

**Pentland Brands Limited**  
**Registered number: 09820760**

**Section 172 Statement**

The Companies (Miscellaneous Reporting) Regulations 2018 requires Pentland Brands Limited and its subsidiaries 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 are the section 172 statements for Pentland Brands Limited, Pentland Chaussures Limited and Pentland Brands UK Distribution Limited, which are captured by these regulations.

To view section 172 statements for other subsidiaries of Pentland Brands Limited including Speedo International Limited, Berghaus Limited, Ellesse Limited, Endura Limited, Airborne Footwear Limited, Mitre Sports International Limited and Canterbury of New Zealand Limited, please visit the relevant brand website.

**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 our 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, 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.

The company is asked by Pentland Group to service its fellow subsidiaries within the portfolio of brands, with the majority of employees being employed by the company, for which those subsidiaries receive a recharge.

- *Suppliers*

Our suppliers are fundamental to the timely provision and quality of services and for ensuring that, as a business, we meet the high standards of conduct that we set ourselves. We regularly assess the results of our Payment Practices Reporting to ensure that we are meeting their demands, as well as reviewing the terms in place, to ensure they are sustainable.

Additional factors such as Brexit considerations have highlighted the need for extra engagement during 2019, as discussed below.

- *Customers*

As well as providing services to fellow subsidiaries, the company earns revenue from the provision of warehousing services. Sustaining long lasting relationships with the customers who use those services is vital to the company. Regularly reviewing the contractual terms in place and ensuring the company can meet their demands, whilst maintaining our cash flow requirements requires careful analysis of key metrics by our supply chain, who regularly engage with those customers and relay important information to the directors, ensuring the company can meet customer needs.

Furthermore, the impact that Brexit may have on customers' warehousing needs and capacity is regularly discussed, such as whether any third-party warehousing facilities are required.

- *Employees*

We pride ourselves in the quality of our employees and believe they are crucial to operating our business successfully and provide a vital service to the portfolio of brands within the group. 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*

Respect for people and the environment has long been at the heart of our business and we strive to do the right thing, not the easy thing, and make all our decisions in good conscience. Reflecting a growing need to factor our social and environmental impact into all that we do, in 2019 we introduced our commitment to 'positive business' – our strategy to take action for people and our planet.

Our purpose is to make brands matter and we are using our influence to champion positive business across our brand portfolio. Our ability to have a positive impact increases when we work as one, so we continue to be guided by our partners, academic institutions and charities.

## **Our Principal Decisions**

- *Brexit Preparation*

Following the deal with 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 for the "no-deal" and "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.

- *'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's directors. The purpose of the Risk Committee is to engagement 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

- *Closure of the Wakefield Office*

Following extensive reviews, the directors decided to relocate from the warehousing unit in Wakefield to an existing site in Sunderland

This move followed a decision made in September 2018 to end our distribution services for a particular customer, which resulted in additional capacity at our Sunderland distribution centre. The decision was also driven by the fact that our Sunderland site is owned, whereas the site in Wakefield is rented.

Consultation with both the facilities and warehousing teams determined that the most appropriate use of space was through relocation. The directors engaged with the HR department to consider the impact on employees. The decision led to some redundancies and the acceleration of dilapidation liabilities, which are recognised in the company.

Appropriate communication was shared internally, both to those employees immediately impacted as well as the wider business, to ensure an appropriate level of engagement. A thorough consultation process has been undertaken with impacted employees and it is expected that the final relocation will be in the Spring of 2021.

## Pentland Chaussures Limited – Section 172 Statement

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

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the directors' statement under section 414CZA of the Companies Act 2006.

<b>Directors' Section 172(1) Statement – Section 414CZA(1) of the Companies Act 2006</b>				
<b>WHO? Stakeholder Group</b>	<b>WHY? Why it is important to engage</b>	<b>HOW? How management and/or directors engaged</b>	<b>WHAT? What were the key topics of engagement and what feedback and input did the board/management obtain</b>	<b>OUTCOMES &amp; ACTIONS What was the impact of the engagement including actions taken?</b>
<p><b>Suppliers</b></p> <p>We have approximately 20 footwear vendors, the majority of whom are in Asia. We are particularly reliant on one vendor in Thailand (approximately 50% of production) and who is in turn heavily reliant on our business.</p> <p>Key metrics:</p> <ul style="list-style-type: none"> <li>- % of vendors with signed manufacturing agreements and who have signed up to a Lacoste group Compliance Charter</li> <li>- % of payments made within payment terms</li> <li>- OTIF (On time in full) rate</li> <li>- Perfect order rate (i.e. orders without any quality issues)</li> </ul>	<p>Our vendors are fundamental to the quality of our products and to ensuring that we meet high standards of social responsibility.</p> <p>In order to remain competitive, and to harness the footwear manufacturing capabilities in different areas of the world, it has been a key Board strategy to pursue a strategy of sourcing diversification. The Board has also considered local sourcing for those markets where local/regional</p>	<p>Much of our engagement with the vendors is through our exclusive sourcing partner. However, the management and operations teams also regularly visit our vendors.</p>	<p>Liquidity and capacity challenges created by two main demand peaks during the year.</p>	<p>For the vendor most affected, earlier payment during a peak period.</p> <p>The Board has also considered the underlying reasons for these peaks, and ways in which these could be flattened.</p>

	market forces suggest that this could be worth pursuing.			
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<b>Directors' Section 172(1) Statement – Section 414CZA(1) of the Companies Act 2006</b>				
<b>WHO? Stakeholder Group</b>	<b>WHY? Why it is important to engage</b>	<b>HOW? How management and/or directors engaged</b>	<b>WHAT? What were the key topics of engagement and what feedback and input did the board/management obtain</b>	<b>OUTCOMES &amp; ACTIONS What was the impact of the engagement including actions taken?</b>
<p><b>Workforce</b></p> <p>The vast majority of our workforce consists of employees, although during 2019 we had 2 or 3 long-term contractors.</p> <p>Key metrics:</p> <ul style="list-style-type: none"> <li>- Total benefits and payments to employees</li> <li>- Employee turnover rate</li> <li>- Employee wellbeing statistics (online portal)</li> </ul>	<p>The success of the company depends on the skill and commitment of our workforce to our objectives (as informed by the Lacoste brand strategy) and to our company objectives.</p> <p>We engage with our workforce to ensure that we are fostering an environment in which they are happy to work, and in which they understand the opportunities for career progression.</p>	<p>Details of our workforce engagement activities are outlined below:</p> <ul style="list-style-type: none"> <li>- Quarterly informal staff socials</li> <li>- Learning and development (L&amp;D) initiatives (classroom and online learning)</li> <li>- Give Back Days – a chance to do volunteering as one team</li> <li>- Health and wellness activities to encourage self-care</li> <li>- Online portal to assess individual engagement levels and make improvements based on opportunity areas</li> </ul> <p>We have a number of steering groups (e.g. Learning &amp; Development and culture club) where we seek out ways to improve our working</p>	<p>The most significant matters of concern to our workforce were:</p> <ul style="list-style-type: none"> <li>- Career progression – the opportunity to progress in our small business</li> <li>- Sustainability – how we respond to the increasing challenges of climate change</li> <li>- Health and wellbeing – the challenge of making time for self-care alongside working commitments</li> </ul> <p>This feedback is shared quarterly with the Executive Team who are presented with options to improve the working culture.</p>	<p>The Company introduced a Sustainability Week which was an opportunity to review ways of working and come up with future solutions. We made pledges to reduce the use of items such as plastic and paper.</p> <p>There are regular talent meetings to discuss employees' future potential, to make sure there is a mutual understanding of career progression opportunities within the Company.</p> <p>The workforce engagement activities led to increases in overall engagement and wellbeing scores vs. last year (as measured on our online employee portal)</p>

		environment. This is shared with the Executive team for discussion and approval		
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<b>Directors' Section 172(1) Statement – Section 414CZA(1) of the Companies Act 2006</b>				
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<p><b>Customers</b></p> <p>The business has a fixed customer base: the distributors appointed by the brand to distribute footwear in their local markets.</p> <p>Key metrics:</p> <ul style="list-style-type: none"> <li>- Total volume of sales</li> <li>- Total amount of Sales</li> <li>- Average Selling Price</li> <li>- % of customer ledger overdue</li> <li>- Retail sell-through analytics</li> </ul>	<p>Regular meetings with key distribution partners enable the business to ensure it is developing relevant product</p>	<p>Seasonal product review meetings with key markets attended by members of the management team.</p> <p>Proposal to introduce monthly calls with key strategic customers</p>	<p>The key topics of engagement were the commercial potential of product in the market, taking into account factors such as current trends and price</p>	<p>A proposal to introduce monthly calls with key strategic customers.</p> <p>Consideration of our pricing structure taking into account key segments of the market</p>
<p><b>Community</b></p> <p>We have a number of local partnerships to help support our local community. Our primary partnership is New Horizon Youth Centre (NHYC), a charity who aims to help homeless individuals between the age of 16 to 24 who are in need of shelter, mental</p>	<p>We consider having a positive impact on the wider community to be sustainable and how our business can show a benefit is by having a positive impact on community around us.</p>	<p>The team were able to refine a list of potential charities to give back to, define budgets as well the long-term vision for this relationship.</p> <p>The business also put together a training workshop for members of the</p>	<p>A summary of the training workshop was provided to the broader team at the quarterly business review.</p>	<p>The sharing of the workshop and longer-term plans has created wider team engagement facilitating the development of a long-term relationship with the youth centre.</p> <p>The workshops have been seen to be beneficial and inspirational to the individuals</p>

health advice, training and education.		NHYC charity, which was also attended by one of the Executive team.		attending the events further emphasising the benefits of this.
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<b>Directors' Section 172(1) Statement – Section 414CZA(1) of the Companies Act 2006</b>				
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<p><b>Environment</b></p> <p>The fashion industry (including footwear) is under the spotlight to show what efforts they are making to reduce their environmental footprint.</p> <p>The Company is working on ways to accurately measure the impact of the measures it has been taking. Factors effecting its ability to make further improvements include:</p> <ul style="list-style-type: none"> <li>- the existing office environment</li> <li>- the Company's suppliers</li> <li>- how the company makes its products</li> <li>- how the Company ships products</li> </ul>	<p>In order for the business to stay relevant and competitive long term it is imperative that sustainability continues to be part of our strategy. Our competitors are active in this space, our consumers are demanding it and the potential for governmental legislation means it may become mandatory.</p>	<p>A sustainability strategy was presented to the Board for inclusion in the Company's Business Plan and this continues to evolve in line with the seasonal requirements. Updates on this strategy are provided by the Executive team to the Board at least quarterly.</p>	<p>A key challenge at Board level has been to align and combine the Company's sustainability strategy with its overall business and product goals.</p>	<p>The alignment on the sustainability strategy has allowed the creation of a sustainability roadmap where the major highlights include the introduction of materials such as recycled polyester, recycled rubber and an algae-based EVA-foam.</p> <p>A cross-functional sustainability team has been created to evaluate all aspects of product operations.</p> <p>A life cycle assessment has been commissioned to drive the long-term product vision for sustainability.</p>



- what materials it sources				
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<b>Principal Decisions</b>	
<b>Payment of Interim Dividends</b>	
The Board took the decision to pay a total of \$35m in respect of 2019 profits. The Company does not have a formal capital allocation/dividend policy. However, the general approach taken by the directors is to consider quarterly the levels of cash required to run the business (day to day costs as well as specific strategic investments, as envisaged in the Company's business plan) and to return any surplus cash to the shareholders.	
Impact on long-term sustainable success of the Company	The Directors had regard to the medium and long-term strategic goals of the company as set out in its rolling three year business plan (for example, investment in the development of a performance tennis shoe, and investment in 3D development and design) in deciding how much cash to distribute, and how much to keep in its reserves.
Stakeholder Considerations	As well as the interests of the shareholders, the Directors had regard to the Company's cashflow – and therefore its ability to meet its day to day costs (including employee costs and on-time payment to its Suppliers)

## **Pentland Brands UK Distribution Limited – Section 172 Statement Registered number: 10836078**

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

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#### *- 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. Our stock is purchased from Pentland Chaussures Limited, a joint venture of Pentland Group, which in turn is sourced from Asia. 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 is through discussions with Pentland Chaussures Limited, as part of the joint venture relationship, 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*

Whilst all employee contracts are held by Pentland Brands Limited, a sister company within the group, the company 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.

- *Community*

Having a positive impact on the wider community is key to the company. The global climate crisis is becoming increasingly significant and we recognise the duty we have as a company to monitor our carbon footprint and look to minimise the impact our trade has on the environment.

## **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.

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- *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)
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- 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