Berghaus Limited
Registered number: 00871405

<u>Section 172 Statement</u>

The Companies (Miscellaneous Reporting) Regulations 2018 requires Berghaus Limited to publish a statement explaining how the Directors have given due regard for the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 while performing their duty to promote the success of the Company for the benefit of its members as a whole ("s.172 statement").

Below is the section 172 statement for Berghaus Limited captured by these regulations.

Extract from the Strategic Report for the year ended 31 December 2019

The following disclosure describes how the directors have approached and met their responsibilities under section 172 Companies Act 2006, and in particular how the directors have satisfied themselves that they have acted in a way which is most likely to promote the success of the company for the benefit of its members as a whole, and in doing so having regard for stakeholders interests, and forms the directors' statement required under section 414CZA of The Companies Act 2006.

As a business we set high standards of conduct. These are outlined in the 'Standards, Policies and Resources' section of the Pentland Brands website (which can be found at https://pentlandbrands.com/reports-and-resources/), which set out the high expectations we set for our ourselves, our employees, our business partners and our suppliers. We have presented below a summary of the key stakeholder groups, as well as the key decisions made during the year, with reference to how our key stakeholders were impacted and how directors engaged with those stakeholders to promote the success of the company.

- *Pentland Group Limited*

Pentland Group is the company's immediate parent company and provides significant intercompany funding. Continued access to capital is vital to the long-term success of the company.

Regular profit and cash flow forecasts are provided to Pentland Group and the Group Treasury function, not only to advise on when funding is needed, but also to highlight sales and profit growth to ensure we are creating value for the ultimate shareholders. These are challenged and scrutinised as well as regular forecast update and outlook processes.

- *Suppliers*

Our suppliers are fundamental to the quality of our products. Most of our stock is sourced from outside the UK and it is therefore important to ensure that we are compliant with trading standards and regulations, such as the Modern Slavery Act, to meet high standards of social responsibility. Our Risk Committee allows us to highlight any challenges associated with various regions due to political or economic instability that may impact our ability to act in accordance with the high standards of conduct we set ourselves, or our ability to meet customer demands, and support our suppliers if necessary.

Much of the engagement with our suppliers is through sourcing partners, though we regularly assess the results of our Payment Practices Reporting for all suppliers, to ensure that we are meeting their liquidity demands. Additional factors such as Brexit considerations have highlighted the need for extra engagement during 2019.

- *Customers*

Sustaining long lasting relationships with our customers is vital to the success of the company. Regular meetings with our customers take place to ensure this continues. We also regularly review the terms in place and ensure both the company and the customer can meet the demands placed on them.

Any significant decisions on new product ranges or investment/divestment in distribution channels must take customer needs into consideration and engage with those customers as necessary.

- *Employees*

With the exception of those employed by the German branch of the company, employee contracts are held by Pentland Brands Limited, a sister company within the group. The company therefore recognises that certain of those employees represent the company in the conduct of its principal activity. Accordingly, we believe they are crucial to operating our business successfully and engage to ensure that we are fostering an environment in which they are happy to work.

Our "Employee Policies" section of the Directors' Report highlights the way we regularly interact with our employees on a day to day basis, providing them the relevant training and information needed to perform their duties to the highest standards.

- *Community*

The company takes pride in its engagement with the wider community. Berghaus is a member of the European Outdoor Conservation Association and helps to support conservation projects globally. The company supports local charitable activities, allowing young people to go on trips outdoors where they could not otherwise afford to take part. In addition, surplus clothing is donated to UK charities via In Kind Direct, which has helped voluntary and community organisations including youth care, community, disability, homeless and elderly welfare groups.

Our Principal Decisions

- *Brexit Preparation*

Following the UK's exit of the EU, it remains unclear what scenario the UK will find itself in once the transition period has ended on 31 December 2020.

During 2019, the directors instructed a steering group, which was established in 2016 following the result of the referendum, to plan initially for a "no-deal" outcome and subsequently for a "no-transition" outcome, recognising the significant impact on importing stock from Asia and the EU, as well as exporting to EU-based customers, in the immediate aftermath. Significant consultations were held with both key strategic customers and the supply chain as to how to accelerate orders, recognising potential delays that would result from such scenarios.

- *'Everyone's Business' - Modern Slavery App*

As a global brand, we recognise our responsibility to source our products responsibly and ethically. As a founding member of the Ethical Trading Initiative (ETI), the company partners with experts, NGOs, charities and consultancies to support our suppliers and our industry in working towards the eradication of modern slavery. In 2019 a new Modern Slavery app was launched, to help people throughout its supply chain spot potential ethical trade issues and ensure that the company maintains the highest business standards.

The app, entitled 'Everyone's Business', has been designed to engage and educate all employees in responsible labour sourcing. The app is a simple smart phone tool designed to help all factory-facing employees maintain labour standards and human rights across the supply chain. Developed in collaboration with the sustainability and corporate responsibility consultancy Carnstone Partners, the app educates users on the risks of modern slavery and facilitates the reporting of any issues or potential issues identified.

The app captures users' observations and relays any concerns to our dedicated in-house corporate responsibility team. It provides a way to access timely and accurate information, engage with suppliers and encourage responsible labour sourcing.

Everyone's Business can be used by merchandisers, quality managers and buyers, as well as employees, that frequently visit suppliers. The app can be used in any country where our brands have suppliers.

- *Enhancement of Risk Committee*

During 2019, the Pentland Brands group of companies significantly enhanced its Risk Committee, who now meet on a quarterly basis. Historically, the individual companies monitored their risk profile in isolation, however the new process allows greater synergies and mitigation techniques across a shared platform, with group-wide sign off. The Risk Committee is attended by one of the company directors. The purpose of the Risk Committee is to engage in the following 4 key activities:

- Identification and management of strategic risks relating to the individual brands (or group of brands)
- Assessment of the impact, likelihood and velocity of the risks materialising
- Implement effective actions and strategies to mitigate the impact of the risks
- Periodic monitoring of existing and emerging risks

The key themes in 2019 were:

- Compliance with GDPR
- IT Cyber security threats and systems capability
- Supply chain and vendor management
- Economic and Political factors, such as Brexit
- Business Continuity Planning