

BERGHAUS LIMITED

Registered number: 00871405

Section 172 Statement

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 (“section 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 2020

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 the highest standards of conduct, which are outlined on the Pentland Brands website (<https://pentlandbrands.com/reports-and-resources/>). These set out the high expectations we set for 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 Limited 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 Limited 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 the highest 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 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 our 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. Continued uncertainty over Brexit led to the need for extra engagement in 2020.

- Customers

Sustaining long lasting relationships with our customers is vital to the success of the company and 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. To reflect the growing need to factor our social and environmental impact into all that we do, in 2020 we introduced our commitment to ‘positive business’ – our strategy to take action for people and our planet. This includes building brands with purpose, creating products sustainably, embracing a diverse and inclusive workforce, supporting our communities and protecting the people working within our supply chain. In addition to publishing its 4th Modern Slavery Report, Pentland Brands published its first standalone Positive Business report, which outlines the activities and actions taken and our commitments from 2020 onwards - You can read the full reports of both on the Pentland Brands website - <https://pentlandbrands.com/about-us/>.

Berghaus is a member of the European Outdoor Conservation Association and helps 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.

This year’s Sport Relief celebrity challenges included a 100-mile trek across the Namibian Desert and a UK-based challenge of three triathlons in three days, in three different cities. Berghaus was proud to support the celebrities with kit to complete their journey.

In the year, Berghaus teamed up with Cumbrian climbing company Dirtbags to give its products a second life. The collaboration, called ‘Rehused By Dirtbags’, takes Berghaus products that are no longer usable and recycles the materials into climbing kit.

Our Principal Decisions

- *Brexit*

Throughout 2020 the situation remained unclear as to what scenario the UK would find itself in once the transition period ended on 31 December 2020. During the year the directors, with advice from their steering group, continued to plan for either a ‘no-deal’ or ‘no-transition’ outcome, recognising the potential disruption to our customers’ stock-holding requirements.

Significant consultations were held with our supply chain to determine whether our warehouses would be able to manage the impact of any changes to the length of time stock is held there, as well as any additional procedures that would need to be adhered to under new legislation.

The Brexit plans and mitigating procedures were communicated to vendors as a matter of course. Vendors were briefed on any possible changes to documentation requirements, which were then managed by the Pentland Shipping teams.

Our people - We had plans in place to support EU nationals employed within the business through this difficult period. This ensured that they could continue to work in the UK and help us in delivering an excellent service to our customers through their many different roles across our organisation.

Export processes - With potentially more complex border controls in place and changes to both legislation and ways of working regarding exporting goods between the UK and the EU, we worked

closely with our freight forwarding partners to ensure we were prepared and so that orders would not be delayed.

Duties & taxes - Leaving the EU can expose companies to increased duties and taxes in both the UK and the EU. To pre-empt this, we took some mitigating actions including the bonding of our distribution centres and renewal of our EU company registrations. The company also communicated with its employees, partners and retail customers to keep them informed on the preparations and support available in different scenarios, including a 'no deal' scenario.

The EU Deal - At the end of 2020, the UK government and EU members signed a trade agreement which includes new rules on exports, imports, tariffs, data and hiring. Its pre-Brexit preparations have enabled the company to react swiftly to the changes, however, it is clear that the agreement will increase the supply chain costs and the complexity of moving goods between the UK and the EU. We are now working with employees, partners, vendors and customers on what this means for them.

- *COVID-19*

In common with many businesses, a significant area for decision making in 2020 related to the global COVID-19 pandemic. Please see our Statement in relation to COVID-19 below for further information.

- *New Iberia and Italy partners*

In November 2020 Berghaus announced details of new distribution arrangements for key European markets with the appointment of two new partners – Dicaltex Internacional as distributor for Iberia, and Out Lab Distribution as sales agency for Italy. Dicaltex Internacional will reintroduce the brand to specialist outdoor retailers across the region, along with other channels within its network. Out Lab has a well-established network of sports and outdoor retail customers and will develop Berghaus' specialist business in the market.

The directors had to consider the reputation of Berghaus in making this decision. Both partners have a track record of success in representing other Pentland-owned brands, including Endura, Ellesse and Speedo.