



+ Responsible Exit Policy

2018 edition

Responsible Exit Policy

Our commitment

Pentland is committed to acting responsibly. We recognise that our suppliers have a material bearing on our success and are committed to dealing with them in a responsible and ethical manner. A responsible exit from factories begins with a responsible entry and the development of long-term partnerships with suppliers. Our responsible exit process is necessary in order to alleviate any adverse impact on workers. A well-thought-out exit strategy and management of supplier expectations can also help mitigate morale and productivity issues and reduce legal and reputational risks.

This policy is to ensure we exit a relationship responsibly and minimise the risks posed to those who own and/or are employed by the business. Through transparent communication and business partnering, our aim is to preserve professional and friendly business relationships where possible and maximise the chances of the factory continuing as a viable and sustainable business after our exit so that workers retain their jobs and their rights.

Key Risks of Exiting

Withdrawing from a key business relationship can come with a variety of risks which we need to consider and mitigate where possible, these can include:

Risks to the Supplier:

- Limited aptitude and capacity to obtain new business
- Financial difficulties and cash flow issues
- Disruption to workforce stability
- Increased cost (i.e. redundancy payments)
- Closure of business

Risks to Workers:

- Reduced working hours/income
- Risk of losing their jobs/homes and financial security
- Increased debt
- Risks to on time payments
- Unaware of their rights and where to turn to for support

These risks can lead to uncertainty and unease for all involved and has the potential to lead to disruption and strikes if communication is not managed appropriately.

Considerations will also be given to:

- Length of relationship with supplier
- Our percentage of business as total custom for the supplier
- Nature of relationship with supplier
- Reason for exiting (i.e. are their business reasons or breach issues that have led to exit)

Responsible Exit Process

The following steps need to be taken:

1. Supplier Fact Finding

Open and transparent communication is key to this process and we would recommend that as soon as exit is decided upon a meeting is held with the factory management to discuss the following to try and ascertain a clear picture of business capacity, financial affairs and ability to win new business.

2. Corporate Responsibility Fact Finding

Please contact the relevant CR country lead as soon as you know you are considering leaving a supplier/factory. They will investigate the potential social, legal and economic impact.

3. Internal Review

Once both sets of fact finding has been completed a meeting should be held between the fact finder and the CR lead to discuss the potential risks to the supplier and workforce and for the CR lead to support on the creation of a set of recommendations for the factory

4. Supplier Action Plan Meeting

A follow up meeting is to be held with the supplier to guide them through the creation of an exit plan. This is necessary for them and us to be confident that they can obtain new business and be financially viable to protect their business and their workers' rights.

5. Monitoring

To ensure we are protecting the rights of workers, the remaining orders will continue to be received by the supplier, provided, they continue to meet the action plan and their legal obligations towards workers.