



Modern Slavery Report

Pentland Brands

0.1 What is modern slavery?

A UN PRIORITY

Goal 8 of the UN Sustainable Development Goals clearly calls for the world to take action on modern slavery:

GOAL 8: Decent Work and Economic Growth

Target 8.7

Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

At Pentland Brands we've prioritised six UN SDGs. Goal 8 is one of them. You can see all six [here](#).

Modern slavery is a prevalent issue within modern supply chains. It's not confined to developing countries or pages of history. It's happening now and it's happening globally.

The Ethical Trade Initiative refers to modern slavery as an overarching term used to describe:

Human trafficking

A process of bringing a person into a situation of exploitation through a series of actions, including deceptive recruitment and coercion.

Forced labour

Any work or services which people are not doing voluntarily and which are exacted under a threat of some form of punishment.

Bonded labour

Work demanded as a means of repayment of a debt or a loan.

Slavery

A situation where a person exercises (perceived) power of ownership over another person.

The term 'modern' is used to distinguish this more complex phenomenon from historical slavery associated with the legal possession of one person by another.

Estimates on the scale of the issue vary, largely because cases are difficult to detect. It's been reported that between 21 million and 45.8 million men, women and children around the world are in some form of slavery.*

At Pentland Brands, modern slavery is an unacceptable issue. We state clearly in [Our Standards](#) that work should be freely chosen and we have a clear position on migrant labour in our vulnerable workers policy pack.

We recognise that human trafficking and modern slavery can be difficult to detect. But we are committed to understanding, investigating and resolving any cases that our due diligence uncovers.

*Source: Global Slavery Index 2016 and International Labour Organisation.

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1.0

Introduction

1.1 Introduction from CEO Andy Long

1.1 Introduction from CEO Andy Long

This report, which has been approved by the Pentland Brands Board, looks at the progress we've made in the past year, and sets our direction for the years to come.



Being a global sportswear and footwear business means we can play a pivotal role in protecting people's rights. Our industry is heavily reliant on people, and with that comes an inherent responsibility and great potential to contribute to economic and social development.

We have a strong history in trading ethically. We were a founding member of the Ethical Trading Initiative (ETI), signatories to the Indonesia Freedom of Association Protocol, and, most recently, founding members of the ACT Foundation – a collaboration of brands, retailers and the global union IndustriALL pushing for living wages in our supply chains.

We have a well-established system to monitor factory working conditions in line with [Our Standards](#). But, given that modern slavery is often a hidden issue, sometimes involving organised crime, we must continue to evolve our processes to respond effectively to it.

Building from solid foundations, in 2016 we introduced a factory assessment tool to help us focus our efforts in areas of greatest risk. We also piloted a new, and thorough investigation process involving a number of employees across our ethical trade and supply chain teams at one of our highest risk factories in Thailand.

Unfortunately, during our visit we found strong indications of trafficking and modern slavery. We are clearly disappointed with what we discovered. However, it has proved the value of our new assessment programme, and I'm pleased that we're now working collaboratively with the factory to tackle what we've found. This matches the approach we've always had, working closely with factories to improve conditions for the people that work there, and only ending a relationship if a factory shows a lack of willingness to improve.

Transparency and collaboration will be key to tackling this issue. In 2014, we were among a group of organisations brought together by the ETI and the British Retail Consortium to encourage the British prime minister to introduce Section 54 on transparency in supply chains to the UK Modern Slavery Act. This year, alongside this report we are publishing a list of the factories where our products are assembled. This forms an important part of our commitment to embrace transparency and work collaboratively with stakeholders. Issues such as modern slavery are complex and fuelled by globalisation, so we must work together with others to raise labour standards and make a collective change.

Andy Long
CEO of Pentland Brands

2.0

Who we are

2.1 Our business

2.2 Our supply chain

2.3 Our tier 1 suppliers

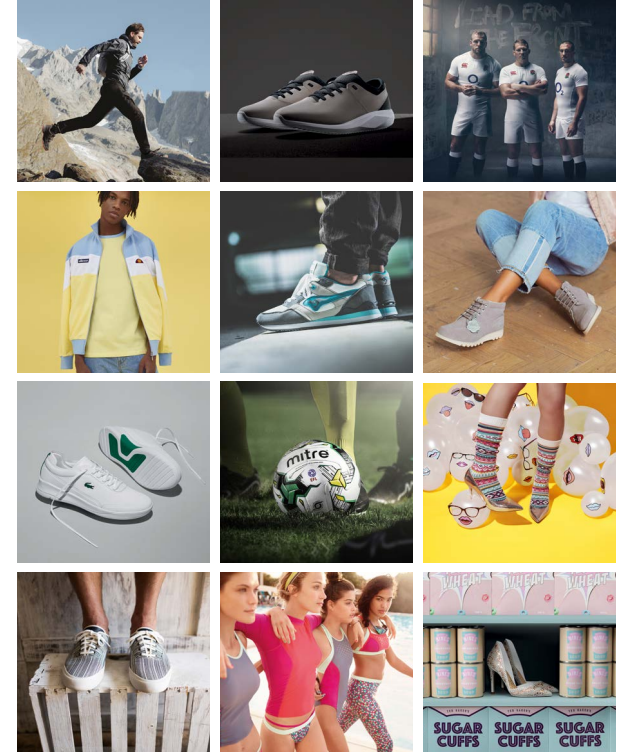
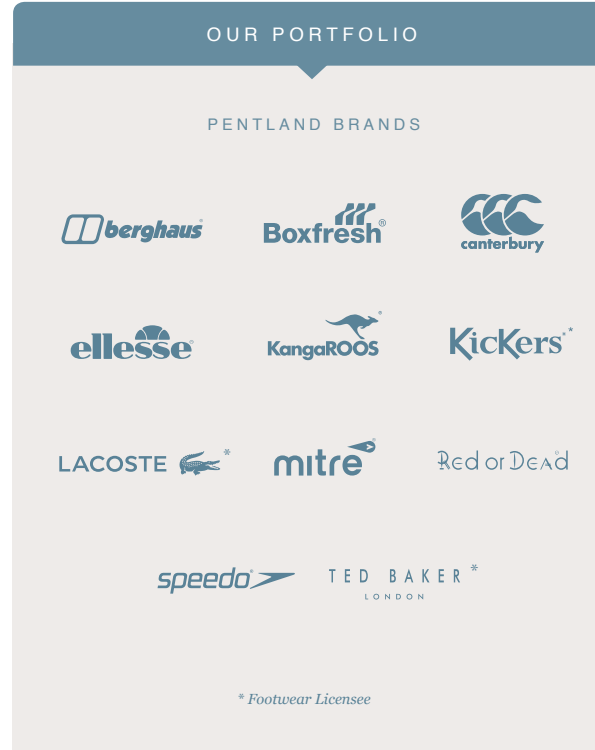
2.4 The context we're operating in

2.1 Our business

We're a brand management company. We own and license some of the world's best-known sport, outdoor and footwear brands. We design branded products, market them, and distribute them to retailers.

We have over 1,800 employees across the world. The majority of people are office based, although some of our colleagues are based in warehouses and a limited number of retail outlets.

We do not own factories, but we do co-own three – two in Sri Lanka and one in Vietnam. We have long-lasting relationships with many of our tier 1 suppliers (those that assemble our products). Almost half of our annual turnover is generated using factories we've worked with for over 10 years.



2.2 Our supply chain – Pentland model

DEFINITIONS

Stock

This is the supply chain that creates our consumer products, i.e. the branded stock we sell to customers.

Non-stock

Our non-stock supply chain is everything else we purchase – whether that be services or consumables, e.g. stationery, cleaning services, etc.

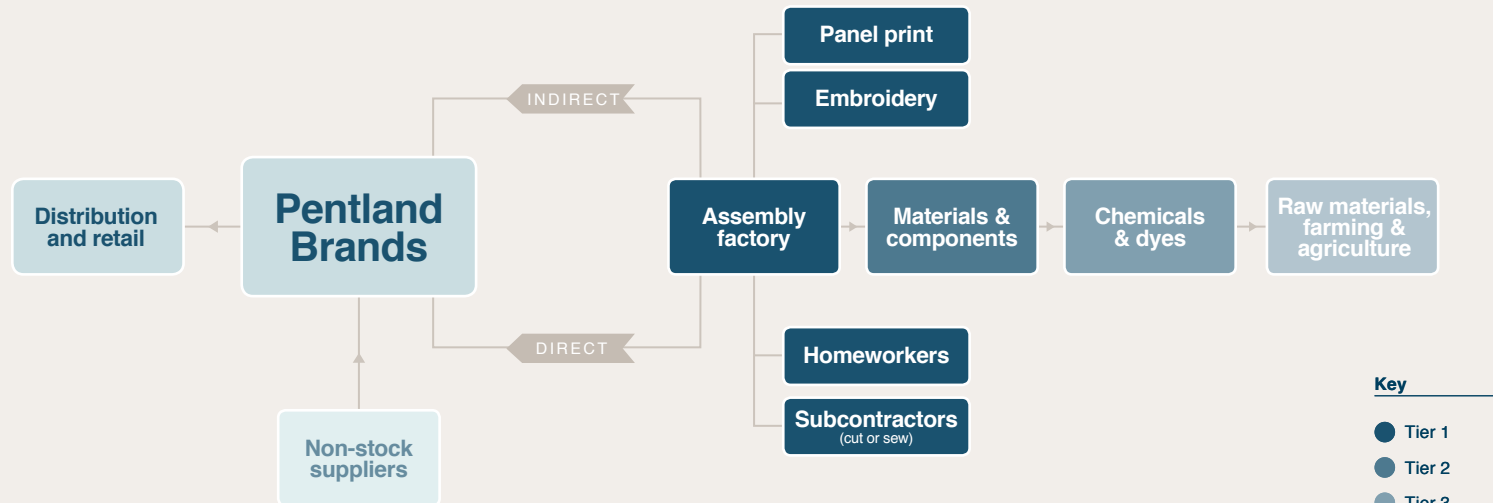
Direct

This means we have a relationship with the assembly factory.

Indirect

This means we work with agents and/or suppliers who may help with a range of things, e.g. quality control, product development, translations or factory sourcing. We still ultimately own the factory relationship and we don't delegate any of our corporate responsibility to the agent.

PENTLAND MODEL



2.2 Our supply chain – licensee model

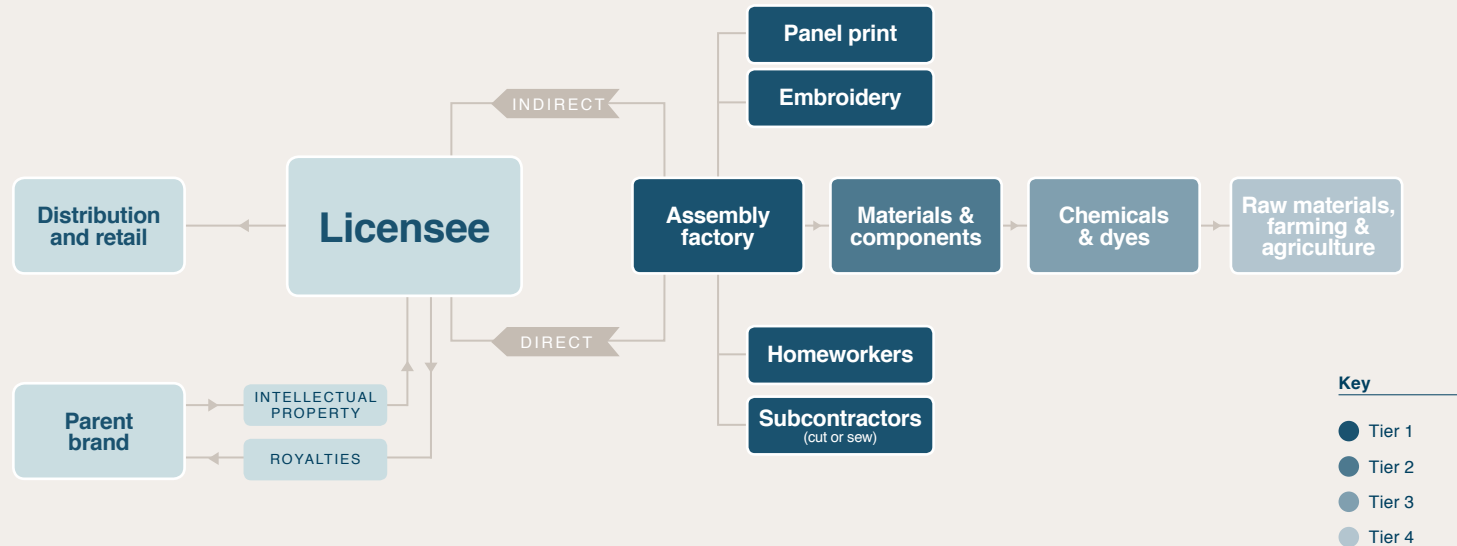
DEFINITIONS

Licensing

Licensing is when you work with a partner to manage a brand in a given territory or product category.

For example, the Speedo brand is managed by a partner in the USA. We are also the global licensee for both Lacoste and Ted Baker footwear, which means we don't own the brand, but we manage the footwear supply chain.

LICENSEE MODEL



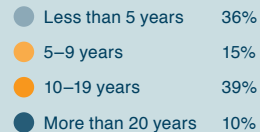
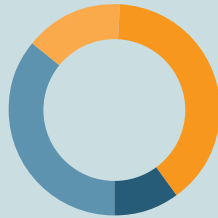
2.3 Our tier 1 suppliers

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; and people can alert us if they've found an issue at one of our factories.

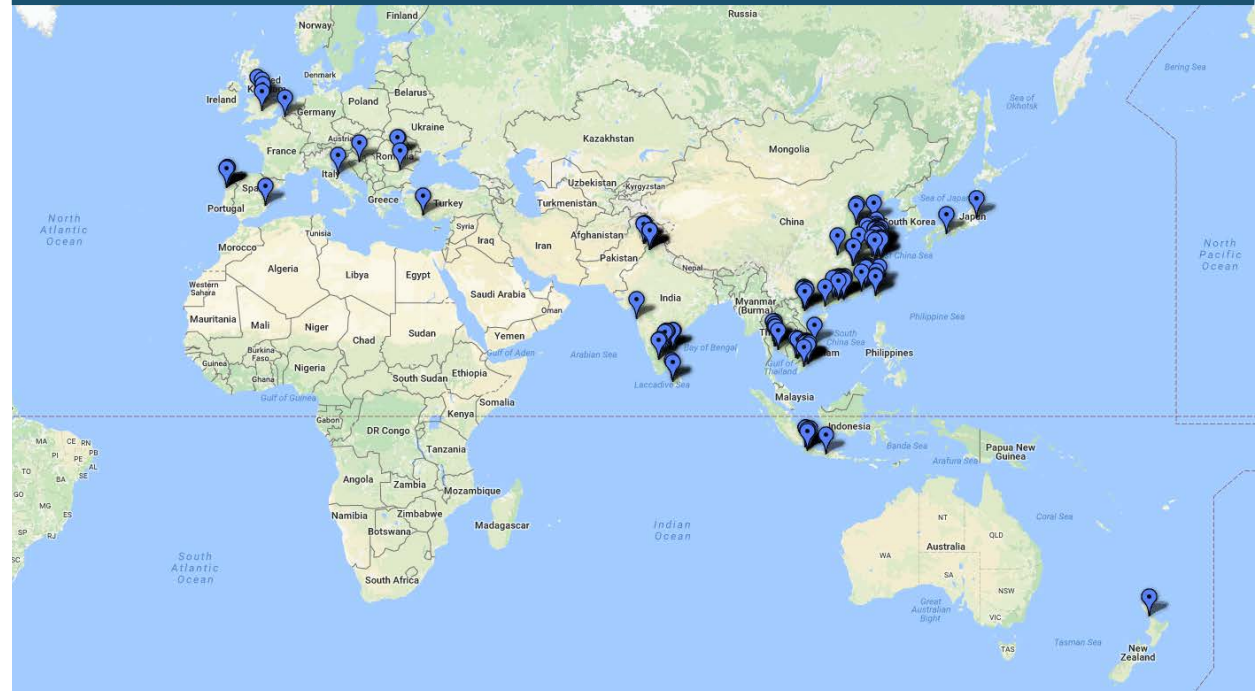
STATISTICS

Proportion of our spend by factory relationship length



2016 data

CLICK TO ACCESS INTERACTIVE MAP



2.4 The context we're operating in

[CLICK TO EXPAND FOR MORE DETAIL](#)

Modern slavery is a growing, global issue, often fuelled by migration. No industry or region is immune to it. Here we unpack some of the key challenges relevant to our industry supply regions we source from.

These are shared issues, requiring collective action to make progress. You can click on each section to get an idea of what we're doing to tackle these issues. If you want more information on what we're doing, skip to the ['What we're doing'](#) section.

3.0

What we're doing

- 3.1 2016 performance overview
- 3.2 Setting standards
- 3.3 Training our people and partners
- 3.4 Understanding our risks
- 3.5 Identifying issues and taking action

3.1 2016 performance overview

Setting standards

We developed

NEW MANUFACTURING AGREEMENTS

which commit our suppliers to

TACKLING MODERN SLAVERY RISKS

We've developed
VULNERABLE WORKER POLICIES

and will send them to all factories in 2017



OUR FUTURE TARGET

In 2017 we will translate our migrant worker policy into Thai, Kam Muang and Burmese

Training our people and partners

We partnered with Verité to launch a modular

4
LEVEL

TRAINING PROGRAMME

WE HAVE TRAINED

40

PEOPLE IN OUR SUPPLY CHAIN

to help them understand all aspects of...

HUMAN TRAFFICKING AND MODERN SLAVERY

OUR FUTURE TARGET

Train all employees to appropriate level in 2017 and train all high risk suppliers in 2018

Understanding our risks

We developed a
SUPPLIER RISK ASSESSMENT TOOL



...in collaboration with Lancaster University

TIER 1 FACTORIES

100%

have been risk assessed

OUR FUTURE TARGET

Continue to risk assess our stock suppliers and start mapping our non-stock suppliers

Identifying issues and taking action

We designed and delivered a

PILOT INVESTIGATION PROCESS

aimed at migrant labour risk at one of our high risk factories

Find out more [here](#)

We found:

15

INDICATORS OF MODERN SLAVERY

We also found:

7

INSTANCES OF NON-COMPLIANCE

as part of our standard social audit under the base code 'employment is freely chosen'

Find out more [here](#)

We are working with all factories to take action on these cases

OUR FUTURE TARGET

Continue to investigate risks and remedy any issues discovered

3.2 Setting standards



Our standards and policies

[Our Standards](#) guide the way we work and set out what we expect from our employees and suppliers. They include guidance on how to do business ethically, with integrity and with respect for people, and are available in 13 languages. See [page 20](#) for details on how we audit factories in line with these standards.

We are developing more detailed policies to help employees, suppliers and other stakeholders interpret and implement [Our Standards](#). These policies will make it easier to address challenges in a practical way – allowing for more transparent and collaborative conversations.

We've created a policy pack to help protect the rights of the most vulnerable: migrant workers, homeworkers and underage workers. It's particularly important that suppliers understand our expectations when it comes to these vulnerable employee groups. The policy pack has been reviewed and guided by input from the Ethical Trading Initiative (ETI) and Anti-Slavery International (ASI) and will be distributed in 2017. We take a positive approach to homeworkers. You can find out about how we've helped to set up stitching centres for homeworkers in India [here](#).

Purchasing practices

We developed new manufacturing agreements in 2016 which commit our suppliers, service providers and manufacturers to tackling all human trafficking and modern slavery risks in their operations.

We're members of the ACT Foundation Purchasing Practices Working Group and are committed to implementing good practice outcomes in our own operations.

In 2016, we began an initial review of our purchasing practices to check they don't inadvertently have a negative impact on suppliers' ability to provide workers with safe and rewarding employment conditions. This includes payment terms that could negatively impact the profitability of our manufacturers. For example, currently 85% of our suppliers are paid within 30 days of receipt of export documents.

3.3 Training our people and partners

Introducing new training on modern slavery

In 2016, we worked with Verité, experts in supply chain, labour and human rights issues, to develop a training package to help mitigate modern slavery.

We ran a pilot session in the UK, before training 40 people in our global supply chain team in September. The first part of the training targeted buyers, with a one-day session to help them identify and respond to potential risks. This was followed by a more advanced two-day session for corporate responsibility practitioners and auditors.



In 2017, we will extend our training to the following levels of the business:

YEAR	EMPLOYEE GROUP	LEVEL OF TRAINING
2017	Board and Executive team	General awareness of modern slavery
2017	All people in a licensee, supplier or service provider facing role	How to identify and respond to risks
2017	All people in CR practitioner roles, including third party social audit providers	How to identify risks, engage with management and workers, investigate, discover and remediate
2017	All people (UK) in non-supplier/ licensee/service provider facing roles	General awareness of modern slavery
2017	Licensees	General awareness of modern slavery
2018	Suppliers	How to develop and implement policies
2018	All people (Global) in non-supplier/ licensee/service provider facing roles	General awareness of modern slavery
2018	Licensees	How to identify and respond to risks

3.4 Understanding our risks

RISK ASSESSMENT

In April of 2016 we started work on a modern slavery risk assessment tool in partnership with Lancaster University. The tool is helping us to build a modern slavery risk profile across our sourcing regions and focus our efforts where the biggest risks are.

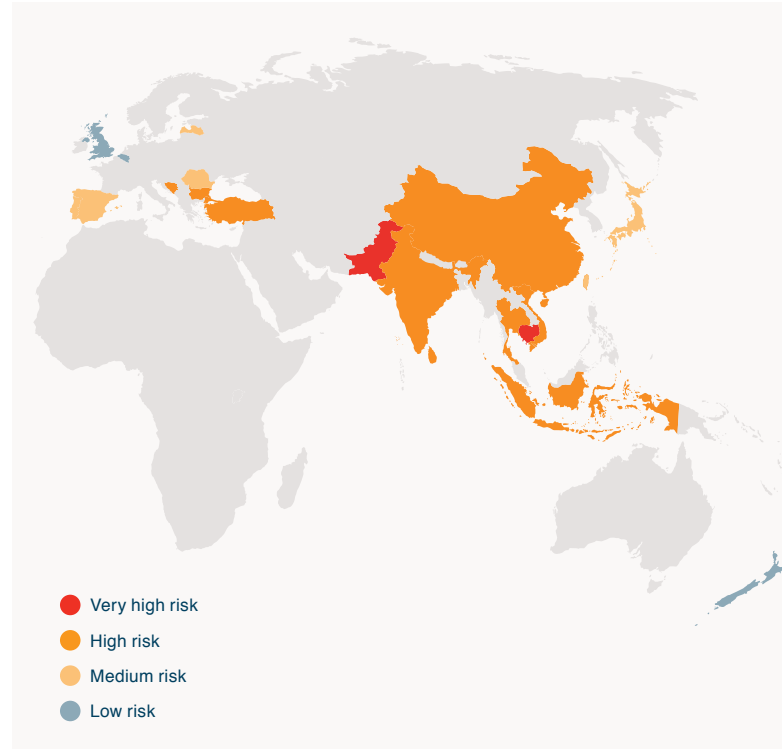
The primary source of this information is the 2016 Global Slavery Index (GSI) published by The Walk Free Foundation. It also uses data from: ILO Data on Forced Labour (2012); The US State Department's Trafficking in Persons (TIP) Report (2016); Transparency International's Corruption Perceptions Index (CPI) (2015); and Freedom in the Work Report (FITW) by Freedom House (2016).

Assessing country level risk

We used various data sources to create a country level risk profile according to:

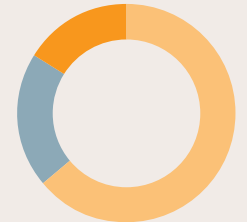
- the prevalence of modern slavery in the country;
- the strength of government action to combat it; and
- the vulnerability of the country to modern slavery.

This map shows the risk profile of the countries our factories are based in. We've combined this with factory data to develop a risk profile for each factory.



FACTORY LEVEL RISK PROFILE

Our factory level assessment is based on a combination of factory data (including proximity to borders, worker demographics and the presence of policies and management systems) and country level data.



High risk	16%
Medium risk	64%
Low risk	20%

3.5 Identifying issues and taking action

IN DETAIL

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.

Working with factories

We audit all our tier 1 assembly factories on a cyclical basis to ensure compliance with [Our Standards](#). The audits are performed by a combination of our internal audit team and our nominated third party providers. All external auditors are individually certified social auditors. If an issue is found as part of this process, our experienced on-the-ground teams work with factories to remediate the issue and improve working conditions in line with [Our Standards](#).

We try to avoid terminating relationships with suppliers, because that offers no benefit for the workforce.

We would only exit a relationship if a factory refused to improve. We make sure we exit factory relationships responsibly, in a way that minimises any negative impact on the workforce.

During social audits conducted globally in 2016, seven instances of non-compliance under the base code 'Employment is freely chosen' were identified. These included instances of restriction to workers terminating their contracts, forced overtime and illegal deductions from wages. All have been remedied or are in progress.

FACTORY REVIEW PROCESS

1 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 30 initial audits in 2016.

2 MONITORING STANDARDS

We regularly re-audit every factory.

In 2016, we made 38 factory visits as part of this process.

3 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 2016, our in-house teams made 12 factory visits to check up on improvement progress, understand the root causes and gauge the impact on workers.

We regularly invite an independent local interviewer to join our visits and speak directly with factory employees about working conditions.

3.5 Identifying issues and taking action

Going beyond standard auditing

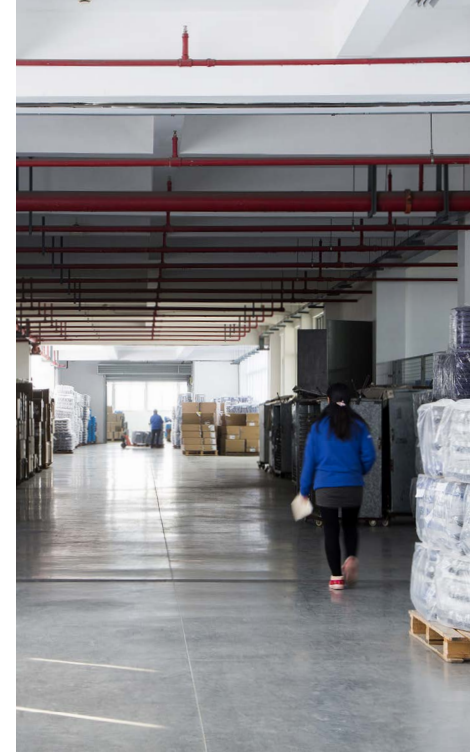
While our audit protocol can give a good indication of modern slavery risks, we're potentially dealing with concealed and sometimes criminal activities, requiring a somewhat different approach. In November 2016, we piloted an enhanced factory investigation process focused specifically on modern slavery risk indicators.

During this investigation we found 15 indicators of modern slavery and human trafficking. We've since put together a working group that is designing corrective plans. You can read more about this investigation [here](#). We intend to roll out a similar investigation process to all our high risk suppliers.

Giving workers a voice

We recognise the need to provide people with a means to report incidents that they've either experienced or seen, especially if they feel their human rights are not being fully respected.

We're currently refreshing our internal whistleblowing process and are looking into how we might extend this to people employed in our supplier factories.



4.0

In focus

4.1 Piloting our new investigation process

4.1 Piloting our new investigation process

Modern slavery is a complex emerging issue, which means many existing ethical trade audit processes – including our own – aren't sufficient to identify all potential cases of modern slavery.

So, in 2016 we piloted a complementary investigation process to look specifically for modern slavery and trafficking indicators in one of our high risk assembly factories.

Amy Benstead, a PhD student from Lancaster University who is helping us to develop our approach, writes a first-hand account of the process.



In November we partnered with Verité and travelled to Thailand to conduct an in-depth audit focusing specifically on the risk of migrant labour. Following closely on the tail of theoretical training in September, this investigation allowed us to put what we'd learnt into practice.

The factory was identified by our assessment tool as high risk, as it employs a high proportion of international migrant workers. Unlike a standard social audit, this investigation focused on the whole employee experience – from recruitment to leaving the company – to identify potential modern slavery risks.

WHAT WE DID

We spent four days in the factory and used a variety of measures to gather information, including:

Group interviews with middle management to review:

- Recruitment, selection and hiring (inc. use of recruitment agencies)
- Documentation and worker files
- Company documentation including:
 - Company policies
 - Employment contracts
 - Documentation and records
 - Any retained employee property

Worker interviews focused on:

- Understanding how the migrant workers were recruited, and how they journeyed from their home country to the factory.
- Understanding their working conditions and social habits.
- Asking migrants about what they expected when their contract came to an end. Many migrants were on their second contract, so had factual experiences to report.

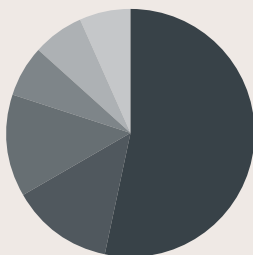
4.1 Piloting our new investigation process

What we found

Throughout the process the factory management team were very cooperative and transparent. The workers were open and generally satisfied working in the factory. However, we identified some areas of concern listed below. Our Head of Sourcing and Head of Ethical Trade presented the findings to the factory's senior and middle management. They also gave an overview of modern slavery legislation and due diligence.

TYPES OF ISSUES FOUND

- Recruitment Process and Policy
- Recruitment Fees
- Indicators of Trafficking
- Grievance Procedures
- Freedom of Movement
- Access to Wages



WHAT WE'RE DOING

We have set up a steering group to guide the improvement programme, consisting of:

- Regional ethical trade manager – Pentland Brands
- Head of Sourcing – Pentland Brands
- Head of Ethical Trading – collaborating brand
- Commercial Director – supplier
- HR head – supplier
- Factory manager – supplier

The factory has agreed to compensate recruitment fees paid by workers backdated to 1 January 2017, and will pay such fees in the future.

We have contracted a leading migrant worker expert and human rights campaigner to provide best practice guidance on building and implementing our vulnerable worker policies, operationalising our migrant worker policy throughout our supply base, and remedying risks.

We're also in the process of contracting an expert local partner, previously engaged with remediation and migrant worker representation.

This independent non-profit organisation will provide expert help to the factory in implementing our migrant worker policy.

They will provide ongoing monitoring of policy delivery, conduct regular interviews with workers to identify any lasting debt issues, and to measure benefits the policy delivers. They will provide a whistle-blowing system, so workers can report any instances of poor practice. They will also provide training to the workers, to make sure they're aware of their rights. The partner will provide impartial progress reports to the steering group.

This means we are close to finalising the first apparel and footwear initiative in Thailand aimed at embedding best practice migrant worker recruitment and employment practices.

Reducing risks across Thailand

As Pentland Brands, we're working to reduce our risks across Thailand. We've provided our Bangkok office team with a briefing and presentation on the Modern Slavery Act, specific issues and challenges relevant to the region and our migrant worker policy. We've delivered training to all our Thai suppliers, and all suppliers have agreed to implement our migrant worker policy.

4.1 Piloting our new investigation process

Reflections

We are clearly concerned about the issues we found during this investigation. However, we see the findings as a positive step towards tackling modern slavery. The pilot was, of course, challenging but it has opened our eyes to some of the risks that are not always highlighted during the social audit process. We're now better informed about the risks in our supply chain, and we'll be using this to improve our standard social audit, further develop our risk assessment matrix, and develop a specialised modern slavery audit process.

Collaborating with Verité

Verité are independent experts in this area and are often contracted to conduct specialised audits. This pilot audit was designed as both a 'live' risk assessment and a capability building exercise for our Ethical Trading team. Verité provided direction, allowing our team to be 'hands-on' and take the lead. This approach has helped us to improve our expertise, build our capabilities and design our modern slavery audit protocol.

"There were two things that really contributed to making this project successful – one is the openness of the Pentland team, to learn about the process, the issues and the standards; and how Pentland prepared the factory."

"It is very important to set the tone that this is collaborative, this is working together."

Jet Urmeneta, Capability Building Manager, Verité

"The focus & duration of this audit has allowed more collection of evidence, verification through worker interviews, more interaction with factory management, back and forth."

"I think that has provided layers of understanding, not only in techniques for discovering issues but also insight into how and why."

Tim Pilch, Head of Ethical Trade, Pentland Brands

5.0

Appendix

5.1 Contributing to the UN SDGs

5.2 Gaps in our reporting

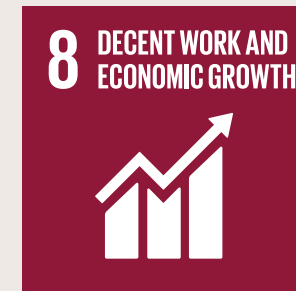
5.1 Contributing to the UN SDGs

At Pentland we've prioritised six of the UN Sustainable Development Goals.

Our work to tackle modern slavery contributes to two of these – number 8 and number 10. Goal 8 has a specific target around forced labour, human trafficking and modern slavery.

Roll over any of the goals here to reveal more information.

UN SUSTAINABLE DEVELOPMENT GOALS



5.2 Gaps in our reporting

FEEDBACK

We encourage feedback and suggestions for improvement on any of our policy documents; to get in touch just email:

cr@pentland.com

Acknowledging the gaps in our current approach

LOOKING BEYOND OUR TIER 1 FACTORIES

Our current approach and strategy focuses on our tier 1 suppliers. We recognise that there is risk in the lower levels of the supply chain.

We're currently mapping our supply chain down to tier 3, and we're in the early stages of understanding our biggest risks and the task ahead. Our long-standing work on managing hazardous substances in our supply chain means we already have relationships with many of our tier 2 suppliers.

We will start to map our non-stock suppliers and services as part of a wider supply chain strategy.

Our due diligence in our stock supply chain is more advanced than it is with non-stock or service providers. Over the coming year we plan to take our learning from our stock supply chain due diligence and apply it to these areas of our business.

Contact

We encourage feedback on any of the content in this report.

To get in touch just email:
cr@pentland.com
