trained on the technical skills needed to DETECT AND REMEDY the various forms modern slavery and its root causes

2

Developing a supplier RISK Assessment Tool

We developed a SUPPLIER RISK ASSESSMENT TOOL

...in collaboration with LANCASTER UNIVERSITY

to assess MODERN SLAVERY RISK

at every one of our TIER 1 ASSEMBLY SUPPLIERS

3

Running a pilot investigation programme

We ran a pilot investigation program at a HIGH RISK FACTORY in Thailand

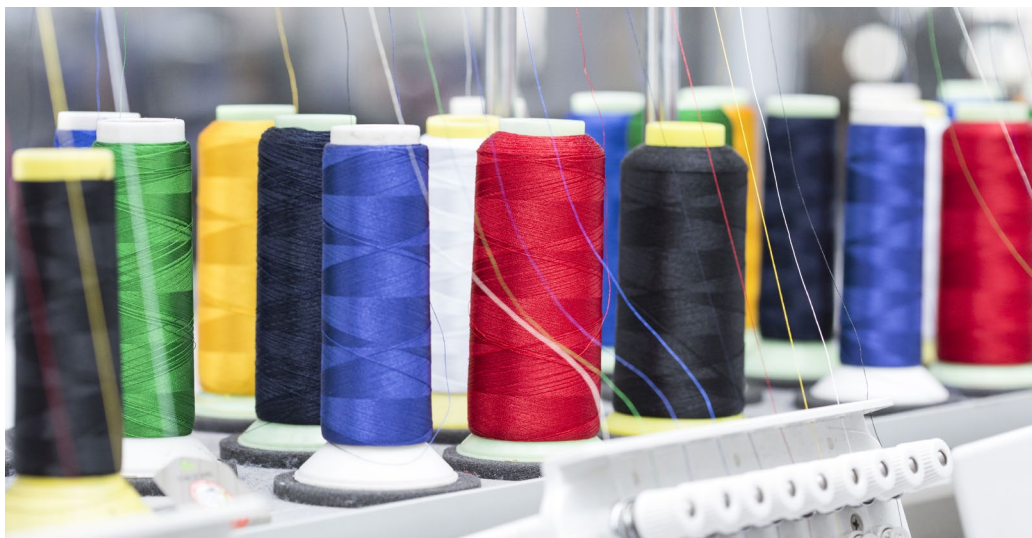
During this visit we discovered a number of RISK FACTORS relating to MODERN SLAVERY OR HUMAN TRAFFICKING

We're now working closely with the factory to address these... ...and looking to roll out the investigation process across all high risk factories

4.3

Partnering to effect regional change

We take a regional approach to ethical trade, focusing on specific issues depending on the social and political context.



Improving rights to collective bargaining in Indonesia

The Freedom of Association (FOA) Protocol is a voluntary initiative developed by a small group of brands, local NGOs, trade unions and suppliers to improve FOA rights. This states that workers are free to form and join workers' organisations such as trade unions, worker associations and worker councils or committees for the promotion and defence of occupational interests.

This FOA Protocol was signed by Indonesian trade unions, suppliers and brands – facilitated by a local NGO. It establishes practical guidelines, tools and training for enabling collective bargaining in pursuit of better working conditions.

In 2016, we ran a session with 18 attendees in collaboration with Oxfam, to encourage them to sign up. Pentland signed the FOA Protocol on 6 June 2011. Since then, 86% of our suppliers have signed and implemented the Protocol.



Promoting social insurance in China

Social insurance is a state programme designed to provide benefits to employees and their dependants through income for retirement, sickness, disability and other purposes. The social insurance programme is funded through compulsory contributions by both employers and employees.



The Chinese social insurance system is among the most difficult in the world for workers to navigate. So we're working with ETI China and nine other brands to help Chinese factory workers to understand the benefits it offers.

We'll be promoting an educational video and set of guidelines in 2017 to workers in our supply chain to improve their awareness and encourage participation in the social insurance programme.

ABOVE

FACTORY WORKERS
IN SHENZHEN

UN Global Compact: 10 Principles

Reporting in line with the UN Global Compact's
Ten Principles

5.1

UN Global Compact:
Ten Principles

Human Rights	<div><div>01</div><div>Businesses should support and respect the protection of internationally proclaimed human rights; and</div></div> <div><div>02</div><div>make sure that they are not complicit in human rights abuses.</div></div>	Respecting human rights and tackling inequality - p34
Labour	<div><div>03</div><div>Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</div></div> <div><div>04</div><div>the elimination of all forms of forced and compulsory labour;</div></div> <div><div>05</div><div>the effective abolition of child labour; and</div></div> <div><div>06</div><div>the elimination of discrimination in respect of employment and occupation.</div></div>	<div>Respecting human rights and tackling inequality - p34</div> <div>Introduction - p02</div>
Environment	<div><div>07</div><div>Businesses should support a precautionary approach to environmental challenges;</div></div> <div><div>08</div><div>undertake initiatives to promote greater environmental responsibility; and</div></div> <div><div>09</div><div>encourage the development and diffusion of environmentally friendly technologies.</div></div>	<div>Future-proofing our supply chain - p22</div> <div>Building brands with social purpose - p14</div>
Anti-Corruption	<div><div>10</div><div>Businesses should work against corruption in all its forms, including extortion and bribery.</div></div>	Introduction - p02

