



# Audit Policy

## Our Commitment

Pentland Brands is committed to being a Positive Business that takes action for people and our planet. Respect for people and the environment has long been at the heart of our business. We strive to do the right thing, not the easy thing, and make all our decisions in good conscience.

Corporate Responsibility (CR) here focuses on three areas: how we act as company, the impact we can have through our products, and our responsibility to the communities in which we operate. Specifically, for sourcing that is:

- Doing business ethically
- Ensuring our products meet the highest quality and safety standards
- Reducing the environmental impact of materials and processes
- Protecting the human rights of those within our supply chain

From the very beginning of a relationship with a new supplier, we ensure they understand how important Corporate Responsibility is to our business. That's why when prospective factories start business with us, they must sign the CR charter which outlines our ethical and environmental requirements and policies they must adhere to. The Manufacturing agreement also details our requirements.

Once the signed charter has been received, I will schedule a semi announced audit (2 week window) to take place.

Pentland requires all factories we source from directly to have an Ethical Trade Assessment conducted by QIMA – our auditing partners.

The audit is to check your level of compliance to “Our Standards – Section D) Code of Employment Standards for Suppliers” which is based on the ETI Base Code/International standards.

## Our Audits

Our Ethical Code of Practice under section D – Code of Employment Standards for Suppliers in Our Standards, aligns to the ETI Base Code and ILO conventions, and we audit our direct factories against this code, using reputable third-party auditing companies.

All audits are either semi-announced or unannounced, and scored internally against our own grading criteria. our corporate responsibility teams support the factories through remediation of any issues raised.

The factory given, will then determine when the next audit takes place. We reward good results with longer audit validity and ensure effective remediation through more frequent audits for more serious issues.

<b>Factory rating</b>	<b>Severity Level</b>	<b>Next Social Audit</b>
Green	No Issues	Social audit must be conducted again after 24 months
Yellow	Minor	Social audit must be conducted again after 18 months
Orange	Critical	Social audit must be conducted again after 12 months
Red	Zero Tolerance	Not authorised for production until commitment and remediation plan agreed.

Pentland regularly evaluates the effectiveness of our auditing process.

The next review will take place in 2020.