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1.0

Introduction

1.1

A message from our Chairman

As a family business we take a long-term view on developing and positioning our brands. We are passionate about our people (Pentland employees, customers, and everyone in our value chain) and committed to being good corporate citizens.

People are at the heart of what we do. We focus on creating products our customers can be proud to wear, demanding high standards for workers in our supply chain, supporting our own people so they can achieve their best, and giving back to our communities. I'm tremendously proud of what we have achieved this year.

Pentland Brands has continued its efforts to tackle modern slavery risks in the supply chain, publishing three new policies to protect vulnerable workers, training over 90 staff in factory-facing roles to identify risks, and working with the Issara Institute to improve working conditions at factories in Thailand. Its longstanding support through product donations earned an award from charity partner In Kind Direct and 400 people across the business volunteered their time and skills to give back to their communities.

Our brands have continued to introduce more eco-friendly fabrics in their latest ranges, such as Berghaus' signature Made Kind™ products and Speedo's use of ECONYL® made from recycled ocean waste in its H2O Active range.

JD Sports Fashion plc trained more than 170 auditors to spot modern slavery risks and the JD Foundation has raised £1.9 million to support youth charities since its launch in 2015.

Pentland Group won the International Institute for Management Development Global Family Business International Award in 2017. Receiving this prestigious award is the culmination of many decades of evolving as a family business and being supported by great teams and partners. This kind of external recognition is a great validation of what we all do, and it shows us that we benchmark with the very best.

We remain committed to playing our part in tackling some of the world's greatest challenges – as expressed in the UN Global Compact and the UN Sustainable Development Goals – and I look forward to further progress next year.

R. Stephen Rubin
Chairman, Pentland Group

2017 Highlights

Pentland Group plc

- + Pentland Group was awarded the prestigious [International Institute for Management Development Global Family Business International Award](#) and recognised for our strong commitment to sustainability, human rights and environment throughout our value chain
- + We won EY's [UK Family Business of Excellence Award 2017](#), celebrating the contribution Pentland Group is making to the economy and the legacy we're building

JD Sports Fashion plc

- + The JD Foundation has raised [£1.9 million](#) to support youth charities since 2015, including the 'Inspired to Aspire' Mentoring Programme launched in 2017 to help young people prepare for the world of work
- + JD trained more than [170 auditors](#) to spot modern slavery risks in the supply chain

Pentland Brands Ltd

- + Nearly [400 employees](#) supported their communities through Pentland Brands' 28 Give Back Days around the world
- + In Kind Direct recognised Pentland Brands' longstanding support with an award for Pro Bono Support by a Product Donor and our product donations helped over [500](#) charities this year
- + Speedo has provided [over 500,000](#) free swimming lessons in 12 countries through its Swim Generation programme since 2014
- + [40%](#) of Berghaus' range was MADEKIND™ for the environment
- + More than [70%](#) of Speedo's men's water shorts use eco-friendly production techniques or materials
- + Pentland Brands trained more than [90](#) staff in factory-facing roles to identify risks of modern slavery
- + Pentland Brands partnered with the Issara Institute to improve working conditions at factories in Thailand
- + We've had a positive impact on more than [30,000](#) workers in Southeast Asia through Pentland Brands' Better Work programme
- + We've gone beyond compliance to pay at least [the real Living Wage](#), as defined by the Living Wage Foundation, to all Pentland Brands UK employees from August 2017
- + [1/3](#) of Pentland Brands senior leaders are women and we're working to improve that figure

Who we are

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

Since our founders sold their first shoe in Liverpool in the 1930's, we've been building global sports, fashion and outdoor brands that people love. Our business is changing rapidly but our values have not changed and our people remain at the heart of what we do.

Pentland Group employs over 20,000 people and we work with trusted suppliers around the world to make our products. We have three business groups: Pentland Brands Ltd, JD Sports Fashion plc, and Pentland Investments which manages our investments and trading subsidiaries.

Pentland Brands Ltd

Pentland is the name behind some of the world's best active and footwear brands. It owns Speedo, Berghaus, Canterbury of New Zealand, Boxfresh, Ellesse, KangaROOS, Mitre and Red or Dead. It's the majority shareholder in US sneaker brand SeaVees, is the global footwear licensee for Ted Baker, the Kickers licensee in the UK and Ireland, and has a joint venture partnership for Lacoste footwear.¹ Pentland Brands employs around 1,700 people.

In 2017, we simplified the way we buy and sell products so we can continue to grow sustainably. We're consolidating our supply chain and UK operations to better align our brands and streamline their relationship with retailers. As a result, we've restructured Pentland Brands into two divisions: active and footwear.

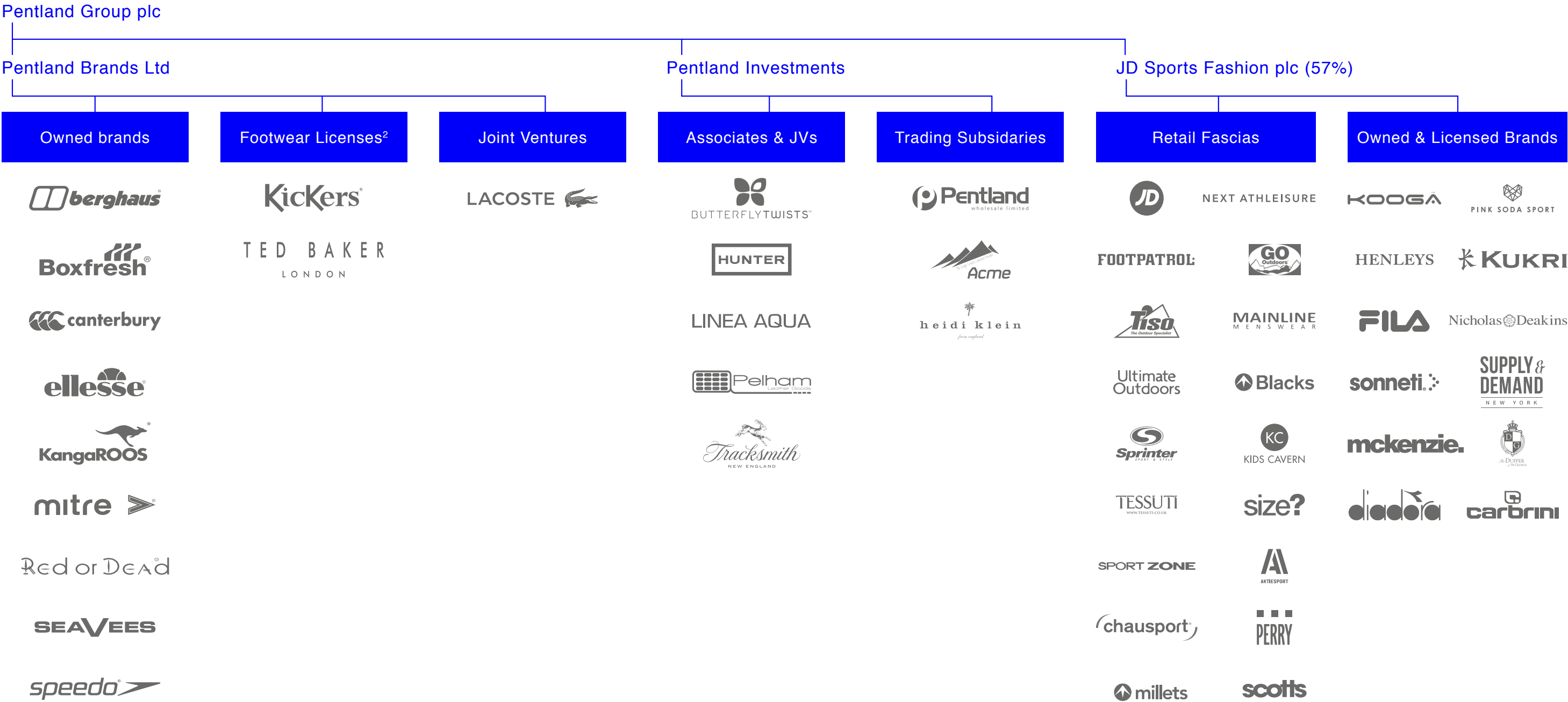
JD Sports Fashion plc

Pentland Group is the majority owner of JD Sports Fashion plc, which operates 1,300 sports, fashion and outdoor stores in 12 countries under several different brands including JD, Size?, Blacks and Go Outdoors. It employs around 19,000 people (FTE).

Investments and trading subsidiaries

Through our Pentland Investments Division, Pentland Group is also a shareholder in other companies such as Hunter Boots, Butterfly Twists and Tracksmith.

¹ For 2017 (the period covered by this report) Pentland Brands was the global footwear licensee for Lacoste



² For 2017 (the period covered by this report) Pentland Brands was the global footwear licensee for Lacoste

Our Story



Scope of this report

This report provides an overview of Pentland Group plc’s corporate responsibility strategy and performance for the 2017 calendar year. We focus mainly on Pentland Brands’ activities because we can directly influence the design and sourcing of its products.

As a separate publicly listed company, JD Sports Fashion plc publishes its own Annual Report, where you can find out more about its corporate responsibility approach and performance. A brief overview is also included in this report.

JD Sports Fashion Plc is excluded from our Group level data, except for energy and carbon emissions data (in line with the requirements of the Carbon Reduction Commitment Energy Efficiency scheme).

Our approach to corporate responsibility

Our Standards and policies set out our position on social, environmental and ethical issues, including anti-bribery. They make our expectations clear to everyone who works for us or with us: employees, business partners and suppliers.

All Group companies in which we hold 50% or more equity are required to comply with these policies. We also endeavour to use our influence to persuade other companies in which we have non-controlling stakes to meet our standards.

Pentland Group is a signatory to the UN Global Compact and we support the UN Sustainable Development Goals to build a fairer and more sustainable world.

Partnering for progress

We partner with academic institutions and industry bodies to support positive change.

Partnerships include:

Academia

- + We've worked closely with the UCL School of Public Policy since its inception in 2001. In partnership with the NYU Wagner Graduate School of Public Service in New York, our innovative academic sponsorship for individual scholars from the Global South region supports a student from Africa, Asia-Pacific or Latin America at an early stage of their career. It helps them to complete their studies and go on to make an important contribution to public service.
- + The Pentland Centre for Sustainability in Business at Lancaster University tasks businesses and academics to find practical solutions to real-world social and environmental challenges. In 2017, Professor Gail Whiteman, who chairs the Centre, and her team, set up an Arctic basecamp at Davos 2017 to raise awareness of the impact of climate change in the Arctic.

World Federation of the Sporting Goods Industry (WFSGI)

- + Pentland Brands is an active member of the WFSGI, an independent non-profit association that represents the global sporting goods industry. It promotes responsible business practices and encourages 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.

Other industry groups and non-governmental organisations (NGOs) that we work with are mentioned throughout this report.



UN Global Compact: Ten principles

We became a signatory to the United Nations Global Compact in 2001. We fully support its ten principles that cover human rights, labour, environment and anti-corruption. This report is our Communication on Progress for 2017. The table below shows where the relevant information in our report can be found for each principle.

Topic	UN Global Compact Principle	Location in report
Human rights	<div>1. Businesses should support and respect the protection of internationally proclaimed human rights; and</div> <div>2. make sure that they are not complicit in human rights abuses.</div>	<div>Section 2.4</div> <div>Respecting human rights and tackling inequality</div> <div>Section 2.5</div> <div>Supporting our people</div>
Labour	<div>3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</div> <div>4. the elimination of all forms of forced and compulsory labour;</div> <div>5. the effective abolition of child labour; and</div> <div>6. the elimination of discrimination in respect of employment and occupation.</div>	<div>Section 2.4</div> <div>Respecting human rights and tackling inequality</div> <div>Section 2.5</div> <div>Supporting our people</div>
Environment	<div>7. Businesses should support a precautionary approach to environmental challenges;</div> <div>8. undertake initiatives to promote greater environmental responsibility; and</div> <div>9. encourage the development and diffusion of environmentally friendly technologies.</div>	<div>Section 2.3</div> <div>Future proofing our supply chain</div> <div>Section 2.2</div> <div>Building brands with social purpose</div>
Anti-corruption	<div>10. Businesses should work against corruption in all its forms, including extortion and bribery.</div>	<div>Section 1.4</div> <div>Our approach to corporate responsibility</div>

UN Sustainable Development Goals: Our contribution

Based on our assessment of the business against the UN Sustainable Development Goals, we believe we can make the biggest contribution on six of the goals. This is where we will focus our efforts through our corporate responsibility strategy.

<div>1</div> <div>No poverty</div>	<div>2</div> <div>Zero hunger</div>	<div>3</div> <div>Good health and well-being</div>	<div>4</div> <div>Quality education</div>	<div>5</div> <div>Gender equality</div>
<div>6</div> <div>Clean water and sanitation</div>	<div>7</div> <div>Affordable and clean energy</div>	<div>8</div> <div>Decent work and economic growth</div>	<div>9</div> <div>Industry, innovation and infrastructure</div>	<div>10</div> <div>Reduced inequalities</div>
<div>11</div> <div>Sustainable cities and communities</div>	<div>12</div> <div>Responsible consumption and production</div>	<div>13</div> <div>Climate action</div>	<div>14</div> <div>Life below water</div>	<div>15</div> <div>Life on land</div>
<div>16</div> <div>Peace, justice and strong institutions</div>	<div>17</div> <div>Partnerships for the goals</div>			

2.0

Corporate responsibility
at Pentland Brands

2.1

Our corporate responsibility strategy

Pentland Brands’ corporate responsibility strategy helps us drive progress in three key areas: building brands with social purpose, future-proofing our supply chain, and respecting human rights and tackling inequality.

Building brands with social purpose

Focus areas:

- + Using our brands to make a positive difference in society
- + Supporting causes that matter
- + Volunteering and giving back

Future-proofing our supply chain

Focus areas:

- + Better chemicals management
- + Better materials selection
- + Better understanding of our supply chain environmental footprint

Respecting human rights and tackling inequality

Focus areas:

- + Tackling modern slavery
- + Paying living wages
- + Understanding workers and giving them a voice

Building brands with social purpose

We're supporting causes that matter through our brands, our business, our products and our people.

Using our brands to make a positive difference in society

We want our brands to play a positive role in society. Many of them run their own social programmes that resonate with their consumers and brand ethos.

For example, Berghaus contributes to the John Muir Trust that aims to protect wild places and reconnect people with the outdoors. It also supports the Outward Bound Trust to help young people from all walks of life widen their horizons by getting outdoors.

Canterbury partners with England Rugby on the All Schools programme to get more kids playing rugby. And Speedo's Swim Generation aims to reduce incidents of accidental drowning worldwide.

In November 2017, Pentland and Speedo supported the biennial House of Lords versus House of Commons Speedo Charity Swim and Gala Dinner, which we've sponsored for over 20 years. The event raised £80,000 this year in aid of Hope for Youth Northern Ireland.



The ripple effect with Speedo Swim Generation

Speedo is synonymous with swimming. Its Swim Generation programme is harnessing the power of the brand to help more people around the world learn how to swim.

Swimming lessons can reduce the risk of drowning – the third biggest cause of accidental deaths worldwide – by 88%. Over the last three years, Swim Generation has provided more than half a million free lessons on water safety and swimming and it's helping to make more than 50,000 children safer in the water.

Swim Generation has also trained more than 130 swimming teachers and lifeguards, and reached over 630,000 young people through campaigns on water safety to prevent drowning.

There are now 18 Swim Generation projects in 12 countries: Argentina, Australia, Bangladesh, Bulgaria, Cambodia, India, Lesotho, Malta, Sri Lanka, South Africa, Sudan and the UK.

SeaVees gives 1% For The Planet

Based in and inspired by California, USA, SeaVees is passionate about the coastal environment. In 2015 it joined 1% For The Planet, an initiative that brings donors and grassroots environmental organisations together, and as a member the brand has made a commitment to give 1% of net sales to support environmental causes. SeaVees has chosen to support the Gaviota Coast Conservancy, which works to protect the undeveloped coastal wilderness close to the brand's Santa Barbara office.



Supporting causes that matter

Giving back is baked into our DNA. Every year, Pentland Brands gives at least 1% of its net profit after tax to charitable causes through product donations and financial contributions.

In 2017, Pentland Brands completed the second year of our three-year partnerships with the global charity partners chosen by our employees. We support projects that are relevant to our brands and mean the most to our people:

- + Improving access to clean water in Kenya for more than 65,000 people so far with the British Red Cross
- + Empowering young girls in India to overcome gender inequality with United Purpose (formerly International Inspiration)

Protecting the endangered Javan rhino in Indonesia with WWF.

“Pentland Brands’ generous support has helped us to make dramatic improvements to the health of thousands of people across Kenya. The Red Cross has worked alongside vulnerable communities across three counties to make clean water available and more accessible. Combined with health education drives around the importance of toilet facilities and hand-washing, communities are being empowered to prevent the spread of illnesses linked to poor sanitation.”

Paul Davenport, Country Manager
Kenya British Red Cross



“WWF has been researching the Javan rhino for decades now, but much of the rhino’s behaviour remains a mystery. With Pentland’s support, we’ve purchased 121 infrared cameras this year to help us obtain critical data. With only 67 Javan rhinos left it helps us get to know each individual rhino personally. Take Rawing for example, an old-timer that WWF teams had only ever seen in the southern part of Ujung Kulon National Park. He hung out there because the invasive Arenga palms that destroy rhino plant food weren’t so concentrated. But thanks to our efforts to control arenga palm, which Pentland have supported, we noticed that Rawing was moving into the cleared area to feed.”

Nicola Loweth, Regional Officer
WWF-UK



“United Purpose places great emphasis on promoting gender equality, and our partnership with Pentland has enabled us to reach thousands of young women, many of them incredibly vulnerable, in rural communities of India where women often suffer discrimination and violence. Through our innovative project combining sport and education, these young women have had new life experiences and gained new awareness and knowledge, which has challenged how women are seen in their society, and perceptions of what women can do. Through Pentland’s support over three years, we’ve been able to embed this work deeply into communities to ensure that we’re making a lasting change for women.”

Kathryn Llewellyn, CEO
United Purpose

Image Source: PRADAN

Donating products to those in need

Our clothing, shoes and sports equipment can come in handy for community organisations and people in need.

We channel our product donations through our charity partner, In Kind Direct, to help our surplus stock reach those who need it most. They distribute our products to charities and community organisations across the UK and beyond.

In 2017, our donations through In Kind Direct reached over 500 community projects including those focusing on youth, disability and family welfare. The charity recognised our longstanding support with an award for Pro Bono Support by a Product Donor this year. Over the past 17 years, more than 2,100 charities have benefited from our donations of products worth an estimated retail value of over £2.4million.

We were one of the first companies to endorse In Kind Direct's new manifesto to Join the Product Giving Revolution. Launched at the end of 2017, the campaign aims to encourage more manufacturers and retailers to share surplus stock to help In Kind Direct support more charities and the millions of people they help.

Some of our footwear brands donate surplus stock to the social enterprise, Africa Shoes, for a token fee which we pass on to our charity partners. The shoes are then redistributed to entrepreneurs in Africa who earn a living by recycling and selling them on to people who need them at a fraction of the cost of new shoes.



Volunteering and giving back to local communities

We’re not the only ones giving back. Our employees are too. We help them support their communities through our Give Back Days.

Every year, teams across the business choose a local cause that matters to them and volunteer a day of their work time to help. It’s a great experience for our people, it helps their communities and the environment, and it supports our business too by promoting teambuilding.

In 2017, almost 400 people were involved in 28 Give Back Days around the world. Activities included:

- + Clearing rubbish from beaches and forests in China
- + Gardening, cleaning and painting for community centres, historic houses and a wildlife rescue centre in the UK
- + Preparing food packages for families in need in Hong Kong and the UK

- + Wrapping holiday gifts for refugees, including essentials like toothbrushes and gloves
- + Helping out at an orphanage in Vietnam and a neighbourhood service centre in Indonesia
- + Making paper funeral flowers for the Royal Cremation of King Bhumibol in Thailand.

Our employees also help to raise funds for our charity partners and we offer matched funding to give them an extra boost. In 2017, several employees took part in charity challenge events, including the Great North Run, the Royal Parks Half Marathon and the London Marathon, to support our charity partners such as the British Red Cross, WWF and In Kind Direct.

We also donated £5,000 to the World Land Trust in support of one of our employees who left the business to row the Atlantic in aid of the charity.



“We had a great day on our first Berghaus Give Back Day of the year. We were helping our local council clear the bushes from a park so the kids had somewhere safe to play. They also wanted to plant flowers for a memorial garden. With the help of the council grounds staff, we managed to pull all the bushes out, clear all the litter and rake all the bushes and leaves away, ready for them to grass over. It was hard work and we never stopped all day, but it was worth it. It’s lovely to know that our day of helping has hopefully got them nearer their goal. We can’t wait to go back and see it complete.”

Julie White, Berghaus team
Sunderland, UK

“We spent our Give Back Day at a service house in North Jakarta which was built to help people in need in our local neighbourhood. Community organisers arrange daily activities at the house to help locals learn important skills and gain some income. We volunteered across a range of activities, including helping children with their homework, getting involved in a cooking class and organising donations to support their daily activities. After an action-packed day, we finished by serving meals for the students at the house. We had a great experience volunteering. To be able to give back to those in need was a blessing for us.”

Yanuar Nurazizah, Pentland team
Indonesia

Future proofing our supply chain

We're working with suppliers to reduce the impact of Pentland Brands products across their lifecycle.

Our approach

We want everyone to be proud to wear Pentland products. That's why we aim to protect people and the environment through every stage of a product's lifecycle, from sourcing raw materials to design, production and use.

See section 2.4 for more on our efforts to protect workers in our supply chain.

Mapping our supply chain

Pentland Brands' supply chain is complex. We're gradually, and responsibly, consolidating it so we source products from fewer suppliers. This gives us more visibility and control of how our products are made. We'll continue relationships with the best suppliers that meet our ethical and environmental standards.

This includes:

- + Suppliers that cut, sew and assemble our finished products (tier 1)
- + Suppliers that provide materials and components (tier 2)
- + Suppliers that provide chemicals (tier 3)
- + Suppliers of raw materials (tier 4)

Mapping our supply chain is an important first step in identifying and managing ethical and environmental risks. A list of all our tier 1 suppliers is available on our website³ and we have begun to map tier 2 suppliers. We're focusing on our product (stock) supply chain in the first instance as this is where the greatest risks are and where we can make the biggest difference.

We want to make design decisions knowing which factories will produce the materials and components. We're developing a product lifecycle management system to give our designers a standardised list of suppliers to source from and will explore possibilities for consolidating our tier 2 supply chain in 2018.

Reducing our supply chain environmental footprint

We're working with other brands, manufacturers and NGOs for industry-wide change as a member of the Sustainable Apparel Coalition (SAC).

The SAC's Higg Index is an important tool in our efforts to protect the environment by measuring impacts in our supply chain.

It's a standardised tool to help brands understand the impact of making and selling their products.

Our focus is on two parts of the Higg Index:

- + The **Brand & Retail Module** helps us identify gaps and opportunities and target better practices across the lifecycle of our products. Berghaus continued to support development of the tool for small and medium sized companies in 2017, after piloting it the previous year.
- + The **Factory Environmental Module** helps us map the environmental footprint of our tier 1 and tier 2 suppliers. Factories measure and share information on their environmental management system, waste, emissions to air and use of chemicals, water and energy. Berghaus has rolled the tool out to 29% of its tier 1 and 24% of its tier 2 suppliers so far, and we aim to expand the tool to other brands too.

³ The tier 1 supplier list includes all factory sites assembling our finished goods for retail, inclusive of approved subcontractors performing assembly processes such as cutting and/or sewing. It does not include suppliers to our licensed partners, not-for-retail product, or suppliers and producers beyond tier 1

Managing chemicals

Our suppliers use chemical treatments and processes to turn raw materials into finished products. We don't want workers, the environment or customers to be harmed in the process so we have a programme to manage restricted substances.

Any potentially harmful chemicals are restricted or completely banned in production. We set out these requirements in a Restricted Substances List. Suppliers can't work with us unless they comply with the list and provide evidence that they're putting our standards into practice. We test products regularly to check they meet our standards.

We try to choose materials and components that reduce the risk of potentially harmful substances being used in the first place. We will be updating our chemicals management policy in 2018 to make our expectations clearer for suppliers and we've also updated our sourcing guidance for licensees. As a member of the industry group, AFIRM, we're supporting efforts to reduce the impact of harmful substances in the wider apparel and footwear sectors.

Our list of restricted substances aligns with Afirm's and our brands are making progress in reducing the use of harmful substances in their supply chains. Examples include Berghaus and Speedo (see case studies).

In 2017, Mitre switched to solvent-free printing inks across all professional and match footballs, and it aims to extend this to training balls next year.

Replacing PFC water repellents

We're looking at more sustainable ways to waterproof our products. Waterproofing is essential to keep our customers dry outdoors, but the compounds used in many water repellent treatments (known as PFCs) can be harmful to the environment. More than 40% of the Berghaus range being developed for 2018 is PFC-free and we're aiming to reach 100% PFC-free. Speedo is switching to PFC-free options across the range over time.

Berghaus was the first British brand to join the bluesign® system, an industry leading initiative which works with chemical suppliers, textile mills and component manufacturers to eliminate harmful substances from the supply chain.

We use the system to identify and work with the most responsible suppliers in the business so that when you see the bluesign® logo on a Berghaus product you can be confident that chemicals used in its manufacture have been handled in the safest way throughout the whole process. If a product contains more than 90% bluesign® approved fabrics it will achieve the Berghaus' signature MADEKIND™ label.

MadeKind™

Berghaus' signature MadeKind™ products have at least 50% recycled content, or are made with Colourkind™ fabrics, or contain at least 90% bluesign® approved fabrics. In 2017, more than 40% of the Berghaus range was MADEKIND™ and the range for 2018 will include a new Polartec® fleece designed for hillwalkers with over 50% recycled polyester. We plan to use what we've learned from Berghaus' and Speedo's innovations to introduce more eco-friendly fabrics across our other active and footwear brands.

MADEKIND

Speedo OEKO-TEX®

All Speedo swimwear, except fastskin, is accredited to the OEKO-TEX® 100 standard. This means the fabric has been independently tested and certified to be free from harmful levels of more than 100 substances.



Sourcing better materials

We’re working to source more sustainable materials that help us reduce the environmental impact of our products.

Sourcing natural materials responsibly

We don’t use fur in our products. Our policy requires suppliers to source animal skins, down or feathers in line with industry best practice on animal welfare.

We’re a member of the Leather Working Group (LWG). It certifies tanneries that are minimising their environmental impact. Our goal is to source all our leather from tanneries certified as LWG Gold, Silver or Bronze. Lacoste is already sourcing all their leather from LWG certified tanneries.

Down is a crucial component of Berghaus’ high performance products. It keeps people warm in extreme outdoor conditions. We make sure the down used in Berghaus products is certified to the Responsible Down Standard (RDS). That means we know which farm the ducks and geese come from and no inhumane practices like live plucking or force-feeding are used. In 2017, 100% of the down used in Berghaus jackets was RDS certified.

Finding better fabrics

We’re exploring how we can contribute to the circular economy by choosing more recycled materials. We’re using more eco-friendly fabrics in our range, including yarn made from recycled polyester and ocean plastics.

Speedo has increased its use of sustainable materials, including Colourkind™ fabrics that go through fewer dyeing stages, saving water, chemicals and CO₂ emissions.

Reducing the impact of packaging

What goes into our products is important, but so is the packaging they come in. We’re always on the lookout for ways to reduce the environmental impact of packaging.

In 2017, we teamed up with a supplier to develop a lightweight paper shoe box for Lacoste products. Customers will get their shoes in the new lighter box from 2018, saving an estimated 300 tonnes of paper per year.

Speedo targets more sustainable swimwear

Speedo’s customers love and live to swim, so we’re designing products they can feel good in while they’re doing it, knowing they’re helping to protect our oceans and the wider environment.

We’ve invested in sustainable production and recycled materials to transform our range of men’s swimming shorts in 2017. We’re offering customers swim shorts made from 100% recycled polyester.

The fabric for our new Glide water shorts range is made from recycled plastic bottles and the innovative Xpress Dry Eco fabric is made from 86% recycled polyester. In total, 73% of our men’s water shorts use eco-friendly production techniques or materials.

Speedo is also steadily increasing the amount of recycled yarn in women’s swimming gear and using recycled ocean plastics. The H2O Active range uses ECONYL®, an innovative fabric that turns waste fishing nets, plastics and even carpet, into first grade nylon. This takes plastic out of the sea, preventing further harm to marine ecosystems.



“We’re really concerned about the damage being wreaked on our oceans from climate change and plastic pollution. That’s why we’re proud to offer customers our H2O Active range from Speedo. It’s made from sustainable, chlorine-resistant fabric and 78% ECONYL yarn®, taking plastics out of our seas and regenerating it to make products without compromising on either comfort or durability. Knowing we are offering a great product while reducing the impact on our planet is very exciting.”

Tim Sharpe, Director of Innovation
Pentland Brands

Reducing the environmental impact of our operations

Caring for the environment and protecting it for future generations is part of how we do business. We apply this mindset to our own operations too.

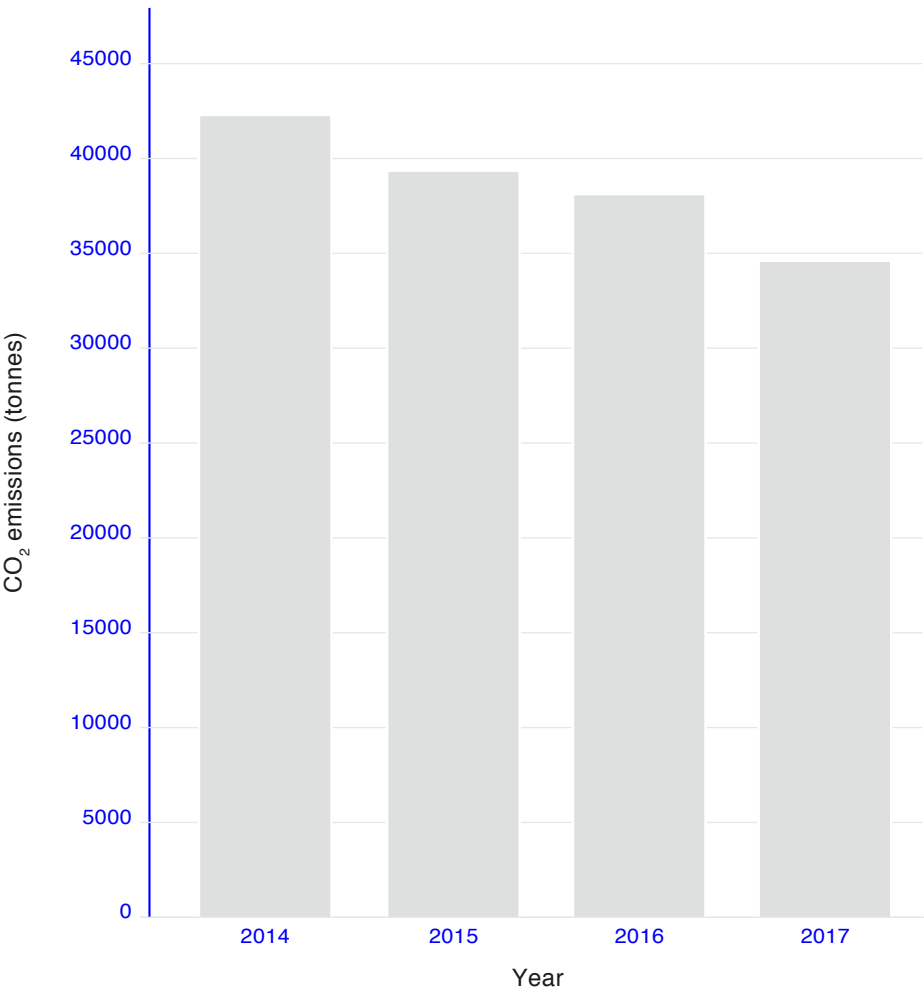
We report our greenhouse gas emissions at Group level in line with the requirements of the Carbon Reduction Commitment Energy Efficiency scheme. In 2017, we continued to reduce Pentland Group CO₂ emissions in the UK by 9% to 34,540 tonnes⁴. This includes the carbon footprint from the energy we use in Pentland Brands’ offices and distribution centres – and in the operations and retail stores run by JD Sports Fashion plc in the UK.

Pentland Brands facilities in the UK use 100% renewable electricity and we’ve installed EV charging points at three of our UK offices to encourage employees to drive electric and hybrid vehicles when they do come into work. We also switched to more efficient LED lights at the staff car park of our Nottingham office, which led to cost savings as well as reductions in energy use.

We aim to minimise the amount of waste we generate and recycle as much as possible. In 2017, we gave Pentland Brands employees mugs to cut the use of disposable cups and we’ve changed our printer system to reduce paper use, achieving a 12% reduction compared with 2016. Pentland Brands UK offices and distribution centres don’t send any waste to landfill. Anything that can’t be recycled is sent to an external provider for energy recovery.

⁴ Energy and carbon emission data is for all Pentland Group sites in the UK, including JD Sports Fashion plc, distribution centres and Pentland Wholesale

Pentland Group CO₂ emissions, 2014-2017 ⁴



Respecting human rights and tackling inequality

We're working hard to protect the rights of everyone involved in making Pentland Brands products – and to stamp out any risk of modern slavery in our supply chain.

Our supply chain

Before a finished shirt, shoe or other product reaches us for retail and distribution, it passes through the hands of many workers and several tiers of the supply chain around the world. We engage with our suppliers and partners to ensure they provide safe working conditions and fair pay to their employees and contract workers.

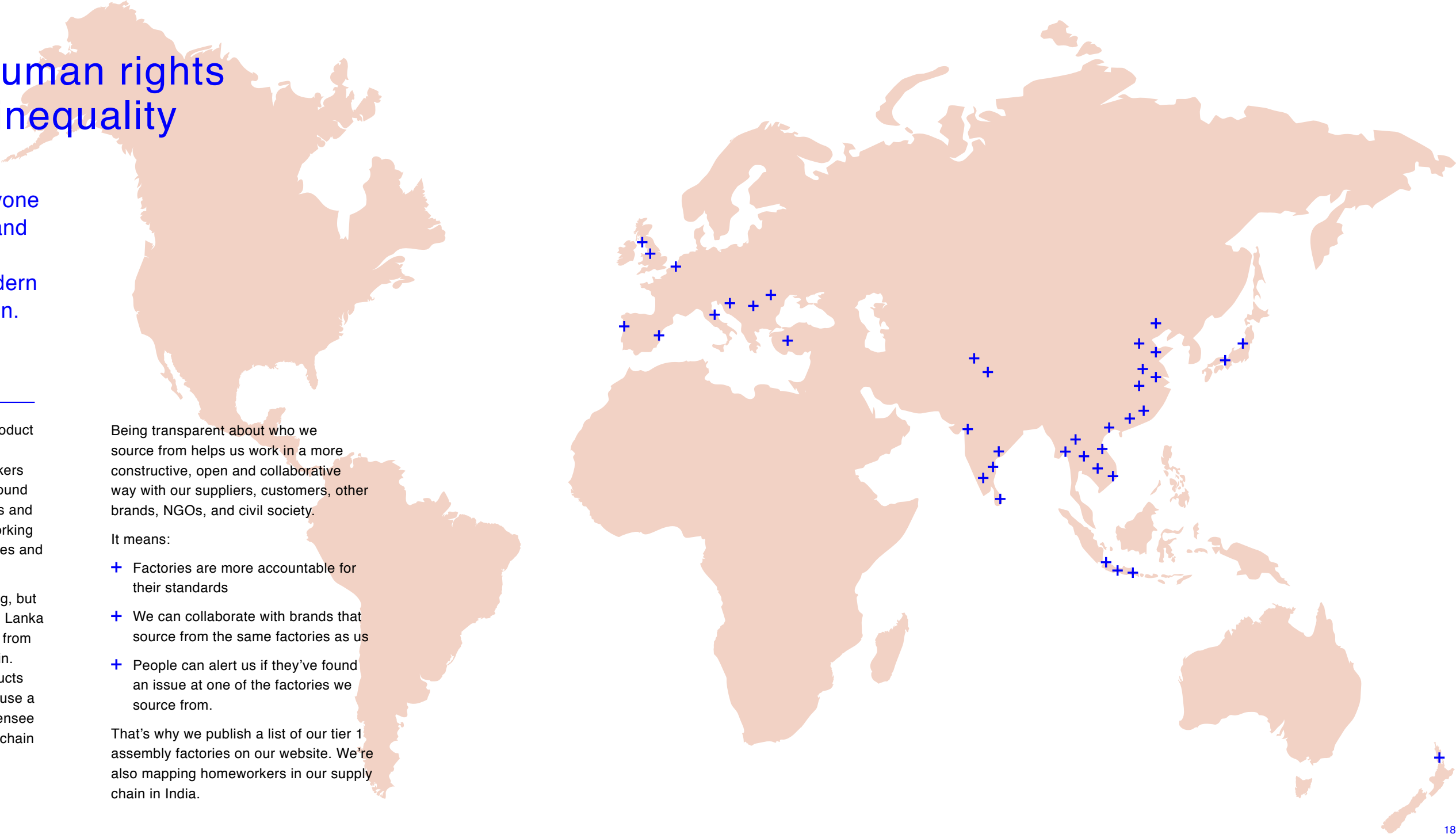
We outsource most of our manufacturing, but we do co-own three factories: two in Sri Lanka and one in Vietnam. We order products from 145 factories at tier 1 of our supply chain. These are the factories where our products are cut, sewn and assembled. We also use a licensing model where we work with licensee partners who manage their own supply chain to make and distribute our products.

Being transparent about who we source from helps us work in a more constructive, open and collaborative way with our suppliers, customers, other brands, NGOs, and civil society.

It means:

- + Factories are more accountable for their standards
- + We can collaborate with brands that source from the same factories as us
- + People can alert us if they've found an issue at one of the factories we source from.

That's why we publish a list of our tier 1 assembly factories on our website. We're also mapping homeworkers in our supply chain in India.



Setting high standards

Our Standards set out our expectations for all employees, licensees, business partners, suppliers and distributors to ensure we all do business in the right way. We require our partners to apply the same standards to their own supply chains.

Our Code of Employment Standards for Suppliers aligns with the Ethical Trading Initiative (ETI) base code and International Labour Organisation (ILO) conventions. We audit tier 1 assembly factories against this.

In 2017, we also set out our position on vulnerable workers in our new policies on child labour and young workers, migrant workers and homeworking.

Making every stitch count for homeworkers in our shoe supply chain

Homeworkers are the unseen hands that support parts of the shoe making industry. For example, they sometimes stitch and finish leather shoe uppers by hand before shoes go back onto the factory production line.

Homeworkers tend to be women with families, working from home while looking after children and doing domestic duties. We support their right to work at home and earn a wage flexibly, but we want the homeworkers in our supply chain to be paid fairly and have the same rights and protections as other workers.

In 2017, we worked with two NGOs to map the supply chain of one of our suppliers in Tamil Nadu, India. Together with our NGO partners, we're formalising employment, educating homeworkers about their rights and understanding how we can have a positive impact on the livelihoods of homeworkers.



Working with suppliers
to improve standards

From the moment we consider working with a supplier, we’re continually assessing their compliance with our standards through, for example, regular social audits. Issues that come up during an audit are categorised as zero tolerance, critical or minor and we work with our suppliers to help them improve.

Terminating our relationship with a factory that’s not meeting our standards is always a last resort because we realise that exiting a factory may lead to deteriorating conditions for workers due to the loss of our business and the lifting of the requirement to meet our standards. We’d rather use our influence as a buyer to encourage suppliers to improve working conditions, but if a factory refuses to make positive changes we will terminate the relationship while planning our exit responsibly to minimise the impact and disruption for the workforce.

Factory review process

We have an established process for monitoring whether our standards are being met and implementing improvements. We’ve also piloted an enhanced investigation process specifically on modern slavery.

Starting a relationship

- + We carry out a social audit of new factories
- + They must be approved before our brands can place any orders with them
- + We conducted 15 initial audits in 2017



Monitoring standards

- + We regularly re-audit every factory
- + In 2017, we carried out cyclical audits for 42 of our factories



Improving standards

- + If we find areas for improvement, we make recommendations, agree an action plan and follow up to check on progress. We encourage manufacturers to include workers in the process and to consult them on the changes
- + In 2017, we made 19 targeted audits to check up on improvement progress, understand the root causes and gauge the impact on workers
- + We regularly contract an independent local interviewer to join our visits and speak directly with factory employees about working conditions

Working with licensees to
improve standards

Sometimes we grant others the right to make and sell our products through licensing, for example for our Ellesse and KangaROOs brands.

A licensing model means we don’t have a direct commercial relationship with some of the factories making our products. Licensees are contractually obliged to meet our standards, to tell us which factories they source from, and to prove that these factories meet our standards by providing an acceptable social audit.

We continually work with our licensees to build their capability to ensure their suppliers are upholding good social standards. In 2017, we updated our licensee sourcing policy with more detail on factory selection, modern slavery risk and chemical compliance. We also developed a tool to help us assess which licensees need more support based on their awareness and ability to implement our standards.

In 2017, we brought together other businesses that license their brands in a workshop to share best practice and find better solutions to protect people’s rights in licensed supply chains.

Supplier audits in 2017

We carried out 76 audits in 2017 to check our standards are being met. Factory audits are completed by a third party provider, supported by our internal ethical trade team. In Cambodia, Indonesia and Vietnam, we partner with Better Work, an organisation with an established and robust auditing programme.

Most instances of non-compliance we identified in audits were minor, while 20% of instances were critical. All have either been remedied or have improvement plans in place.

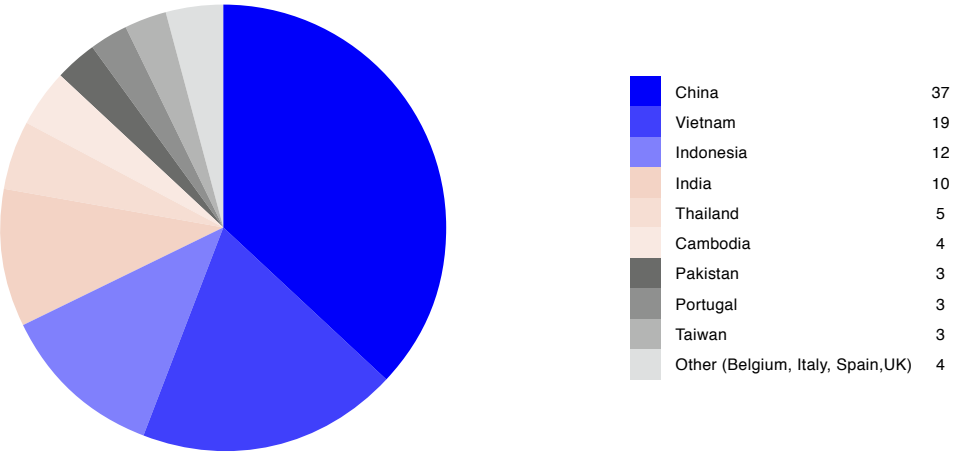
We identified one zero tolerance issue in relation to minimum wages not being paid at a factory in China. This issue was satisfactorily resolved within two months of being identified.

Number of factory audits by type

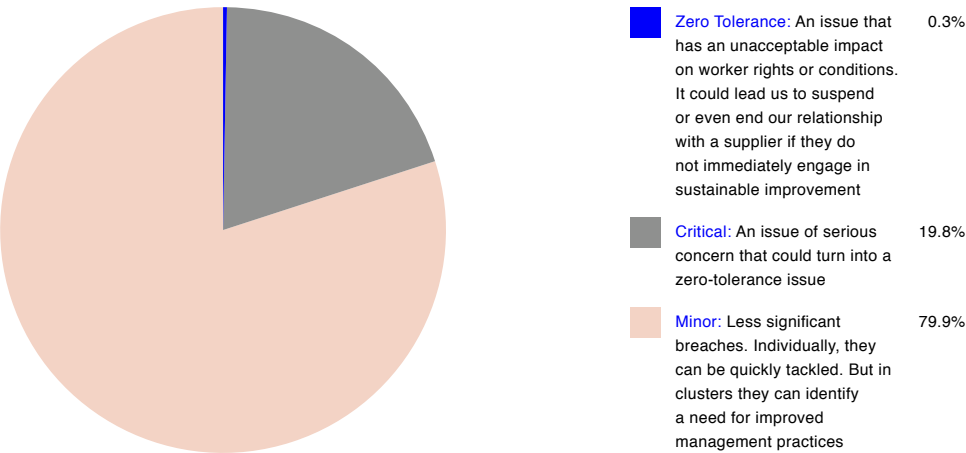
(Excludes audits of factories that are part of the Better Work programme)

	2017
Initial audits	15
Cyclical audits	42
Targeted audits	19
Total	76

Factory audits by country (% of audits)



Issues identified by type in 2017



Building suppliers' capability

We don't audit a factory and then disappear. Instead, we partner with the supplier to improve standards over time. In 2017 we partnered with 11 factories in China on a detailed training programme designed to improve their ability to meet our standards. The factories selected for this programme either had low awareness of our standards or had unresolved issues from previous audits.

To help them improve, we trained factory managers and staff responsible for production, employee welfare, health and safety, as well as union representatives. Issues covered included paying fair wages, employee benefits, health and safety, working hours, modern slavery and environmental protection.

We also shared tools, for example to help track working hours more accurately. Following our training and capability building programme, more than a quarter of critical issues were resolved at participating factories. We're continuing to check progress with regular monitoring, and we're looking at using the same approach in other countries such as India and Vietnam.

Partnering with Better Work for a positive impact in Southeast Asia

We're partnering with Better Work – an International Labour Organization and International Finance Corporation initiative – to increase our impact in Cambodia, Indonesia and Vietnam. Better Work makes ethical trade assessments and runs programmes to improve labour conditions while helping factories become

more profitable. It provides audits, advice and training to improve standards at factories.

Better Work audited 12 factories we source from in Cambodia, Indonesia and Vietnam in 2017. Together, our efforts have halved the number of non-compliances picked up in initial audits. We estimate that Better Work made a positive impact on more than 30,000 workers in our supply chain in 2017.

Promising workers a future in China

Many factory workers in China face retiring without a pension, and have no safety net if they're unable to work, despite laws designed to stop this from happening. Both employers and employees should pay into a social insurance scheme, but in reality few workers are signed up.

We're partnering with ETI China and nine other brands to turn this around. In 2017, we worked with managers at over half of the factories we source from in China to raise awareness through a Promising Future campaign. Workers saw posters put up around the factory floor, were given handouts and got texts advertising a video explaining the benefits of social insurance and how to enrol.

A survey after the campaign found that thousands of workers had watched the video and over 80% of the factories that ran the campaign now meet our minimum standards for the number of workers signed up to social insurance.

Preventing modern slavery

Modern slavery is difficult to detect, but it’s prevalent in many supply chains. Worldwide, it affects an estimated 25 to 40 million people.

Our position is clear: modern slavery is always unacceptable. This is set out in our first Modern Slavery Statement, published in June 2017.

Read more about our work to identify and tackle modern slavery in our latest Modern Slavery Report.

“As one of the founding members of ETI, Pentland continues to lead the way in its approach to modern slavery. Its last Modern Slavery Statement was clear, honest and open about the nature of the company and the risks in its supply chain, and clearly demonstrated the steps it is taking to tackle one of the great human rights issues of our time. This is what good practice looks like, and I hope to see many more brands following Pentland’s lead.”

Cindy Berman, Head of Modern Slavery Strategy, Ethical Trading Initiative (commenting on our first Modern Slavery Report published in 2017)

We piloted an in-depth modern slavery investigation at a factory in Thailand in 2016 that flagged some potential indicators of slavery and trafficking, including during the recruitment process. Thailand is very dependent on foreign migrants recruited for low skilled and production line work in our industry. We’re working to address these risks at the factories we source from in Thailand that employ foreign migrants.

In 2017, we strengthened our approach through new policies on vulnerable workers and licensee sourcing, and training for our people to spot modern slavery indicators. We’re also working with the Issara Institute, an NGO in Thailand, to address risks at the Thai factories we source from that employ foreign migrants, and to ensure our new vulnerable worker policies are implemented by our suppliers.

We’ve been very encouraged by progress on the recruitment of foreign migrants. Together with Issara Institute, our suppliers are making changes to protect their workers from risk by embedding responsible recruitment practices and our migrant worker policy.



“When the Pentland Brands and Issara leadership teams went to Yangon to visit recruitment agencies sending workers to their suppliers, the agencies – which send tens of thousands of workers to Thailand and Malaysia annually – remarked that this was the first time they had ever been visited by a global buyer. Pentland Brands is deeply committed to unpacking the issues and driving positive change for migrant workers on the ground.”

Mark Taylor, Director of Strategy & Global Partnerships Issara Institute

Training our people

We're training staff across our business to spot indicators of modern slavery, wherever they work. Our Executive Team have completed the training and we have started intensive workshops for people in factory facing roles.

By the end of 2017, we had trained over 90 people and a further 320 or more will complete the training in 2018, including all factory-facing staff. We're using an online training course to reach the rest of our employees across Pentland Brands worldwide.

Giving workers a voice

We want everyone in our supply chain to be treated with dignity and respect and feel they can speak up. We're enabling workers to find their voice by:

- + Educating factory workers about their rights
- + Using Issara Institute's Inclusive Labour Monitoring system at factories in Thailand, which allows employees to raise concerns through a multilingual hotline and smartphone app
- + Informing homeworkers of their rights to bargain collectively to negotiate better working conditions with employers and agents
- + Gathering data on union representation at our tier 1 suppliers, to help us identify where workers may not have the freedom or support to speak out
- + Exploring how we can extend our revised internal whistleblowing process for people employed in the factories we source from.

Partnering with others for industry-wide change

There's no quick fix to protect human rights and prevent modern slavery. It's a complex global challenge, but we're working with others to change things further and faster.

One area we're focusing on is living wages. A living wage is defined as one that covers basic needs and provides some additional income. This should be earned during legal working hours and should not include overtime. Global brands can unintentionally make it less likely that workers will get living wages, for instance by paying suppliers too slowly.

We're a board member of the ACT Foundation, which is working to negotiate living wages for workers at industry level. We're benchmarking our purchasing practices against our peers to spot areas for improvement. We have also developed a questionnaire to get a clearer picture of member brands' planning, sourcing and buying practices, known as purchasing practices.

By 2017, 86% of our suppliers in Indonesia were signed up to the Indonesia Freedom of Association Protocol, which we became a signatory to in 2011. It aims to protect workers' rights to form and join trade unions and bargain collectively for better wages and working conditions. Further guidance was published this year to help factories implement the protocol, together with a questionnaire to track actions they're taking to support workers' rights.

Supporting our people

We care about people. And that starts with our own employees. Pentland Brands employs around 1,700 people globally and we want each and every one of them to thrive working with us.



Treating people with respect

Our standards aren't just for our suppliers, they're for us and our own people too. They set out our commitment to treat everyone fairly, with dignity, honesty and respect – and the expectation for our people to do the same.

We want our people to know they belong to a company that puts them and their interests at the heart of all it does. Feeling valued is an important part of this. We aim to create an inclusive workplace and help people develop their skills and careers with us.

We listen to our people to understand how we can do better and we encourage them to speak up if they have any concerns. We provide an independent whistleblowing hotline managed by a third party and we investigate any concerns raised.

Paying a living wage

In 2017, we committed to pay everyone at Pentland Brands in the UK the Living Wage, as defined by the Living Wage Foundation.

This goes beyond the statutory National Living Wage and minimum wage to pay an hourly amount that better reflects the cost of living. We brought this in for all Pentland Brands employees in the UK from August 2017 and we will reflect any increases in the living wage in our pay rises in April each year.

We're also supporting the ACT Foundation's efforts to negotiate industry-wide living wages for workers in our supply chain.

Creating an inclusive workplace

We want Pentland to be a place where everyone is welcomed, supported and encouraged to grow and contribute. That’s why we’re creating a culture that celebrates diversity and inclusion.

In 2017, we introduced a new Diversity and Inclusion (D&I) strategy to tackle unconscious bias and promote gender diversity, ethnic diversity and inclusion. Our D&I steering group, chaired by the Pentland Brands CEO, meets monthly to set targets and oversee progress.

Our targets focus on improving diversity at the top level of the business, as we know this will drive changes across the organisation. A third of Pentland Brands’ senior leaders are women, which is in line with the 2020 goal set for UK boards. But we recognise that diversity within our leadership team is still not representative: two thirds are men and 92% are white.

Gender diversity at Pentland Brands

	Women	Men
Senior leaders	33%	67%
Managers	50%	50%
Global	54%	46%

Promoting an inclusive culture

To promote an inclusive culture, we’ve made unconscious bias and inclusivity part of our core training for Pentland Brands’ managers. More than 100 of them completed this training in 2017. We also ran a half day workshop for the executive team to explore the language they use and address any unconscious bias that could creep in.

We’ve launched a new D&I employee network at our London headquarters that we plan to expand across Pentland Brands globally in 2018. In September 2017, we celebrated Inclusion Week with a Connect for Inclusion event at our headquarters and a global campaign on social media.

We’ve made progress in improving diversity within the senior leadership community and we aim to further improve gender and ethnic diversity. By targeting improvements in diversity in our senior leadership community, this in turn will drive increased diversity at all levels as we develop future leaders.

Gender pay gap report

Pentland Brands published a report on the comparative pay between men and women in the UK for the first time in early 2018, in line with new regulations.

A snapshot of data from April 2017 showed that women’s hourly rate is 5.9% higher than men’s and women’s bonuses are 3.7% higher than men’s, based on the median gender pay gap measurement. But this varies widely at different levels of the business and there is also a 3% difference in the number of men and women being paid a bonus for their performance (women 88% vs. men 91%).

The mean average shows women’s hourly pay is 18.4% lower than men’s, although we believe the median score is a better representation of pay.

We aim to address these disparities through our wider diversity and inclusion strategy.

Developing talent

Research shows that people learn best through experience, so on the job learning makes up 70% of our 70:20:10 development framework. Learning from others and formal training makes up the rest, ensuring a diverse range of options are available for our people.

More than 240 people have used our new MyLearning page to access training resources online and find out about development opportunities since its launch in July 2017. It includes training exercises and development plans, as well as videos to help people think about how they can get the most out of that all-important on-the-job learning experience.

Through our Power Hour learning sessions, employees get the chance to learn about different topics or functions from colleagues in other parts of the business. In 2017, more than 340 people took part, either in person or online. We also run a mentoring programme to connect mentees with appropriate mentors, based on their development needs.

A big focus of our formal training this year was on managing change. Over 110 managers attended workshops to better understand how to lead their teams through change.

Managing change

During 2017, we took steps to simplify our relationships with retailers and suppliers to maximise the potential of our current brands and pave the way for future investment in new brands.

As many of our customers deal with multiple contacts across our brands, we are reorganising the business to create a single touch point for each retailer to improve efficiency and enable greater alignment across our brands. We consolidated our UK operations as part of this transition, which resulted in the closure of two offices in early 2018.

We engaged with our people about the changes and conducted a collaborative consultation process during 2017. Our aim was to minimise the impact on our people as much as possible, exploring alternative roles and flexible working options such as working from home, working across sites and working remotely, when possible. For those who were made redundant we have made every effort to support them with outplacement support and redundancy packages.

Listening to our people

We want to know how we’re doing as an employer and we listen to our people to find out.

We now run two employee surveys a year to receive formal feedback. We’re also introducing new ways to get feedback more often throughout the year, including iPads dotted around our sites asking for instant opinions on specific topics.

Engagement scores dropped in 2017 as expected during a period of change and transformation in the business. Our focus this year has been on supporting people through that change, re-engaging teams and individuals.

72% of Pentland Brands employees responded to our latest employee survey and they made over 2,000 comments. Although the level of engagement dropped, they told us that their managers supported them well through the changes and that as an organisation we treat people fairly, regardless of their background.

They also told us that we need to improve the way we make decisions across the organisation, so we’re taking action in several areas:

- + At a strategic level, we’ve introduced a new process for the executive team and senior leaders, to simplify the strategic decision-making process
- + At a commercial level, we’re introducing an integrated business planning process to support better decision making, bringing the divisions together to track and monitor commercial progress on a monthly basis
- + At an operational level, we’re planning a series of workshops to develop a set of recommendations aimed at improving the decision-making process across our global teams.



Corporate responsibility
at JD Sports Fashion plc

3.1

JD Sports Fashion plc (JD) reports on its corporate responsibility approach and activities in its own Annual Report.

As majority shareholders, we share a summary here.

Environment

JD embraces its responsibility to manage the impact that its businesses have on the environment and is committed to carrying out its activities with due consideration for the potential environmental impact, both now and in the future.

JD is investing in projects to reduce its environmental footprint, including reducing its carbon footprint, using energy and raw materials efficiently, maximising waste recycling and sourcing renewable energy.

All JD's material, component and product suppliers take part in compliance and testing programmes to ensure chemicals are used responsibly and products are safe. In 2017, it established links with second-tier factories, mills and dye houses. This is enabling the company to assess risks and work more closely with suppliers to protect the environment and people from risks with using chemicals in manufacturing.

3.2

Ethical sourcing

JD uses more than 290 factories in 17 countries around the world. The countries it sources most from (by value) include China, Vietnam and Turkey.

JD is working hard to map its full supply chain and is building longer term relationships with suppliers, as well as regularly visiting factories. All suppliers must comply with its Code of Conduct to protect workers and the environment and the company works with suppliers to improve working conditions. In 2017, 87% of the factories it used were audited by a third party.

JD is working to ensure no exploitation takes place in the procurement of workers at home or abroad. It is widening the scope of ethical audits to include modern slavery indicators. Its own procurement staff have been trained on modern slavery risks and it is working together with its third-party auditor to train more than 170 auditors across Asia and Turkey.

People

JD aims to recruit the very best talent, including through its internships and graduate schemes, and to empower its employees to be the very best at what they do. The company provided over 5,000 hours of face-to-face training in 2017 and over 200 e-learning modules are available for employees to improve and refresh their knowledge base.

The company offers a range of channels to keep employees informed about the business and give them an opportunity to provide feedback. Its longstanding Employee of the Month programme recognises outstanding efforts from team members across all areas of the business.

JD is committed to ensuring the health, safety and wellbeing of its people and promoting equal opportunities regardless of gender, marital status, sexual orientation, age, race, religion, ethnic or social origin or disability.

3.3

JD Foundation: changing lives, saving lives

Since it was established in 2015, the JD Foundation has raised £1.9 million to support charities working with disadvantaged young people in the UK. It supported 10 charities in 2017, including:

- + Giving young people not in education or employment a step into the world of work to boost their skills and confidence with the Salford Foundation ‘Aspire to Inspire’ mentoring programme
- + Screening nearly 500 young people for undetected heart defects with the Cardiac Risk in the Young – Aaron James Dixon Memorial Fund
- + Brightening the holiday season for families battling illness in Birmingham, by donating presents for terminally ill children with the Smiling Families Christmas Appeal.









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