



LPP

INTEGRATED REPORT
FOR 2019/20

Towards sustainable fashion

RESERVED

CROPP

 **house**

MOHITO

sinsay

LPP IN THE 2019/20 REPORTING YEAR

JANUARY

As a result of a rise in our online sales, we enlarged the Fulfillment Centre in Stryków. Now, its is 46,400 m².

MAY

We signed a contract to lease a warehousing facility in Slovakia, where a Fulfillment Centre has been opened in 2020.

OCTOBER

We published the new LPP Sustainable Development Strategy for 2020–2025.

Our five brands opened their stores in Helsinki, Finland, the LPP's 25th physical sales market.



We opened a Fulfillment Centre in Romania to support our online sales in Southeast Europe.

We completed the implementation of the hard tag (RFID) in all Reserved stores in Poland.



Reserved launched its campaign featuring top model Kendall Jenner.



MARCH/APRIL

We made our debut in Bosnia and Hercegovina, the LPP's 24th physical sales market. At the end of March Mohito, House and Cropp opened their stores in the country; Reserved and Sinsay followed suit in April.

We launched online sales of our five brands in Croatia, our 12th online sales market.

SEPTEMBER

We started online sales in Ukraine, our 13th online sales market, and launched a pan-European online shop.

We became Poland's first company to join the New Plastics Economy Global Commitment, a global initiative for circular plastic management.



A little more than six months after Reserved stores in Poland started to collect used clothes, 30 House and Mohito outlets followed suit.

NOVEMBER

We joined the United Nations Global Compact, the world's largest initiative that brings together businesses which adhere to The Ten Principles in the areas of human rights, labour, natural environment and anti-corruption.

DECEMBER

Throughout the year, the LPP Foundation committed over PLN 2.8m in monetary and in kind assistance.

We issued five-year bonds with a total nominal value of PLN 300m in the Catalyst Alternative Trading System.

This report covers LPP's extended reporting period beginning on 1 January 2019 and ending on 31 January 2020 (hereinafter: 'the 2019/20 reporting year'). From now on, each subsequent reporting year will cover the twelve months between 1 February of one calendar year and 31 January of the immediately succeeding one.

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HELLO!

The issue we decided to focus on in this year's report is sustainable fashion. Why and what does sustainable fashion really mean? These are two important questions we kept asking ourselves in the course of last year and which we want to explore in depth over the upcoming years. As a family company, we feel particularly responsible for further generations and their living conditions.

Can we single-handedly change the world and make it a better place? Probably not, but we know that as a leader in the Polish fashion industry and one of the top clothing companies in Eastern and Central Europe, we are able to set trends. That is why, we want to bring the issues of the natural environment into focus through our actions. We want to show our customers, the general public, our employees and future generations that each and every one of us can contribute in their small way to improvement of life quality on our planet. To paraphrase Neil Armstrong, something that seems just one small step for a man, may turn out to be a giant leap for mankind.

For a few years now, we have been giving a lot of thought to making our operations more friendly to the planet and future generations. **In the course of the last three years we were working hard to implement our sustainable development strategy for 2017–2019.** During that time we launched the first Eco Aware collections, which now account for over 20% of the clothes offered by Reserved and Mohito. We are gradually expanding our portfolio of sustainable textiles. Today, some pieces in our collections are made from production waste, bottles or closed loop cellulose. We took action to prolong the lifecycle of our products and reduce the surplus of clothes on the market: we launched a scheme for collecting used textile products, which we donate to the people in need.

We continued our intense efforts to improve the working conditions in Bangladesh. Today, six years after we first started, we can list significant changes that we, among others, helped introduce in Asia. In 92% of cases, the irregularities detected in the Bangladeshi factories that sew clothes for LPP were amended, which means improved working conditions for their employees, who now also know – having undergone relevant training – what occupational safety means. The culmination of the process, and great stimulus for us to keep up the work, was LPP's invitation to the UN Forum on Business and Human Rights in November last year, where we talked about our experience, grass-roots efforts to promote human rights and the changes that were made in this respect. This makes me very proud, because it is a reason to believe that LPP's efforts may contribute to real change, in particular as regards social issues, which is our ethical duty as a large organisation.

The time has come, however, to take an even wider look and adopt a future perspective, namely to consider what changes should be made to our operations for the sake of the natural environment. That is why last year **we decided to adopt a new sustainable development strategy** tellingly titled: **For People For Our Planet.** As a cofounder and president of LPP, as well as a father and grandfather, I am very acutely aware of the social responsibility resting with me and my associates at LPP. We simply must do more for people and our planet. We can do more than just change our collections and make them more eco-friendly: we can modify practically every process in the organisation.

For this reason, we decided **to focus on four pillars** in our new strategy: Eco Aware products, Eco Aware production, sustainable



Our goal for 2021: 25% of LPP garments compliant with the Eco Aware standard.

development in our central offices and the retail network as well as chemical safety of our production and elimination of plastic packaging that cannot be reused, recycled or composted.

Approaching our operations in a comprehensive manner is the only way to make a real and measurable change. We also feel that its impact may be even stronger if we manage to join forces with international organisations fighting for a common goal. That is why, last year we joined **the New Plastics Economy Global Commitment**, a global initiative started by the Ellen MacArthur Foundation in association with the UN, whose aim is to completely eliminate plastic packaging that is not part of a closed loop system.

We also joined the largest international initiative bringing together businesses eager to achieve sustainable development goals, **the United Nations Global Compact.** The organisation promotes the implementation of ten principles in the areas of human rights, labour and the environment in business activities, principles we have always subscribed to. We believe that thanks to this scheme and many other initiatives which we certainly want to support in the years to come, we are able to really change ourselves and the world around.

We find great inspiration in our annual integrated reports. When synthesising all we have already achieved, we take an overall look at ourselves and notice the things we need to improve. Each of the reports is more than just an LPP encyclopaedia, presenting our processes, people who work with us and their activities. I believe it is also a good reference our stockholders may use to evaluate the progress we are making on our way to achieve our goals, which – to some degree – are our social commitment.

Our last year's report, the second in our history, was highly praised in many circles. It was named the best integrated report in a 2019 sustainable development and corporate social responsibility report competition. It also won a Warsaw Stock Exchange Award and a honourable mention from the Journalists' Jury. These accolades are both an incentive and an obligation to continue our efforts, and be even more sensitive to the needs of the world around us, which was presented with a serious challenge in the early days of 2020.

The COVID-19 pandemic shook the world as we knew it. LPP lost 90% of its revenue overnight. But profit was not something we have been concerned about. Our attention is and will be focused on the organisation's survival, our workers' safety and saving as many jobs as possible. I truly hope that we will pass this test with flying colours. We are determined to safeguard our values despite this upset and reach the safe shore while maintaining our responsibility for those who form LPP with us and for their families.

I believe this to be a good lesson going forward, a chance for all of us to fully appreciate the fact that any organisation's key asset are the people and its mission is to develop the sensitivity of the future generations.

Marek Piechocki
President of the Management Board

LPP PROFILE AND BUSINESS MODEL

In this chapter you will find out:

- who we are and where we operate – p. 6,
- what our business model and strategy are – p. 18,
- how we create value for stakeholders – p. 23,
- how we are making a turn towards environmental protection – p. 26.

UN Sustainable Development Goals



Almost
PLN 9.9bn

in net sales revenue.

Over
50%

of the revenue come from foreign sales.



1.1. ABOUT THE FIRM



1.1.1. LPP IN A NUTSHELL

We are a Polish firm that goes over 25 years back. LPP has its roots in the Polish region of Pomerania and will forever be based in Poland. Our main headquarters are located in Gdańsk. We are one of the most dynamically developing clothing-retail companies in Central and Eastern Europe. We consistently work to achieve our global ambitions and increase our presence in Europe and the Middle East each year running. The LPP SA Capital Group ('LPP Group') is formed by 30 companies. We own five fashion brands:

Reserved, Cropp, House, Mohito i Sinsay.

In our business, we harmoniously combine creativity and beauty with Fashion Tech. Our original collections inspire people to create their own style. We use omnichannel to make it possible for our customers to do their shopping comfortably in one of our physical locations (1,746 stores






across 25 countries) and e-commerce (our products are available online in 30 countries). We successfully implement innovative technologies, such as the RFID hard tag, which enable us to give the customers unique shopping experiences.

We are aware of the global climate challenges which are changing the face of the world of fashion. Taking responsibility for people and the environment has become an integral element of our development strategy. In our new Sustainable Development Strategy for 2020-2025 we have made a commitment to significantly reduce our environmental impact.

You will read more about of business model, strategy and scale of operations later in this chapter.

[GRI 102-1] [GRI 102-2] [GRI 102-3] [GRI 102-4] [GRI 102-7] [Own measure: Store count and YoY increase for the whole Group] [Own measure: The Group's net sales revenue in the reporting year and % increase YoY] [Own measure: LFL sales in the reporting year] [Own measure: Retail space in m² meters for the whole Group and % increase YoY]

1.1.2. KEY PERFORMANCE INDICATORS

 <p>2 new physical retail markets in the 2019/20 reporting year.</p>	 <p>24,447 employees all over the world (including 13,341 in Poland).</p>
<p>1,746 stores across 25 countries on 3 continents (increase in the number of stores by 5 YoY). <i>Net increase in store openings (minus store closures).</i></p>	 <p>PLN 9,899m in the Group's net sales revenue in the 2019/20 reporting year (13% increase YoY).</p>
<p>3.6% LFL sales 2018/2019/20¹.</p>	<p>PLN 1,174m in e-commerce revenue in the 2019/20 reporting year (46.3% increase YoY).</p>
 <p>265m Over items of clothing sold annually.</p>	<p>PLN 1,004m total investments in the reporting year 2019/20 (CAPEX).</p>
 <p>118m retail transactions in the 2019/20 reporting year.</p>	<p>1,231,000 m² combined retail space of the LPP Group (14% increase YoY).</p>

¹ LFL (*like-for-like*), sales are calculated by comparing sales from the same stores in a given period and an analogous period in the previous year, provided that their space has not changed. Sales from newly opened stores are not taken into account, as given the retail network's dynamic growth they could artificially enlarge the company's sales.

1.1.3. THE LPP GROUP GLOBALLY

- Physical locations and online sales
 - Physical locations only
 - Online sales only
- 874 Physical stores count

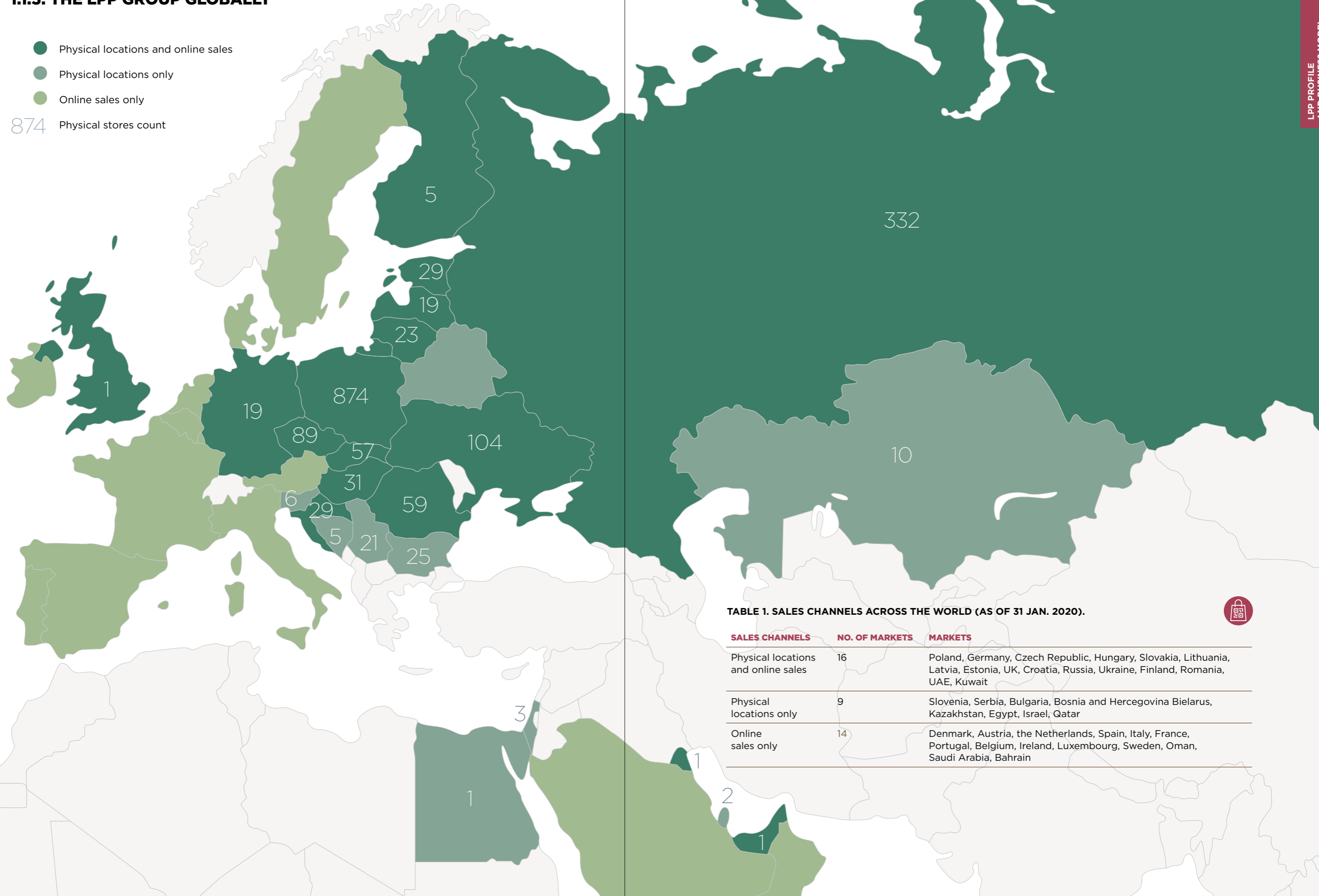


TABLE 1. SALES CHANNELS ACROSS THE WORLD (AS OF 31 JAN. 2020).

SALES CHANNELS	NO. OF MARKETS	MARKETS
Physical locations and online sales	16	Poland, Germany, Czech Republic, Hungary, Slovakia, Lithuania, Latvia, Estonia, UK, Croatia, Russia, Ukraine, Finland, Romania, UAE, Kuwait
Physical locations only	9	Slovenia, Serbia, Bulgaria, Bosnia and Hercegovina, Belarus, Kazakhstan, Egypt, Israel, Qatar
Online sales only	14	Denmark, Austria, the Netherlands, Spain, Italy, France, Portugal, Belgium, Ireland, Luxembourg, Sweden, Oman, Saudi Arabia, Bahrain



1.1.3. DEVELOPMENT THROUGH EXPANSION

We consistently work to make our brands more recognisable across the world. In line with our omnichannel strategy we are developing the potential of our retail network internationally and dynamically expanding our e-commerce sales. The reporting year was the first in our history when **our foreign sales exceeded our sales in Poland.**

In 2019 we made a debut in Bosnia and Hercegovina and Finland. LPP collections are currently available for sale in physical locations in 25 countries across three continents.

In the 2019/20 reporting year our e-commerce sales exceeded **PLN 1bn.** The result was partly due to our newly opened pan-European online store offering LPP collections to customers in Western Europe, where we do not have physical locations. We also launched online sales in Croatia and Ukraine. Currently, our collections may be bought online in 30 markets.

The rapid development of our international retail network is paired with investments into our distribution channel. Our clothing Distribution Centre in Pruszcz Gdański is one of the most advanced facilities of its kind in this part of Europe; we are planning to open another one in Brześć Kujawski. Our online sales are handled by three Fulfillment Centres: one in Stryków, one near Moscow and one in Bucharest (in operation since 2019). The 2020 year has seen the opening of our next foreign investment: a Fulfillment Centre in Slovakia.

In some markets, due to local regulations or limited access to attractive real properties, we also use franchise agreements.

- Franchise stores are created under the watchful eye of our specialists and have to meet the same standards as LPP's own stores.
- All processes, from interior design to sales, are governed by the same procedures as in LPP's stores; we provide the franchisees with complete support.
- A franchise's debut and promotional activities are coordinated with LPP's marketing team and aligned with the particular brand's global image, while respecting the local culture.
- Franchise stores operate in Poland, Israel and across the Middle East.



'We are very happy to see our foreign sales grow dynamically, especially in Eastern and Southern Europe. We are a Polish firm with global aspirations and consider foreign expansion as a chance for further development. That is why we are not slowing down and keep planning new store openings.'

Przemysław Lutkiewicz,
vice-president of LPP

TABLE 2. LPP BRANDS ACROSS THE WORLD (AS OF 31 JAN. 2020).

	RESERVED	CROPP	HOUSE	MOHITO	SINSAY
No. of countries: physical stores and online sales	39	17	17	17	17
Physical stores count	454	360	318	283	324
New stores count	31	26	28	15	67
Retail space in thousands m ²	664.8	147.9	127.4	111.7	173.4
Change in retail space as compared to 2018	+10%	+11%	+11%	+3%	+69%

[GRI 102-7] [GRI 102-18]



1.1.4. AT THE HELM OF LPP

MEMBERS OF THE MANAGEMENT BOARD AND THEIR SCOPE OF RESPONSIBILITIES IN THE ORGANISATION

MANAGEMENT BOARD

RESPONSIBILITIES



MAREK PIECHOCKI
President of the Management board, creator and cofounder of LPP

Sustainable development and environmental protection.
Supervision over the Management Board's operations.
HR.
PR.
Reserved, Cropp, House, Mohito, Sinsay - brand development, product development, sales management.



PRZEMYSŁAW LUTKIEWICZ
Vice-President of the Management Board

Finance.
Controlling.
Accounting.
Internal audit.
Investment relations.
Supervision over subsidiary companies.



JACEK KUJAWA
Vice-President of the Management Board

E-commerce.
IT.
Domestic and international logistics.
Administration.



SŁAWOMIR ŁOBODA
Vice-President of the Management Board

Retail space lease.
Store construction.
Legal matters.

SUPERVISORY BOARD

LPP SUPERVISORY BOARD

JERZY LUBIANIEC
President
Of The Supervisory Board

WOJCIECH OLEJNICZAK
Vice-President
Of The Supervisory Board

PIOTR PIECHOCKI
Member Of The Supervisory Board

MAGDALENA SEKUŁA
Independent Member Of The Supervisory Board

ANTONI TYMIŃSKI
Independent Member Of The Supervisory Board

MIŁOSZ WIŚNIEWSKI
Independent Member Of The Supervisory Board

1.1.5. LPP SUBSIDIARY COMPANIES

The LPP Group is formed by: LPP SA (the parent company), 25 Polish subsidiaries and 4 foreign subsidiaries.

LPP SA is in charge of the design and distribution of clothing in Poland as well as Central, East-

ern and Western Europe, the Balkans and the Middle East. Most foreign subsidiaries distribute Reserved, Cropp, House, Mohito and Sinsay products outside of Poland.

In 2019 we welcomed three new subsidiaries to the group: LPP Finland Oy, LPP BLR (which distribute our products in Finland and Belarus respectively) and Macedonia DOOEL.

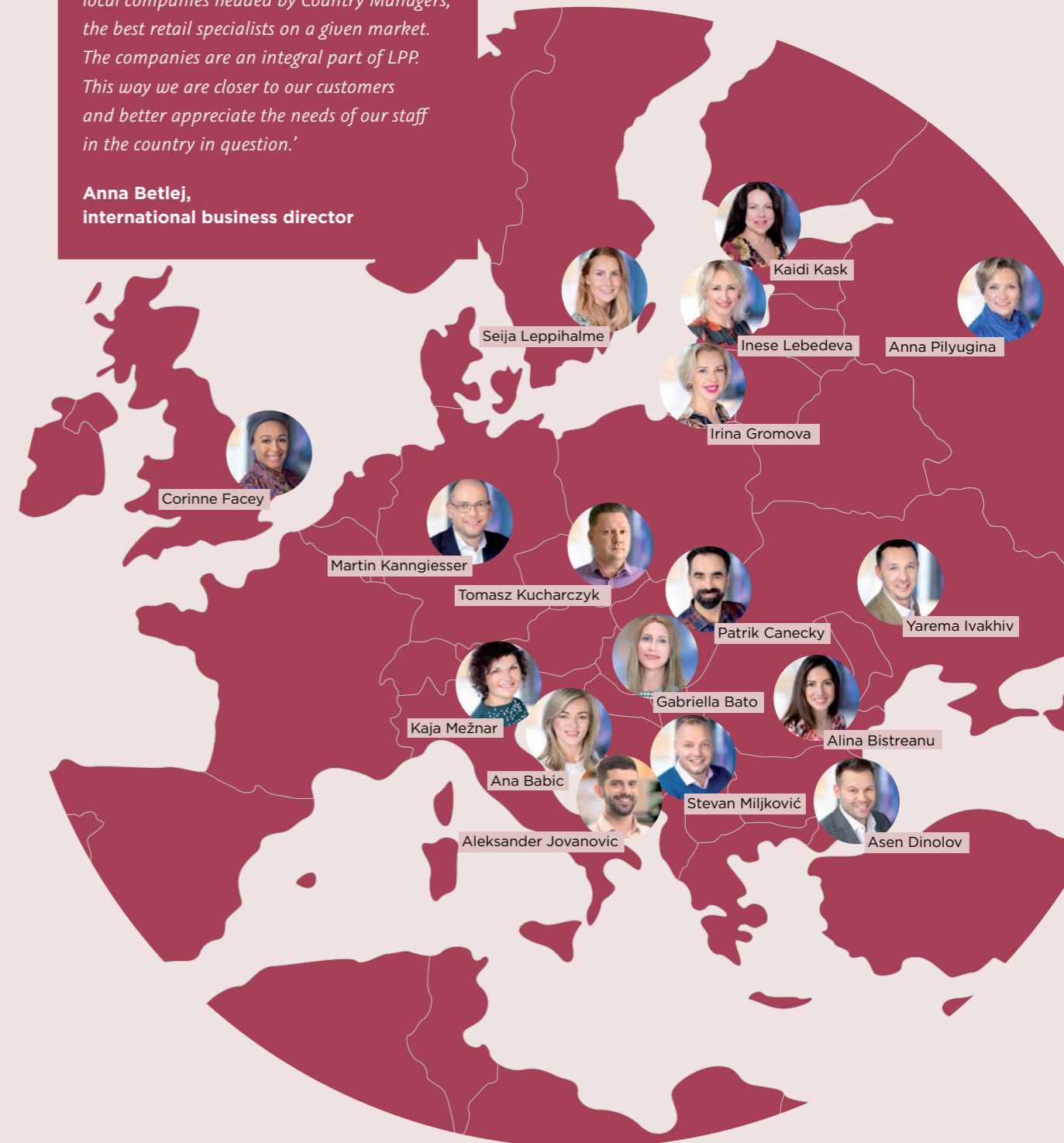
TABLE 3. LPP SUBSIDIARIES.

NAME	REGISTERED OFFICES	STOCK OWNED
1. LPP Retail Sp. z o.o.	Gdańsk, Poland	100.0%
2. DP&SL Sp. z o.o.	Gdańsk, Poland	100.0%
3. IL&DL Sp. z o.o.	Gdańsk, Poland	100.0%
4. Printable Sp. z o.o.	Gdańsk, Poland	100.0%
5. LPP Estonia OU	Tallinn, Estonia	100.0%
6. LPP Czech Republic s.r.o.	Prague, Czech Republic	100.0%
7. LPP Hungary KFT	Budapest, Hungary	100.0%
8. LPP Latvia Ltd	Riga, Latvia	100.0%
9. LPP Lithuania UAB	Vilnius, Lithuania	100.0%
10. LPP Ukraina AT	Przemysławany, Ukraine	100.0%
11. RE Trading OOO	Moscow, Russia	100.0%
12. LPP Romania Fashion SRL	Bucharest, Romania	100.0%
13. LPP Bulgaria EOOD	Sofia, Bulgaria	100.0%
14. LPP Slovakia s.r.o.	Baňska Bystrzyca, Slovakia	100.0%
15. LPP Fashion Bulgaria EOOD	Sofia, Bulgaria	100.0%
16. Gothals LTD	Nicosia, Cyprus	100.0%
17. LPP Croatia DOO	Zagreb, Croatia	100.0%
18. LPP Deutschland GMBH	Hamburg, Germany	100.0%
19. IPMS Management Services FZE	Ras Al Khaimah, ZEA	100.0%
20. LPP Reserved UK Ltd	Altrincham, UK	100.0%
21. LLC Re Development	Moscow, Russia	100.0%
22. LPP Reserved doo Beograd	Belgrade, Serbia	100.0%
23. P&L Marketing&Advertising Agency SAL	Beirut, Liban	97.32%
24. Reserved Fashion, Modne Zamke DOO namke DOO	Ljubljana, Slovenia	100.0%
25. LPP Kazakhstan LLP	Almaty, Kazakhstan	100.0%
26. LPP BH DOO	Banja Luka, Bosnia and Herzegovina	100.0%
27. LPP Finland Oy	Helsinki, Finland	100.0%
28. OOO LPP BLR	Minsk, Belarus	100.0%
29. LPP Macedonia DOOEL	Skopje, North Macedonia	100.0%



'We operate on foreign markets through local companies headed by Country Managers, the best retail specialists on a given market. The companies are an integral part of LPP. This way we are closer to our customers and better appreciate the needs of our staff in the country in question.'

Anna Betlej,
international business director



1.1.6. CORPORATE GOVERNANCE

LPP SA, the parent company in the LPP Group, is listed on the Warsaw Stock Exchange. The company is included in the WIG20 index and the prestigious MSCI Poland Index. That is why, in our day-to-day operations, we go by the **rules of corporate governance** laid down in the 2016 Code of Best Practice for WSE Listed Companies on the initiative of the Warsaw Stock Exchange. You may find out more about the implementation of these rules in the Consolidated Annual Report of the LPP SA Capital Group for 2019/20 available on www.lppsa.com in the 'Investor Relations' section. We apply due diligence to make our operations transparent, protect the rights of our shareholders and communicate with the market in a clear and open manner.

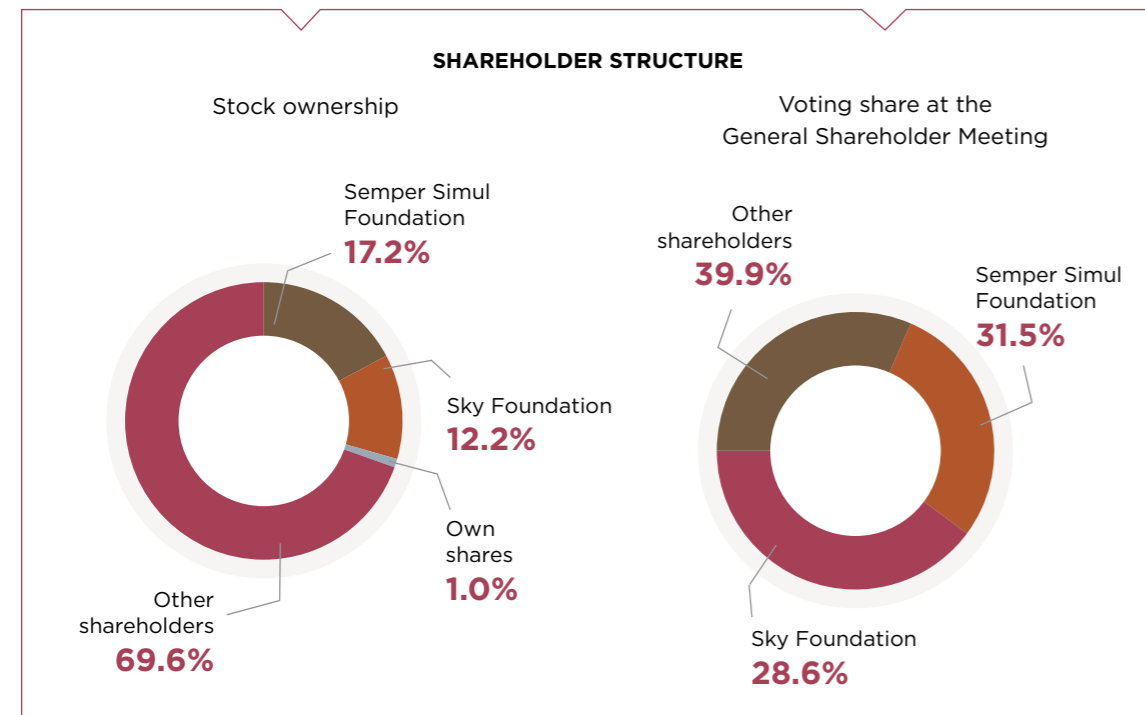
The basic documents governing LPP SA's operations are:

- The Articles of LPP SA,
- The Internal Rules and Regulations of the Management Board of LPP SA,
- The Internal Rules and Regulations of the Supervisory Board of LPP SA,
- The Internal Rules and Regulations of the General Shareholder Meeting of LPP SA.

1.1.7. SHAREHOLDER STRUCTURE

LPP is and will always be a **Polish family company**. In 2018 the cofounders transferred their shares to two foundations so that the company can never be divided or sold. The next generations in the founders' families have an obligation to run LPP in line with the existing principles. As a result, the controlling interest is owned by two foundations: the Semper Simul (Always Together) Foundation, which is closely linked to Marek Piechocki², and the Sky Foundation, which is closely linked to Jerzy Lubianiec³.

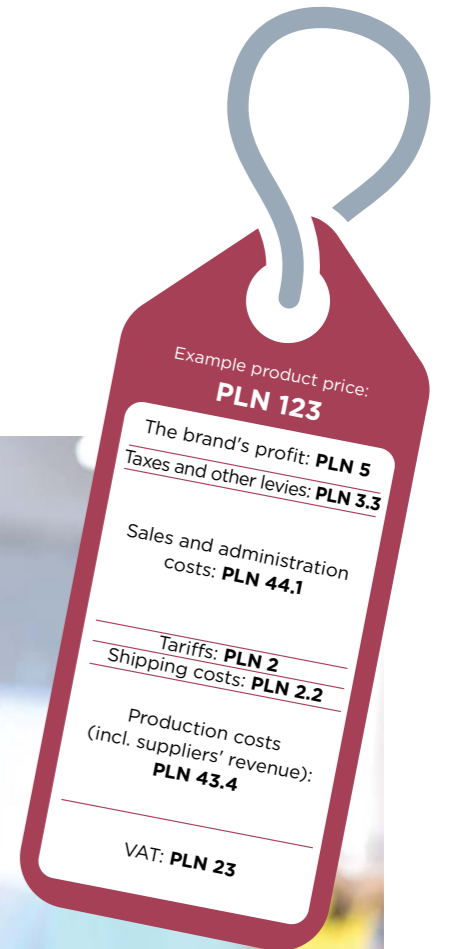
In the 2019/20 reporting year the shareholder structure changed as a result of a share-based incentive programme. The entitled persons were granted 855 shares out of the pool of 18,861 own shares. As a result, the number of own shares decreased and the number of shares owned by the remainder of shareholders increased.



² Article 3(1)(26)(d) of the Market Abuse Regulation.
³ Article 3(1)(26)(d) of the Market Abuse Regulation and Article 4 (15) of the Polish Act on Public Offering.

1.1.8. LPP FOR POLAND

We create our concepts and make all our strategic decisions about the future of LPP in Poland. We have a significant, positive influence on the social and economic life of the country, including local communities: 65% of the product value - i.e. design work, distribution, IT and taxes - is created in Poland.



In the reporting period in Poland:

We created jobs: we employed over **13,000** workers.

We invested **PLN 434m** in the development of our retail network, distribution and new technologies.

We gave a boost to Polish exports. It amounted to **PLN 5,106m**

We worked together with **10** colleges and universities.

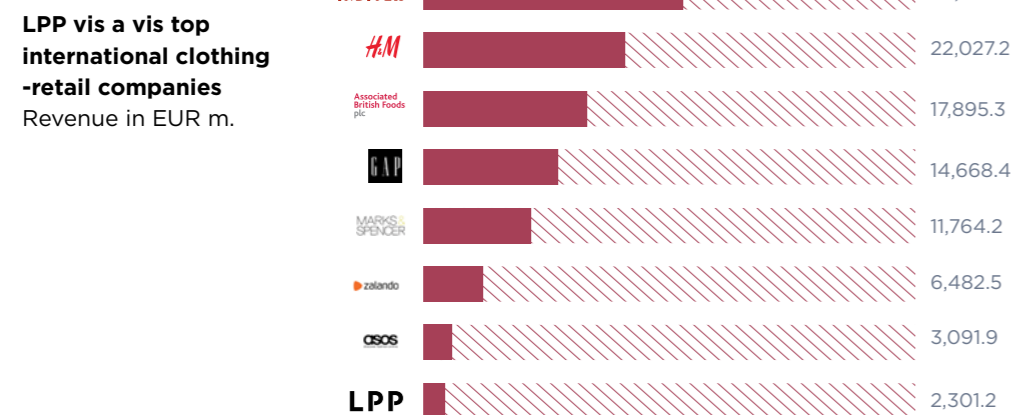
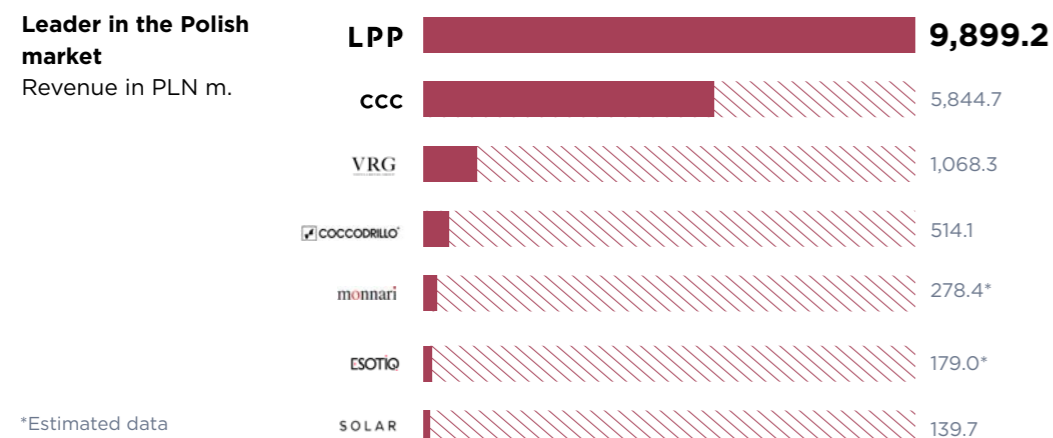
We worked together with over **140** NGOs.

We committed over **PLN 3m** to social causes.

TABLE 4. TAXES AND OTHER LEVIES PAID IN 2015-2019/20 IN POLAND [IN PLN THOUSAND].

	2015	2016	2017	2018	01.2019 / 01.2020
Value Added Tax (VAT)	412,945	488,056	529,929	540,869	604,754
Corporate Income Tax (CIT)	44,401	5,692	41,703	144,909	133,994
Tariffs	149,204	143,259	157,869	132,283	239,961
Personal Income Tax (PIT)	16,871	14,256	18,994	20,275	24,459
Employee social security contributions	11,154	14,828	19,890	22,884	
Employer social security contributions	15,779	21,068	27,866	32,932	
Healthcare contributions	5,370	9,313	12,617	14,754	
Total social security & healthcare contributions			60,373	70,570	88,925
Disability contributions	118	345	590	696	944
Real property taxes	2,954	3,225	3,607	3,791	4,578
Vehicle taxes	3	3	3	3	4
TOTAL [in PLN thousand]	658,799	700,045	813,068	913,396	1,097,619

LPP IN THE POLISH MARKET AND VIS A VIS THE TOP INTERNATIONAL CLOTHING-RETAIL COMPANIES



1.1.9. AWARDS AND RANKINGS

We put enormous emphasis on the quality of our brands and building relationships with customers, employees, business partners, shareholders, local communities and all other stakeholders of LPP. Our efforts are appreciated by different independent groups as proved by the awards we are presented each year and our rankings.

We are very grateful for them and treat them as an obligation to aim even higher in our everyday activities.

Our good practices were evaluated positively by the Responsible Business Forum and are featured in the next edition of its report, Responsible Business in Poland 2019: Good Practices.



AWARDS RECEIVED IN THE REPORTING

'THE MOST RELIABLE IN POLISH ECONOMY'
(ISB News)

Marek Piechocki
'The Most Reliable Chairman'

'INDUSTRY AWARDS'
(Innovative Manufacturing Forum)

Marek Piechocki
'Person of the Year'

'GOLD OXER'
(Pomeranian Employers)

Marek Piechocki, Jerzy Lubianiec
'Special award for outstanding achievement and overcoming obstacles when building a company'

'EUROPA PROPERTY CEE RETAIL AWARDS'
(EuropaProperty)

Reserved
'Fashion Retailer over 500 sq m'

'THE PRESIDENTIAL ECONOMIC AWARD'
(Chancellery of the President of Poland)

LPP
'National Success'

'SOCIAL REPORTS'

(Responsible Business Forum and Deloitte Polska)

LPP
'The Best Integrated Report'
'Warsaw Stock Exchange Award'
'Journalists' Jury Award'
(honourable mention)

'BRAND OF THE BRZEŚĆ ECONOMIC ZONE'
(Brześć Kujawski Town Hall)

LPP
'Award for involvement in the development of the local community and cooperation in the field of culture, education and leisure'

'POLISH FIRM - INTERNATIONAL CHAMPION'
(PwC and Puls Biznesu magazine)

LPP
'Exporter: Polish Private Company - Large Enterprise'

'SUPPLY CHAIN DESIGNER 2019'
(Eurologistics magazine)

LPP
'Award for comprehensive RFID implementation in the supply chain'

LPP'S MAJOR RANKINGS

ORGANISER	LIST	RANKING
Polish Chamber of Brokerage Houses	Survey of Investor Relations in WIG30 Companies	1st
Puls Biznesu magazine	Listed Company of the Year	10th on the main list
Rzeczpospolita daily	The 500 List	40th
Polish Ministry of Finance	CIT Payers in 2018	30th on the general list 3rd on the retail list

1.2. LPP BUSINESS MODEL

1.2.1. MISSION, VISION AND VALUES

We are a company with Polish roots. We have been consistently developing our business for over 25 years, creating unique collections for our brands and selling them in Poland, across Europe and in the Middle East. LPP SA, the parent company of the LPP Group, manages five brands: Reserved, Cropp, House, Mohito and Sinsay.

Our business model is based on a set of lasting values that govern our operations in Poland and everywhere else where we make business. **Energy and working with passion, seeking out new challenges with boldness, caring for our environment and teamwork** enable us to grow consistently, responding to our stakeholders' needs.

MISSION

To help our customers to express their emotions and realise their dreams through the way they look and feel.

VISION

Passion drives our actions, making us the best clothing company in the world.

OUR VALUES



FIRE-FUELLED

We are full of energy. We are passionate about our business, our brands and our customers. We are proud to be part of LPP.



AMBITION-DRIVEN

We seek new challenges every day and strive for excellence. We dare for more. We expect the unexpected.



SOCIALLY-RESPONSIBLE

We care for our closer and further surroundings. We support our employees and partners. We listen to their needs to act in harmony with nature.



TEAM-ORIENTED

The opinion of each team member is just as important. We treat everyone as we would like to be treated ourselves. Fairness, respect, justice and tolerance are our guideposts of action.

1.2.2. FROM THE DESIGN TO THE CUSTOMER

We implement our business model by:

- rapidly reacting to changing trends in fashion and customers shopping behaviours,
- offering customers fashionable products,
- working to strengthen the company's position in line with the principles of social responsibility and sustainable development,
- operating on a large scale both through traditional sales and e-commerce,
- a rational cost management policy.



We are a creative firm from the Polish region of Pomerania. For a few years now, we have been consistently exporting Polish know-how. As we expand internationally, we bring with us Polish technological solutions developed by our programmers in Gdańsk and well-thought-out store concepts devised by Polish architects.

Sławomir Łoboda,
vice-president of LPP



STEP 1: DESIGNING

3 design offices: Gdańsk (the company's central headquarters), Cracow, Warsaw.

Over 300 designers.

Our creative concepts are born in Poland. Our designers follow the latest shows in international fashion capitals and the developments in streetwear. That is how our original collections come into being, creatively fusing the season's trends (colours, patterns and cuts) and the needs of our customers.



STEP 2: SEWING

1,247 suppliers.

2 representative offices in Asia (Shanghai and Dhaka).

10% of all LPP collections are produced in our close neighbourhood (21% and 27% for Reserved and Mohito, respectively).

We do not sew our collections ourselves. We work together with carefully selected manufacturers in Asia and Europe that produce given designs with the utmost attention to quality. We pay attention to sustainable development in the supply chain. Our suppliers are carefully vetted and receive human and employee rights training. We pay attention to our suppliers' environmental impact. In Asia, we operate through our representative offices. Year after year, our manufacturing in the close neighbourhood has been growing in importance.

[GRI 103-2] [GRI 103-3] [GRI 102-15] [Own measure: Description of the company's strategy]



PLN
9,899m

LPP Group net sales revenue in the 2019/20 reporting year.

PLN
3,247m

Equity in the 2019/20 reporting year.

PLN
6,358m

Set aside for long-term and short-term reserves and liabilities in the 2019/20 reporting year.



STEP 3: DISPATCHING

On average **740,000** items are dispatched from our Distribution Centre in Pruszcz Gdański.

Over **240,000 m²** of combined warehousing space.

Almost **11m** online orders fulfilled in the reporting year.

Customers appreciate our collections. Each subsequent year we sell more clothing items. As a result, we continue to develop our logistics. The Distribution Centre in Pruszcz Gdański is one of the most advanced facilities of its kind in this part of Europe. Our other warehouses are located in Gdańsk and Stryków as well as in Russia, Romania and Slovakia (opened in 2020). We plan to further expand our warehousing facilities. A new distribution centre will open in Brześć Kujawski in 2022. We also invest in advanced technologies that facilitate the process of distributing our products to our stores and online customers.



STEP 4: SELLING

Our collections are available to customers in **39** countries on 3 continents (at physical stores and online).

1,746 stores with the combined space of **1,231,000 m²** across 25 countries.

Online sales in **30** countries.

Over **265m** items of clothing sold annually.

We have opted for omnichannel and offer our products through a constantly growing retail network and online shops. Each year LPP collections are made available to customers in new markets. We pay attention to the highest quality of service and introduce Fashion Tech solutions. In 2019 we implemented RFID hard tags in all Reserved stores in Poland.

[Reporting topic: The company's business strategy and future plans] [GRI 103-1]

1.2.3. BUSINESS STRATEGY: TODAY AND TOMORROW

LPP is a socially responsible Polish family firm. That said, we have global aspirations and see potential for further growth in building our brands' presence in foreign markets. We understand that rapid technological development and access to new digital solutions reshape the needs and behaviours of consumers. That is why, the concept of omnichannel is so important to us. We are developing both our retail network and online sales, offering customers a choice between the two channels and an opportunity to benefit from their synergies. We are aware that decisions made today will influence our employees, the economy and the environment tomorrow. Sustainable and socially responsible development is a priority for our business.

You will find out more about our approach to sustainable development and Sustainable Development Strategy later in this chapter.

For a few years now, our business strategy has been based on three pillars.

Our advantage:

- Development of e-commerce in subsequent markets.
- Use of advanced technologies, such as RFID tags or Big Data to stock our stores on an individual basis.
- Turn towards environmental protection. *You will find out more about our turn towards environmental protection later in this chapter.*

Challenges:

- Social and economic situation in the countries where the LPP Group's stores operate.
- Changing currency exchange rates: USD, EUR, RUB and UAH.
- Increasing cost of labour.
- Sunday trading ban in Poland.



Our collections are extremely popular with customers.

We sell **98%** of the collections we market.

THE THREE PILLARS OF THE LPP BUSINESS STRATEGY



Expansion through our brands

- We are developing our five existing clothing brands: Reserved, Cropp, House, Mohito, Sinsay.
- Our brands are targeted at different age groups: children (some Reserved collections), teenagers (Cropp, House, Sinsay), adults (Reserved, Mohito).
- Our brands are mid-range priced.

Key developments in the 2019/20 reporting year

- We sold over 265 million clothing items in total.



Foreign expansion through the retail chain

- We are building our collections' global recognisability and making them more available internationally. We want our brands to be present in the top shopping spots in a given market.
- We are present on three continents and six geographical regions:
 - Central and Eastern Europe,
 - Baltic region,
 - Commonwealth of Independent States,
 - Southeast Europe,
 - Western Europe,
 - Middle East.

Key developments in the 2019/20 reporting year

- We made our debut on two new markets: Bosnia and Herzegovina (Banja Luka) and Finland (Mall of Tripla, one of Helsinki's leading shopping centres).



Foreign expansion through online shops

- We are working to shorten our delivery times to a minimum. We are inviting in logistics and advanced technologies, including RFID, Store Vison or Big Data.
- Our online sales increase systematically.

Key developments in the 2019/20 reporting year

- We launched a pan-European online shop, enabling customers in Western Europe, where we do not have physical stores, to buy our collections.
- We opened a Fulfillment Centre in Romania, our second abroad.
- We implemented RFID in Reserved stores in Poland.

You will find out more about our brands and shopping channels in Chapter 2, 'Creation, production and sale of our collections'.



WHAT ARE WE UP TO THIS YEAR?

- 1.** We are placing an emphasis on the development of Sinsay, House and Cropp.
- 2.** We are continuing to expand our retail space: 10% increase YoY.
- 3.** By the end of the year, there should be Reserved stores in 25 countries worldwide.
- 4.** We are opening a new Fulfillment Centre in Slovakia.
- 5.** We are implementing RFID tags in Mohito stores.
- 6.** Due to the COVID-19 pandemic we are decreasing our investment expenditure: our planned CAPEX is estimated at PLN 500m.

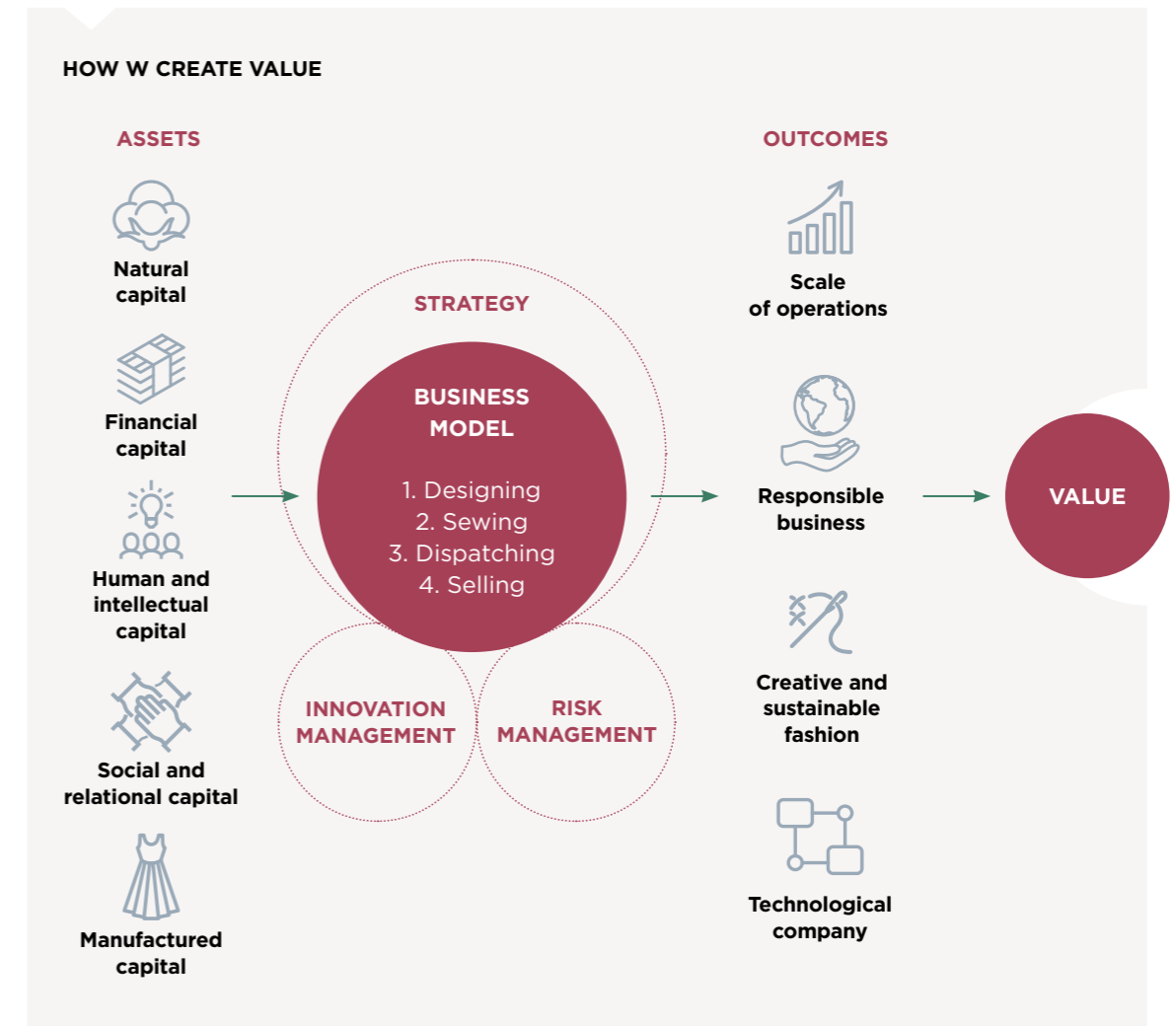
1.2.4. CREATING VALUE

These are the assets that make it possible for us to grow our business in Poland and abroad:

- **Natural capital**, that is raw materials used to produce fabrics and materials, natural resources (water, energy).
- **Financial capital**, namely equity and liabilities.
- **Human and intellectual capital**, meaning our employees and suppliers, who contribute to the creation, development and production of our collections, as well as advanced technologies.
- **Social and relational capital**: we grow thanks to our relations with investors, business and social partners, customers and other stakeholders, who are a rich source of inspiration to us.
- **Manufactured capital**, which includes products, retail network, online shops and distribution network.

By drawing on our business model, managing innovations and risks, and implementing our business strategy, we create value for our stakeholders.

- We help our customers express themselves through their outfits.
- We are a major taxpayer and exporter.
- We contribute to the economic development of Poland and the regions where we operate.
- We create jobs.
- We generate profits for our shareholders.
- We introduce technologies into the world of fashion.
- We change our operations to take a better care of the environment and our suppliers' employees, and set new standards for other companies in this respect.
- We contribute to the development of the local communities in our neighbourhood.



1.2.5. RESPECTING THE LAW

The parent company of the LPP Group, LPP SA, is a public company supervised by a number of authorities, including the Polish Financial Supervision Authority (KNF). The company's compliance with the law is also checked by appropriate units within LPP SA: the legal department, the intellectual property and trademarks unit, the internal audit department, the investor relations department and the communications and sustainable development department. The departments work together with relevant regulatory authorities and external consultants to ensure that our operations around the world are fully legal. The company has implemented a range of procedures to be in compliance with relevant Polish and EU regulations (e.g. personal data protection regulations, identification of tax schemes, protection of confidential information, etc.)

1.2.6. PREVENTING CORRUPTION

LPP identifies areas with the highest risk of corruption and determines procedures to prevent it from happening. Our anticorruption actions are governed by the following internal documents:

- The LPP Principles (ethical code) in force in the LPP SA central offices and foreign subsidiaries,
- The External Partnerships Policy in force in the LPP SA central offices,
- The Business Travel Policy in force in the LPP SA central offices,
- The LPP Principles for Store Personnel currently in force in Poland.

The documents discuss ethical issues and present norms of appropriate behaviour that must be conformed to in our organisation. Our ethical code, The LPP Principles, and The LPP Principles for Store Personnel were made available for the employees to access online. All new hires familiarise themselves with them as part of the on-boarding programme devised by the HR team. What is more, new employees in Poland are also familiarised with The External Partnerships Policy, a fact which they confirm by signing a document attached to their personal files.

We also undertake a range of other actions to prevent corruption. These are in particular:

- regular audits and inquiries,
- building antifraud awareness,
- transparency of the procurement process,
- informing our suppliers about our procedures,
- setting ethical standards of behaviour.

In our firm, we have put in place a whistleblower system of reporting misconduct via e-mail.

1.2.7. RISK MANAGEMENT

The LPP Group's risk management is governed by two documents: The Internal Control System and The Transfer Pricing Policy. They provide a comprehensive analysis of:

- risks identified within the organisation,
- ways to prevent each and every one of those risks,
- control procedures.

We carry out regular assessments of the financial and non-financial risks faced by the LPP Group. Our top managers are responsible for identifying and assessing various operational risks in the departments they supervise. This includes social, employee-related and environmental risks; issues associated with human rights protection and corruption prevention. In the reporting year we identified new climate-related environmental risks, employee-related risks and human rights risks.

TABLE 5. RISKS IDENTIFIED AT LPP SA AND THE LPP GROUP.

	LPP SA	LPP GROUP
Social risks	Legislative changes (trading hours).	Legislative changes (tariffs and taxes).
Product-related risks	Product quality. Increased competition. Choosing the right pricing policy. Increased material costs. Logistic risks.	Choosing the right pricing policy. Dependence on individual Recipients.
Risks related to the external environment	Macroeconomic risks. Increased competition. Dependence on one market segment. Suppliers' credibility. Dependence on individual suppliers/goods/services. Reputation damage (copyright infringement).	Macroeconomic risks. Increased competition. Dependence on one market segment.
Employee-related risks	Risks associated with technical means, technologies and technological development. Low quality of performance. Dependence on staff. Lack of qualified workforce Business partners in Europe not respecting the rights of immigrants.	Dependence on staff. Low quality of performance. Lack of qualified workforce. Increased labour costs (outflow of unqualified workers).
Risks related to the natural environment, including climate risks	Increased material costs, macroeconomic risks. Extreme weather conditions threatening operations. Regulatory risks (compliance with regulations aimed at preventing climate change).	Extreme weather conditions threatening operations. Regulatory risks (compliance with regulations aimed at preventing climate change).
Risks related to human rights	Reputation damage (contracting suppliers from the Global South). Personal information handling by suppliers. Mobbing risk.	Mobbing risk. Personal information handling by suppliers.
Preventing corruption	Fraud risk.	Fraud risk.

You will find more information on risk management in The Consolidated annual report of LPP SA Capital Group for 2019/20 available on www.lppsa.com in the Investor Relations section.

[GRI 102-16] [Reporting topic: Legality of operations] [GRI 103-1] [GRI 103-2] [GRI 103-3] [GRI 205-2] [GRI 205-3] [GRI 102-11] [GRI 102-15]



EPIDEMIC AND PANDEMIC RISK

Consequences:

- An epidemic spreading in the countries where our suppliers' factories are located may break the continuity of our supply chain.
- To boot, logistic problems may occur during an epidemic, affecting transportation and warehousing of products.
- At the same time, an epidemic in the countries where we sell our collections may have a negative influence on consumer demand.
- This may lead to an economic crisis in the affected countries or, as in the case of the COVID-19 pandemic, a global crisis.

Actions:

Although it is difficult to protect yourself against the risk of an epidemic, LPP is trying to minimise the possible negative consequences in the following ways:

- Selling on a few markets, diversification among multiple countries.
- Affordability of products.
- Development of e-commerce.
- Reduction of investment and operating costs.
- Implementation of a savings programme and use of government support schemes to maintain stability and save as many jobs as possible.
- Working with suppliers to help protect their workers against the economic consequences of the epidemic.



1.2.8. SUSTAINABLE DEVELOPMENT STRATEGY

In our business operations, we pay particular attention to ensuring that LPP's growth is socially responsible. We simply act fair.

IMPLEMENTATION OF THE LPP MORE STRATEGY: CONCLUSIONS

The year 2019 was the last year when we were implanting the LPP More Sustainable Development Strategy, which was supported by four pillars: practices concerning clothing and accessories design and production; friendly workplace and employee well-being; ethical and transparent actions and acting for the local communities. Here is how we implemented the **LPP More** strategy.

We are aware that some efforts – such as ensuring safety in the workplace, eliminating employee hazards in production plants, production of safe fabrics or local initiatives – must be taken on an everyday basis. These goals are implemented continually and our responsibility for these matters never ends.

While implementing the LPP More strategy, we were carefully drawing up a subsequent one. Our **Sustainable Development Strategy for 2020–2025: For People For Our Planet is a response to the climate challenges faced by the fashion industry. It is integrated with the LPP business strategy and applies to all of the organisation's operations**, from the choice of raw materials, to suppliers, to transport and logistics, to the retail network. We set concrete goals and deadlines for ourselves when it comes to reducing our environmental impact. The changes apply to the way we produce, pack and sell our collections; we are also developing a programme of giving old clothes a new life.

THE LPP MORE STRATEGY 2017-2019 – IMPLEMENTATION

GOAL/AREA	IMPLEMENTATION STATUS
MORE SAFE Our product Our practices concerning clothing and accessories design and production.	
We champion FAIR and SUSTAINABLE DESIGN: our designers undergo mandatory training on sustainable clothing design.	✓
We expand our ECO AWARE line, which means using more sustainable materials.	✓
We ensure workplace safety: we say NO to endangering workers at the factories that produce our collections.	✓
Safe production: 100% of our factories in Bangladesh undergo regular ACCORD and SGS inspections.	✓
FEEL SAFE: fabrics free from harmful substances and needles accidentally left in an item of clothing.	✓
YOUR CHOICE: extended information on the types of fabric, fabric composition and country of origin on the label.	✓
MORE CARE Our employees We give new hires a great start and good atmosphere every day.	
We give newcomers a great start: a smooth on-boarding scheme.	✓
DIVERSITY offers added value: we promote diversity among our employees.	✓
Better together: we support our employees' social action projects.	✓
We make our offices more eco-friendly – we owe it to Mother Nature.	✓
WolontWARIAT, our volunteering scheme, is a real 'do good' revolution.	✓
MORE ETHICAL Our principles We say NO to misconduct, corruption and lack of compliance. Ethical and aesthetic is the only way to go. Everything makes sense with transparent principles.	
ETHICAL CODE trumps DRESS CODE: we are FAIR to one another and the others.	✓
NO WAY! to corruption: anti-corruption training for our managers.	✓
No such thing as a stupid question: you may always pop in for a coffee with the ethics officer.	✓
We implement a sustainable development strategy because BALANCE is the most important thing in business.	✓
DiaLOGue: we build relationships with consumers and stakeholders.	✓
MORE MINDFUL Our environment We act here and now! We promote a conscious and consistent approach to growth. We share knowledge and learn from others. Share and grow!	
SOCIALISE, our strategy of supporting local communities, brings about a real change in the place where we operate.	✓
CHEERING IS YOUR WINNING: we have a donation fund and sponsoring budget.	✓
We work with colleges and universities to share our immense professional experience with young people who are passionate about fashion.	✓
INFORMATION IS THE KING: we educate consumers on proper garment maintenance and care.	✓

✓ Completed/implemented
✓ Ongoing
⊖ Change

FOR PEOPLE FOR OUR PLANET

In our new strategy, we committed to make measurable improvements in four areas: environmentally friendly production, chemical safety in production, elimination of packaging that is not part of a closed-loop recycling system as well as eco-friendly solutions in the organisation's headquarters and retail network. Our strategy is based on an in-depth analysis of the stakeholders' needs and expectations. It is open in its nature and may be adapted to new challenges arising in our environment. The strategy's implementation will be monitored by a newly-established department for sustainable development.

'LPP is a family firm. That is why, we feel particularly responsible for the future generations and their conditions of living. As a cofounder and president of LPP, as well as a father and grandfather, I treat the goals set in our sustainable development strategy as a personal commitment.'

Marek Piechocki,
president of LPP



SUSTAINABLE DEVELOPMENT STRATEGY

For **People** 
For Our **Planet**

FOUNDATION

At this stage of civilisational development, we are in a position to develop sustainably, that is fulfil the needs of the present generation without jeopardising the chance for future generations to fulfil theirs.

GOAL

To significantly reduce our negative impact on the environment.

2020

2021

2023

2025



ECO AWARE
PRODUCT AND PRODUCTION

Implementation of the Eco Aware Production scheme in water management and energy procurement.

25% of LPP garments compliant with the Eco Aware standard.

30% of factories in South Asia compliant with the Eco Aware Production standard.

100% of denim factories compliant with the Eco Aware Production standard.

Used clothes collections in 100% stores.

PLN 1m committed to investments in advanced technologies of textile waste disposal.

50% of Reserved clothes compliant with the Eco Aware standard.

CO₂ reduced by 15%.



CHEMICAL SAFETY
IN PRODUCTION

Membership in Zero Discharge of Hazardous Chemicals (ZDHC).

100% of wool and down supplied by certified farms.

Full compliance with the ZDHC standards.



PACKAGING AWARE
BRINGING PLASTIC UNDER CONTROL

100% Mohito and Reserved online order packaging devoid of single-use plastic.

100% price tags free of plastic film.

100% cardboard boxes awarded FSC certificates or made from recycled paper.

100% plastic packaging is reusable, recyclable or compostable.

Only 100% recycled plastic film used in House, Cropp and Sinsay online order packaging.

Packaging used at stores made 100% from recycled materials.

50% less single-use plastic film in retail sample packaging.



SUSTAINABLE DEVELOPMENT
IN THE HEADQUARTERS AND RETAIL NETWORK

Implementation of the Eco Aware Stores scheme.

100% green energy powering our servers and online stores.

All new buildings awarded eco-certificates (BREEAM/LEED).

100% stores compliant with the Eco Aware Stores standard.

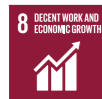
1.2.9. UN SUSTAINABLE DEVELOPMENT GOALS FOR 2015-2030

In 2015 the UN General Assembly adopted the 2030 Agenda for Sustainable Development, which is a global development plan set to benefit all people now and in the future. The 2030 Agenda includes 17 sustainable development goals to which everybody needs to contribute: governments, international organisations, the business sector, the academia and regular citizens.

At LPP, we have identified those sustainable development goals which are particularly relevant to us because of the nature of our operations. Below is an overview of the actions we take in Poland and abroad to contribute to the achievement of these goals.



- We constantly invest in the development of our employees. We help them improve their skills by providing them with training and long-term development programmes.
- We support the development of the fashion industry and educate young people in partnership with art colleges.
- We promote fashion occupations by presenting and offering opportunities for professional development.
- We support young people at risk of exclusion through the First Fitting programme.
- We improve educational opportunities for children and young people in the areas where we invest.



- We are one of the largest taxpayers in Poland and the largest taxpayer among the companies based on the Polish coast of the Baltic.
- We create over 24,000 jobs, over 13,000 of which are based in Poland.
- As a Polish family firm from the region of Pomerania, we invest in the development of local entrepreneurship.
- We outsource production to Asian manufacturers, contributing to the development of the textile and garment industry in the region. According to the LPP Code of Conduct for Suppliers, they must

provide decent conditions of work to their employers.

- We develop our collaboration with manufacturers in the close neighbourhood, their share in our clothing production continually increasing.



- We own one of the largest and most technologically advanced garment Distribution Centres in Central and Eastern Europe. We invest in new warehousing spaces in Poland and abroad.
- We implemented solutions that shorten delivery times to our online to a minimum. We launched a pan-European online shop.
- We invest in the development of Fashion Tech. We implemented RFID tags in Reserved stores in Poland.



- We promote diversity through a committed Diversity Team.
- Over 60% of managerial positions at LPP SA are filled by women.
- We support activation of people with disabilities.
- We help underprivileged youth to gain job experiences and build social skills. We invest in education and improve living conditions. Through our Foundation, we support people from disadvantaged communities.
- We monitor the conditions of work and pay offered by our suppliers.
- Our employees carry out social service projects as volunteers.



- We contribute to the development of Gdańsk and Cracow, and the districts where our offices are located.
- We carry out educational, cultural and leisure programmes in Brześć Kujawski, the town where our new Distribution Centre is being prepared, and its surrounding area.
- We respond to the needs of the local communities in our immediate environment.



- We prioritise product quality and check our garments for hazardous chemicals.
- More and more of our collections are made of more environmentally friendly materials.
- We educate our suppliers with respect to The LPP Code of Conduct and run audits in Asian manufacturing plants.
- Our stores in Poland collect used clothes; we give them a new life by donating them to those in need.



- Our newly adopted Sustainable Development Strategy for 2020-2025 dictates, among others, that we use 100% eco-friendly packaging and significantly reduce our carbon footprint.
- We intensify our collaboration with the manufacturers that take efforts to reduce their environmental impact.
- We apply the ECOoffice principles and work to minimise our environmental impact.



- We use advance technologies to reduce the energy consumption in our stores and Distribution Centres.
- We joined the New Plastics Economy Global Commitment, a global initiative for a circular economy for plastic.
- We joined the United Nations Global Compact, the world's largest business initiative for sustainable development.
- We take part in events promoting sustainable development and responsible business
- We work together with colleges and universities to improve the quality of education they offer.

1.3. THE ORGANISATION'S EXTERNAL ENVIRONMENT

1.3.1. THE SIGNIFICANCE OF DIALOGUE

We pay particular attention to making our communication clear and adjusted to the needs of different stakeholders. We are certain that responsible business development requires transparency when it comes to sharing information about the company. One of the methods of communication we use is this report. It provides a comprehensive overview of our organisation, its operations and relations with its environment.

We also understand that real communication needs to be two-way: it is not only about talking, it is also about careful listening. We are engaged in a regular dialogue with our stakeholders to get a clear picture of their needs and respond to them.

The figure below presents our key stakeholder groups and our methods of communicating with them. The stakeholder map was devised in the process of preparing our integrated report for 2017.



[GRI 102-40] [GRI 102-42] [GRI 102-43]

LPP'S STAKEHOLDER GROUPS



INVESTORS AND RELATED STAKEHOLDERS

- Investors (shareholders, bondholders).
- The most involved Polish and international analysts – ca. 70 people who take part in the earning calls.
- Warsaw Stock Exchange.
- Polish Association of Listed Companies.
- Polish Financial Supervision Authority.

Selected communication channels:

- Bilingual corporate website.
- E-mail lists.
- Business media.
- Annual, consolidated and integrated reports.
- ESPI system for sharing operational and periodical reports.
- EBI system for sharing corporate governance reports.
- Quarterly earnings calls.
- Conference calls.
- Video statements.
- Organising events for analysts, investors, brokers, reporters: Investor Days, Showroom Open Days in Warsaw.
- LPP General Shareholder Meetings.



EMPLOYEES

- Employees at LPP headquarters.
- Employees at the Distribution Centres.
- Employees of the retail network.
- Employees' families.

Selected communication channels:

- E-mail lists.
- Yammer, a social messaging service.
- workplace spaces (displays, walls, information boards, reception).
- Meetings.
- Special events.
- Training sessions.
- Surveys and opinion polls.



CUSTOMERS

- In-store customers.
- E-commerce customers.

Selected communication channels:

- The Internet.
- Social media.
- Newsletters.
- Store spaces.
- Media.



BUSINESS PARTNERS

- Suppliers in Poland and abroad.
- Lessors of retail outlets in key locations.
- Franchisees.
- Banks.
- Financial institutions.

Selected communication channels:

- E-mail lists.
- Corporate website.
- Meetings.
- Several dozen special events and publications per annum.
- Dedicated events, e.g. stakeholder round tables.
- Business media.
- Surveys and opinion polls.



SOCIAL ENVIRONMENT

- Industry organisations.
- Consumer organisations.
- Charity organisations supported by LPP.
- Colleges and universities collaborating with LPP.
- Local authorities.

Selected communication channels:

- E-mail lists.
- Social media.
- Media.
- Meetings.
- Dedicated events, e.g. stakeholder round tables.
- Surveys and opinion polls.

1.3.2. PRIORITIES OF A RESPONSIBLE BUSINESS

Through the dialogue with our stakeholders, we try to get to know their expectations the best we can. That is why, each year we hold round tables to discuss issues of key importance from the point of view of our organisation's operations. After a meeting on fair fashion (2017) and responding to customer needs (2018), this time round we focused on sustainable development and corporate social responsibility. We organised a round table on the priorities of a responsible business, inviting our business partners, social partners, industry organisations, representatives of the academia and industry experts to join in. The round table was held in accordance with the AA1000SES

Stakeholder Engagement Standard by independent moderators⁴.

The discussions focused on three key topic areas: **strategy, environmental impact and the organisation's external communication**. The stakeholders made recommendations about the fundamental good practices that a clothing company should follow to be considered a responsible business. The suggestions have been taken onboard by LPP and used when determining the company's future actions in the area of corporate social responsibility and sustainable development; they have also been taken into consideration in the process of revising LPP's Sustainable Development Strategy. The stakeholders' recommendations on external communication informed this report as well.

THE FUNDAMENTAL GOOD PRACTICES INDICATED BY THE STAKEHOLDERS



CREDIBILITY OF INFORMATION

(for more on our approach to the issue, see p. 32 in this report)

1. Providing credible information about the organisation's approach to CSR, including the way it magnates its environmental impact.
2. Building trust in the brand, which should be a natural consequence of the company's true commitment to sustainable development.



REDUCING THE ENVIRONMENTAL IMPACT

(for more, go to p.52)

3. Monitoring and reduction of the product footprint.
4. Providing accessible and comparable information on the products footprint.



INFLUENCING CONSUMERS IN A RESPONSIBLE MANNER

(for more, go to p. 38)

5. Being responsible towards customers and responsive to their needs.
6. Raising consumer awareness and making it easier to take more ethical shopping choices.



TAKING CARE OF EMPLOYEES

(for more, go to p. 106)

7. Following the occupational health and safety regulations and creating good conditions of work.



INFLUENCING THE MARKET AND LEGISLATION

(for more, go to p. 112)

8. Raising environmental and social issues in discussions about legal regulations and market practices.



COMMUNICATING CSR AMBITIONS, INCLUDING ENVIRONMENTAL OBJECTIVES, IN A CLEAR MANNER

(for more, go to p. 26)

9. Communication the organisation's approach to CSR and its long-term ambitions.
10. Responsible business model.



1.3.3. PARTNERSHIPS AND MEMBERSHIPS

- 2013 We became the first and up to this day only Polish member of the Bangladesh **ACCORD on Fire and Building Safety** (ACCORD), which works to improve the conditions of work in Bangladesh on behalf of the fashion industry.
- 2016 We signed an agreement with **Otwarte Klatki (Open Cages)** renouncing natural fur and joined the international Fur Free Retailer Programme.
- 2017 We joined the **Family Business Network Poland**.
- 2018 We became a partner of the **FIR Grant Fund**, a local fund established to provide financial support and know-how to the best interindustry initiatives bringing about real social and economic change at the local level and across the Pomerania Province.
We joined **Pomeranian Employers**, the largest employer organisation in the Pomerania Province. It exists to promote the interests of employers to state authorities and regulatory institutions.
- 2019 We joined the **New Plastics Economy Global Commitment**, a global initiative for a circular economy for plastic.
We joined the **United Nations Global Compact**, the world's largest business-led initiative for sustainable development.

We are a member of the **Responsible Business Forum**, an association which undertakes comprehensive efforts to promote sustainable development and social responsibility among businesses.

⁴ The round table was held in accordance with the AA1000SES Stakeholder Engagement Standard by independent moderators. To meet the requirements of the standard and create comfortable conditions for the stakeholders to share their opinions, the discussions took place parallelly in smaller groups of a few people, while the moderators ensured everyone's anonymity. We cannot, therefore, publicly disclose the topics discussed by individual groups as this could enable identification of the stakeholders.

CREATION, PRODUCTION AND SALE OF OUR COLLECTIONS

In this chapter you will read about:

- how our brands operate – p. 38,
- what we do to be sustainable in fashion – p. 48,
- how we design, manufacture, distribute and ship our collections – p. 58,
- how we ensure quality, safety and human rights along the supply chain – p. 61.

UN Sustainable Development Goals:



8.2%

of our collections meet the Eco Aware standards. Our target for 2021 is 25%.

We committed

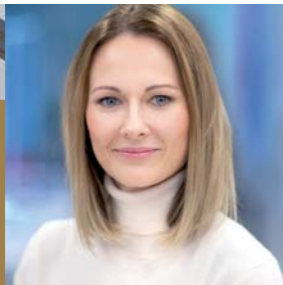
PLN 1,004m

to investment (CAPEX).



2.1. OUR CLOTHING BRANDS

RESERVED



'Our Warsaw office specialises in limited and Eco Aware premium collections, which combine excellent design, durability, timelessness and innovativeness that helps reduce our environmental footprint. In the last few months, we have seen many new technological solutions being introduced in the fashion industry, both when it comes to materials and the production processes. There is still a lot to do in that respect, but we feel we are ready for a change.'

Anna Sołtys,
director of the Reserved Design Studio in Warsaw

RESERVED

Reserved is LPP's flagship brand. Its stores may also be found in the world's fashion capitals: London, Berlin and Moscow.

The brand's collections are inspired by the multiculturalism of European and American metropolises, as well as the bog city life of Tokyo and Seoul. Our designers regularly take part in such fashion events as the Première Vision fair in Paris and such art events as the Venice Biennial.

The brand has women's, men's and children's wear lines. Some items in the women's collection is available in XS and XXL sizes. We try to take notice of our customers' individual needs, offering them a varied array of collections: trendy, minimalist and premium of perfect quality. The

buyers may also opt for unisex items and a rich maternity wear collection.

Each year sees special collections. In the reporting period, we took inspiration from the music of David Bowie, Queen, Ariana Grande, Justin Bieber and Whitney Houston, photographs of William Eggleston that celebrated the everyday, and iconic cartoons and films: *Mickey Mouse, Adventure Time x Minecraft, Ghostbusters, Star Wars* and *Toy Story*.

We try to be genuine in everything we do. This also applies to protecting the environment. That is why, when creating new Reserved collections we make a great effort to test new solutions geared towards sustainable fashion. Reserved was the first LPP brand to debut the Eco Aware line.

Immediate plans

- We want to eliminate plastic elements from our Eco Aware garments and replace them with natural or recycled ones.
 - All 100% cotton clothes for infants and children under 4 will be made of organic cotton.
 - In 2025 50% of all Reserved garments will be Eco Aware.
- We are looking for sustainable semi-synthetic materials. When designing our clothes, we try to optimise our use of materials and reduce waste, for instance by creating prints that may be cut at any angle. We are experimenting with organic dyes in printing. Our polyester clothing labels will be replaced with cotton ones.

Eco designs score a success

In the world of Reserved, we show that we care about the natural environment already when designing our clothes. Reserved Kids pieces used slogans promoting sustainable use of such natural resources as water and energy, and taking care of the planet, animals, oceans and forests. The theme of our Mickey Mouse licensed underwear collection were pro-environmental slogans. Garments made of ecological materials (organic cotton) proved very popular with the customers. The best-selling piece were children's pyjamas with a 'no waste' slogan.

You will find out more about our use of environmentally friendly materials and green production later in this chapter.

Towards sustainable fashion – success stories

All 100% cotton onesies in the Reserved children's collection are made of organic cotton.

As for our accessories, we used certified recycled yarn to manufacture beanies and scarfs and recycled materials to create our jewellery collection.

We are testing the use of PU-coated fabric and recycled leather in the manufacture of shoes, bags, belts and wallets. Our accessories are also made using paper, raffia or grass.

Founded in	1998
Website address	www.reserved.com
Design studios based in	Gdańsk, Warsaw
Net revenues in 2019/20 in PLN	4,047m
Change in net revenues as compared to 2018	+4%
Average gross purchase value (traditional stores)	120.2
Store count (as of 31 Jan. 2020)	454
New openings in the 2019/20 reporting year	31
Store space in thousands of sq. metres	664.8
Change in store space as compared to 2018	+10%
No. of markets where the brand is present	39

Countries where Reserved stores operate

Poland, Russia, the Czech Republic, Slovakia, Estonia, Lithuania, Latvia, Hungary, Ukraine, Germany, Croatia, Bulgaria, Romania, the UK, Serbia, Slovenia, Kazakhstan, Egypt, United Arab Emirates, Kuwait, Qatar, Belarus, Israel, Bosnia and Hercegovina, Finland

Countries where you can buy Reserved collections online

Poland, Russia, Lithuania, Latvia, Estonia, Germany, the UK, the Czech Republic, Slovakia, Hungary, Croatia, Romania, Ukraine, United Arab Emirates, Kuwait, Portugal, Spain, Ireland, the Netherlands, Belgium, Luxembourg, France, Italy, Austria, Sweden, Denmark, Finland, Saudi Arabia, Oman, Bahrain

CROPP



CROPP

We are a streetwear brand that enables its customers to create their own style choosing from a variety of our women's and men's garments complemented with a range of accessories and footwear. We help express emotions and cross boundaries. We are inspired by contemporary culture and music, which we creatively fuse with the latest catwalk trends. We collaborate with visual artists, illustrators and graffiti artists from around the globe. Our brand has been supporting cultural events for years. We sponsor the Gdańsk-based festival of music and extreme sports, the Baltic Games. Our latest collections were also inspired by the need to protect our planet and respect the natural environment. The men's collection Noble Vandals used organic cotton and raised eco issues.

In 2020 we will put a strong emphasis on making our collections more sustainable.

Founded in	2004
Website address	www.cropp.com
Design studio based in	Gdańsk
Net revenues in 2019/20 in PLN	1,300m
Change in net revenues as compared to 2018	+8%
Average gross purchase value (traditional stores)	104.4
Store count (as of 31 Jan. 2020)	360
New openings in the 2019/20 reporting year	26
Store space in thousands of sq. metres	147.9
Change in store space as compared to 2018	+11%
No. of markets where the brand is present	17

Countries where Cropp stores operate

Poland, Russia, the Czech Republic, Slovakia, Estonia, Lithuania, Latvia, Hungary, Croatia, Bulgaria, Romania, Ukraine, Serbia, Slovenia, Kazakhstan, Bosnia and Hercegovina, Finland

Countries where you can buy Cropp collections online

Poland, Russia, Lithuania, Latvia, Estonia, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Romania, Ukraine



HOUSE

House brings together the latest trends and street fashion. Our style is casual, we promote bold match ups and statement accessories. Our customers are young in age and spirit, easy-going, do not take themselves too seriously and want to enjoy life to the fullest. We inspire them to play with fashion and create their own their image. To develop unique collections for every occasion, we focus on listening and observing the world of our customers. We use professional tools to analyse latest fashions, keep up with big urban streets' trends, take part in textile fairs and are active on the Internet. Our collections draw on the arts, pop culture and social media trends. They burst with good energy and humour.

In 2019 we introduced clothes made of certified environmentally friendly materials. The year 2020 sees further changes. We are opting for greener solutions, especially when it comes to fabrics for our T-shirts and denim, which may be produced from recycled bottles, for instance.

Founded in	2001
Website address	www.housebrand.com
Design studio based in	Cracow
Net revenues in 2019/20 in PLN	1,117m
Change in net revenues as compared to 2018	+13%
Average gross purchase value (traditional stores)	94.0
Store count (as of 31 Jan. 2020)	318
New openings in the 2019/20 reporting year	28
Store space in thousands of sq. metres	127.4
Change in store space as compared to 2018	+11%
No. of markets where the brand is present	17

Countries where House stores operate

Poland, Russia, the Czech Republic, Slovakia, Estonia, Lithuania, Latvia, Hungary, Croatia, Bulgaria, Romania, Ukraine, Serbia, Slovenia, Kazakhstan, Bosnia and Hercegovina, Finland

Countries where you can buy House collections online

Poland, Russia, Lithuania, Latvia, Estonia, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Romania, Ukraine



MOHITO

Mohito is a brand for women who love fashion trends and original urban chic, are self-confident, know their strengths and know how to express themselves through their own, unique style. We offer our customers clothes and accessories in a full array of vibrant colours and patterns that make the wearer look feminine any time and anywhere. Mohito collections are not devoid of the latest high fashion trends. Our designers analyse the outfits shown during fashion weeks and worn in the streets of the world's fashion capitals, look to culture for inspiration and react to the latest events to come up with intriguing ideas.

We are a socially engaged brand. Apart from traditional marketing campaigns, we run programmes that help us make a change for the better. We regularly engage in charity activities which have an actual impact on the needs the world today. That is why, as part of our Mohito Cares campaign, we planted one tree for every piece of clothing tagged with the campaign logo we sold.

Founded in	2008
Website address	www.mohito.com
Design studio based in	Cracow
Net revenues in 2019/20 in PLN	897m
Change in net revenues as compared to 2018	+6%
Average gross purchase value (traditional stores)	116.2
Store count (as of 31 Jan. 2020)	283
New openings in the 2019/20 reporting year	15
Store space in thousands of sq. metres	111.7
Change in store space as compared to 2018	+3%
No. of markets where the brand is present	17

Countries where Mohito stores operate	
Poland, Russia, the Czech Republic, Slovakia, Estonia, Lithuania, Latvia, Hungary, Croatia, Bulgaria, Romania, Ukraine, Serbia, Slovenia, Kazakhstan, Bosnia and Hercegovina, Finland	
Countries where you can buy Mohito collections online	
Poland, Russia, Lithuania, Latvia, Estonia, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Romania, Ukraine	



SINSAY

The year 2019 was the moment of change for Sinsay. The brand is now working to respond not only to the needs of teenagers, but of young women, parents and their children as well.

The brand's Teen line dedicated to teenagers and women under 24 will be continued. The line is an immediate reaction to social media trends and are chosen by girls who want to look fashionable both at school and at a party. The new, expanded Sinsay collection also includes a wide array of clothes and accessories for active and independent women. The brand's Lady line is meant for fashion aficionados who opt for an informal style and comfort at affordable prices. Another new addition to the brand is a collection of clothes and accessories for the youngest ones, Fox & Bunny, as well as a home decor line, Sinsay Home.

Sinsay is making bolder steps towards environmentally friendly collections and manufacturing. Our green clothing options included denim trousers and autumn and winter coats made of recycled polyester. Our 2020 spring/summer ladies' collection will feature Eco Aware pieces, while the children's line will include onesies, sweaters and shirts made of organic cotton or produced using more environmentally friendly processes.

Founded in	2013
Website address	www.sinsay.com
Design studio based in	Gdańsk
Net revenues in 2019/20 in PLN	1,208m
Change in net revenues as compared to 2018	+42%
Average gross purchase value (traditional stores)	57.4
Store count (as of 31 Jan. 2020)	324
New openings in the 2019/20 reporting year	67
Store space in thousands of sq. metres	173.3
Change in store space as compared to 2018	+69%
No. of markets where the brand is present	17

Countries where Sinsay stores operate	
Poland, Russia, the Czech Republic, Slovakia, Estonia, Lithuania, Latvia, Hungary, Croatia, Bulgaria, Romania, Ukraine, Serbia, Slovenia, Kazakhstan, Bosnia and Hercegovina, Finland	
Countries where you can buy Sinsay collections online	
Poland, Russia, Lithuania, Latvia, Estonia, Germany, the Czech Republic, Slovakia, Hungary, Croatia, Romania, Ukraine	

2.1.1. COMMUNICATING WITH OUR CUSTOMERS

How do we communicate with our customers?



Face to face meetings

- At the stores.
- At industry conferences.
- At fairs and industry events.



Media

- Advertisements.
- Public relations activities.
- Collaboration with influencers.



Internet

- Social media: Facebook, Instagram, YouTube, LinkedIn, VK.com in Russia.
- Our corporate website www.lppsa.com.
- Our brands' websites.



Direct interactions (Customer Service)

- Online contact form.
- Helpline.

The social media offer a unique chance to reach out to our customers. Thanks to the Internet, we stay close to them on an everyday basis: we showcase our collections and activities to them, we talk to them and find out what really matters to them. We make sure our relationship is open and personal, and that they do not have to wait long to receive a reply to their message. Our social media pages are exceptionally popular.

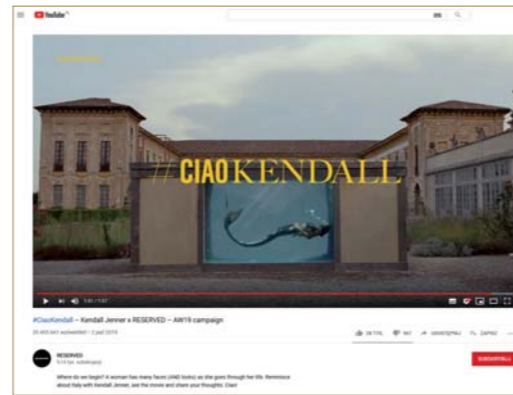
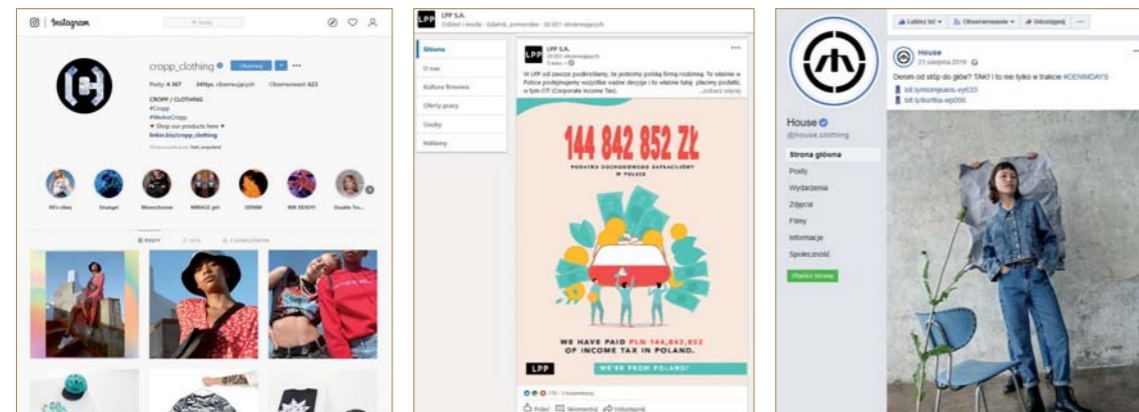


TABLE 6. SOCIAL MEDIA FOLLOWERS BY BRAND (AS OF 31 JAN. 2020).

	LPP	RESERVED	CROPP	HOUSE	MOHITO	SINSAY
Facebook	53,252	3,058,002	1,437,461	1,634,470	1,200,000	1,031,076
Instagram	5,333	1,048,095	339,343	195,845	413,000	673,000
YouTube	376	8,850	14,289	2,380	438	4,890
LinkedIn	29,980					



[GR102-43] [Own measure: Example methods of obtaining information about customer expectations] [Own measure: Social media followers by brand]

2.1.2. MAJOR MARKETING CAMPAIGNS AND EVENTS

1. RESERVED CIAO KENDALL

In the 2019/20 autumn/winter season Reserved enlisted the collaboration of yet another international star. The face of our campaign was the icon of contemporary pop culture, top model Kendall Jenner. We made a surrealist clip in which Kendall channeled heroines of the most famous Italian movies. Fashion appeared in the clip naturally, yet in a new context, as a reference to certain moments in the history of film and painting, in humorous and witty manner.

The Reserved marketing team was in charge of the concept and artistic direction of the Ciao Kendall project. The clip, which was used both in our television and Internet campaign, was directed by Gordon Von Steiner, who had been in charge of our previous campaigns, I Love You Cindy and I Can Boogie, as well as prestigious commissions from Prada, Gucci or the American Vogue. The project's stylist was Jacob K, who works on Versace shows. The campaign was complemented with social media engagement

efforts. Each and every one of our followers could become part of the campaign using a special Instagram Story selfie mask. We were the first fashion brand in Poland to use the feature.

Reserved as a patron of fashion

We became engaged in projects aiming to raise awareness about the history of Polish fashion. Reserved was a partner of:

- the sixth instalment of the Polish Designs, Polish Designers exhibition series at the Museum of the City of Gdańsk, which was a monographic show devoted to Barbara Hoff, the creator of Hoffland in Communist Poland.
- the exhibition Jerzy Antkowiak – Polish Fashion held at the Central Museum of Textiles in Łódź, which showcased the designer's work and invited reflection on fashion as a cultural and social phenomenon, and its universal mechanisms.
- a retrospective photography exhibition titled Dangerous Frames: 100 Years of Polish Fashion Photography, which traced the evolution of imagery in fashion communication.



The Ciao Kendall campaign had over 20 million views in the first month since its debut on YouTube, becoming the largest and most wide-reaching campaign in Reserved history.

2. CROPP

To mark the Baltic Games, the festival of extreme sports held in Gdańsk, we created an original capsule collection **Cropp x Baltic Games** for the 2019/20 autumn/winter season. To promote the collection, we launched a campaign using a clip and photographs featuring Gdańsk city views. For another project, **Cropp Artists**, we enlisted the help of more than a dozen recognised visual artists, including Jakub 'Hakobo' Stępień, Rustam QBic, AMINA or Igor Ilyin aka MGNG, who designed prints, graphics, illustrations and inscriptions for our streetwear.



3. HOUSE

One of the more interesting campaigns we ran was the one promoting the 2019-20 autumn/winter collection. It encouraged customers to buy at our online shop by showing them that **doing shopping on the Internet is as easy as snapping your fingers**. We also scored a considerable success by building engagement among top fashion influencers in conjunction with the launch of our Harry Potter licensed collection.



4. MOHITO

The 2019 year brought beautiful photoshoots which perfectly showcased Mohito designs and were highly praised by our customers. One of the most important ones was the photoshoot for the 2019 spring/summer campaign. It transported the viewers to the far-away island of Bali, whose tropical forests and black beaches perfectly highlighted the essence of the Mohito collection. The campaign promoting the 2019 autumn/winter collection was set in charming Padua and romantic Verona. The locations were the perfect backdrop to showcase the poetic nature of Mohito's autumn collection, trends and the brand's love of fashion. Throughout the year, Mohito produced photoshoots for its limited collections, such as Gold Label, which was photographed in palace interiors, and PURE Collection, which was depicted against the backdrop of the rough Baltic Sea. In the course of last year, the brand collaborate with the best fashion photographs, such as Aldona Karczmarczyk or Sonia Szóstak.

Mohito Cares

The Mohito Cares scheme was launched in 2019. We planted a tree for each piece of clothing tagged with the Mohito Cares label and made of certified environmentally friendly materials or each kilo of used clothes collected at the brand's stores. In autumn 2019 Paulina Sykut-Jeżyna became the programme's ambassador. Committed

and aware of the changes taking place around us, the Polish personality was eager to join the next instalment of Mohito's charity project. The #MOHITOCARES campaign is still ongoing: in 2020 Poland will get 100,000 new trees, thanks to the scheme. *Mohito Cares. Do you?*

5. SINSAY

To promote our collections we held a range of original **photoshoots in various locations**, each highlighting the versatility of the brand's offerings. One showcased clothes with well-known Disney motifs and the Cool School collection for comeback to school in September. The shoot featured actress Wiktoria Gąsiewska as a straight-A student spending her time in a stylish bookshop.



'At Mohito, we also continue to design and produce eco collections, while building our customer engagement. Less than a year after we became LPP's first brand to introduce shopping bags made of recycled paper in all Polish stores, we started to plant trees. The scheme is simple and transparent for the customers.'

Krystian Janczyński,
brand director, Mohito



In the reporting period no campaign or marketing activities of an LPP brand were considered unethical and reported to the to Polish Committee of Advertising Ethics.

[Own measure: Number of complaints lodged to Polish Committee of Advertising Ethics concerning LPP marketing communications that led to a negative outcome for LPP]

CREATION, PRODUCTION AND SALE OF OUR COLLECTIONS

2.2. TOWARDS SUSTAINABLE FASHION

Working towards sustainable, environmentally friendly fashion is how we show our social responsibility. At LPP, we know that this requires commitment at every stage of the supply chain: when we design our collections, select materials, choose suppliers, ship and distribute our products, make our stores, online sales and offices environmentally friendly, and - finally - inspire customer engagement.

'At LPP, we tune in to the needs of the world around us, analyse the challenges that they entail and take decisive action. After over 25 years in operation, we have reached a business maturity and a position to create trends in the industry. New environmental commitments will become a cornerstone of our development strategy of the upcoming years.'

Marek Piechocki,
president of LPP



'In our newly adopted Sustainable Development Strategy: For People For Our Planet we have committed to making a clear turn towards ecology and set ourselves ambitions and measurable goals until 2025 as regards, among other things, making more environmentally friendly collections, limiting our use and production of plastic or reaching our carbon footprint.'

Dorota Jankowska-Tomków,
director of the sustainable development department

2.2.1. OUR COMMITMENTS

Reducing our environmental impact on a global scale is task for each and everyone of us, including businesses and the fashion industry. Our everyday decisions influence people's lives and the world around them now and in the future.

By working towards sustainable fashion, LPP is also responding to the needs of our stakeholders. A survey requested by the European Commission found that 79% of Europeans believe climate change is a very serious problem today, while over a half of them thinks the business sector and industry are responsible for addressing the problem¹. In their everyday lives, consumers try, in particular, to reduce waste and sort it regularly so that it could be **recycled**. They also **limit their use of single-use items**, including bags and packaging.



We are the first Polish clothing company to join international initiatives for a radical reduction of environmental impact.

2019

We joined the **New Plastics Economy Global Commitment**.

This is a global initiative started by the Ellen MacArthur Foundation in association with the UN. It unites over 400 government and business actors acting towards **eliminating plastic waste and pollution and fighting with plastic waste that is not part of a circular economy**.

LPP PLEDGE:

By 2025 all plastic packaging we use will be 100% reusable, recyclable or compostable. This applies to all packaging used at our stores, online shops and logistic operations, including shipments from suppliers. The changes will first be made in Poland, then across the retail network internationally.

2020

We will join **Zero Discharge of Hazardous Chemicals (ZDHC)**.

The programme was initiated to **reduce the chemical footprint in the textile, leather and shoe industry**. Currently, the members are over 150 organisations worldwide. The ZDHC vision is to limit the use of hazardous chemicals, support innovation and the best practices order to protect consumers, workers and the environment.

LPP PLEDGE:

We will conform to rigorous restrictions- sometimes stricter than the legal regulations applying to the textile industry - as regards eliminating hazardous chemicals in our supply chain. **By 2025 we will achieve complete conformity to the ZDHC requirements.**

¹ Source: Special Eurobarometer 490: Climate change, April 2019. Report on a survey conducted between 9 and 24 April 2019 across 28 European Union countries. Sample: 27,655 respondents; methodology: face-to-face interviews.

OUR WAY TOWARDS SUSTAINABLE FASHION



Clothing designs from the 2019 autumn/winter capsule collection.

OUR APPROACH

DESIGN AND MATERIAL SELECTION



Our designers and merchandisers take part in special workshops to learn about the use of eco-friendly materials in design and conservation of natural resources.

We use materials such as organic cotton, close-loop cellulose fibres, organic linen or recycled polyester recovered from PET bottles collected from sea waters. More environmentally friendly materials are defined in the LPP Eco Aware standard, among others.

Our wool and down comes from reliable manufacturers.

The offices where our designers work in Poland are organised in line with the ECOoffice principles, which are an expression of our green approach in the workplace.

LONG-TERM TARGETS

OUTCOMES IN THE REPORTING YEAR

- Eco Aware clothes will amount to 25% of our collections by 2021.
- In 2021 100% of our wool and down products will come from certified farms.
- Eco Aware clothes will amount to 50% of Reserved collections in 2025.
- 50% less plastic film in retail samples already in 2020.
- Eco-certification for all our buildings.

- In 2019 all LPP brands marketed more sustainable collections with the Eco Aware tag.
- Down used in Mohito coats was procured from RDS-certified suppliers.
- As of 2020 we no longer use mohair because of its potentially inhumane sourcing.
- Reserved and Cropp collections used eco slogans and motifs.
- We adhered to the ECOoffice principles (waste sorting, eliminating plastic packaging, etc.)

For more on the Eco Aware standard and certification, go to p. 59.

PRODUCTION



We develop partnerships with factories that reduce their water and energy consumption (e.g. in the process of dyeing, finishing or washing the products).

The LPP Quality Guidebook for the suppliers who manufacture our collections includes a list of forbidden chemicals and permissible concentrations.

We invest in technologies for the recovery of resources from used clothes.

- In 2020 we will be developing the Eco Aware Production scheme in the area of water management and energy consumption.
- By 2023 all our jeans will be manufactured as part of a more eco-friendly process.
- In 2020 we will probably become the first Polish company to join Zero Discharge of Hazardous Chemicals (ZDHC).
- In 2025 we will achieve complete compliance with ZDHC standards.
- We will commit PLN 1m to investments in advanced technologies for the recovery of resources from textile waste.

- Our denim pieces were produced by six eco-certified factories.
- Eco Aware amounted to 8.2% of LPP's collections.

For more on natural resources conservation in production, go to p. 61.

OUR APPROACH	LONG-TERM TARGETS	OUTCOMES IN THE REPORTING YEAR
<p>TRANSPORT AND DISTRIBUTION NETWORK</p>  <p>We increase our reliance on maritime transport since it produces the least emissions.</p> <p>Our new warehouses are located in properties with environmental certificates.</p>	<ul style="list-style-type: none"> The Distribution Centre in Brześć Kujawski will be a warehousing facility with the BREEAM sustainability certification. 	<ul style="list-style-type: none"> The share of maritime transport, which produces the least emissions, in imports was 85.09%.
For more on transport, go to p. 67.		
<p>SALES</p>  <p>We want our stores to be located in eco-certified properties which score high on energy efficiency, water conservation, waste management or reducing pollution.</p> <p>We increase our use of renewable energy.</p> <p>We opt for recycled packaging in our physical stores and online sales.</p> <p>We get our customers involved by collecting used clothes in our stores and donating them to those in need. In giving the clothes a new life, we help protect the environment.</p>	<ul style="list-style-type: none"> In 2020 we will begin the implementation of the Eco Aware Stores scheme, which will cover all our stores by 2025. In 2021 our servers and online shops will be exclusively powered by renewable energy. In 2023 all LPP stores will be collecting used textiles. By 2025 all plastic packaging we use will be 100% reusable, recyclable or compostable. 	<ul style="list-style-type: none"> In September 2019, all our stores in Poland replaced free plastic bags with recycled paper bags for customers must pay. Reserved and Mohito online orders were packed in cardboard boxes made 100% from used paper. Wherever we could choose a provider, over 25% of the energy used by our stores came from renewable sources (mostly wind and water). We collected used clothes in 50 Reserved, House and Mohito stores in Poland, and donated them to people in need through the Saint Albert Charity Association.
For more on stores and sales channels, go to p. 72.		

2.2.2. THE ENVIRONMENTAL IMPACT

OUR ENVIRONMENTAL FOOTPRINT

Considered as a matter of distant future only a few years ago, climate change is becoming more and more apparent worldwide, Poland included. Scientists believe the repercussions to be one of the greatest challenge humanity is about to face in the decades to come.

The consequences of climate change to occur in Poland over the next decade according to the National Environmental Policy 2030, are predominantly negative. They include droughts causing a decline in crops production, breaks and stoppages in water supply, extreme weather conditions, including strong winds, heavy rainfall causing floods and heatwaves adversely affecting the human body.

1. OUR CARBON FOOTPRINT

Just like every other organisation, the LPP Group has an impact on the climate. In the process of our operations, greenhouse gases are emitted to the atmosphere by builds and vehicles as a result of fuel combustion, electricity is used to power our offices, stores and Distribution Centres, and - most importantly - to produce materials and garments, ship them and while they are used, that is throughout their lifecycle. To measure our impact on the climate, as of last year we have been evaluating our carbon footprint, that is our greenhouse gas (GHG) emissions. Previously, we focused on estimating the GHG emissions from our operations in Poland and foreign subsidiaries. This year we went a step further and collected more detailed data on energy consumption by our foreign subsidiaries, including all stores (except for franchise outlets) and kilometres travelled using different modes of transport by our

employees during their business trips. What is more, our calculations take into account GHG emissions from product shipping from suppliers to Distribution Centres and individual stores in Poland and abroad. Emissions from e-commerce shipping were not included in our calculations as the data on the delivery routes we had are of low quality and we estimate that the e-commerce emissions account for a small proportion (less than 0.1%) of our total GHG emissions. We also took into account emissions from materials production, clothes manufacturing and packaging production.

We took into consideration clothes use as well as packaging and waste disposal.

Our carbon footprint was calculated in accordance of the GHG Protocol Corporate Accounting and Reporting Standard. We chose 2019 as the base year - the reference point for the subsequent years - as our calculations for 2019 were much more robust than for 2018.

Our environmental impact is mainly regulated in the following documents:

Sustainable Development Strategy for 2017-2019 and Sustainable Development Strategy for 2020-2025.

The LPP Code of Conduct.

The ECOOffice Principles.

Our target

In our Sustainable Development Strategy we set ourselves the ultimate target of reducing our Scope 1 and 2 GHG emissions by 15% as compared to the 2019 levels by 2025.

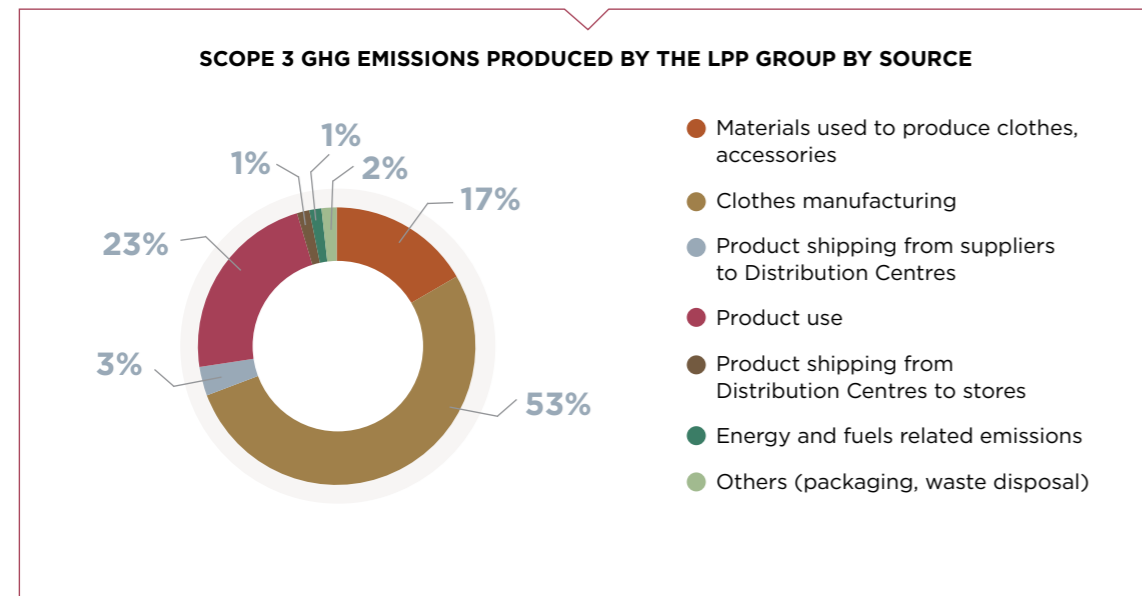
We plan to achieve the target, inter alia, by:

- increased use of recycled and materials and packaging as well as organic cotton,
- contracting factories which are part of the Eco Aware Production scheme,
- improved energy efficiency at our stores,
- purchasing low-carbon footprint power,
- servers and online shops running on 100% green energy,
- new building construction compliant with BREEAM/LEAD requirements.

TABLE 7. GREENHOUSE GAS (GHG) EMISSIONS IN TONNES OF CO₂E BETWEEN JAN. 2019 AND JAN. 2020.

GREENHOUSE GAS (GHG) EMISSIONS IN T CO ₂ E	2018	2019	JAN. 2020
Scope 1: direct GHG emissions	3,247	4,515	351
Poland	2,454	2,614	351
Other countries	793	1,901*	1,901*
Scope 2: indirect GHG emissions (location-based method)	137,761	140,508	8,604
Poland	75,417	75,112	5,718
Other countries	62,344	65,395	2,886
Scope 3: other indirect GHG emissions in total	1,072,661	1,360,267	165,102
Scope 1+2 (location-based method) +3	1,213,669	1,505,289	174,057

* Aggregate data for 2019 and Jan. 2020.
** Scope 1, 2 emissions provided in the previous report and business travel emissions in this report are 2.8% higher as a result of standardisation of calorific values and fuel density.



GHG EMISSIONS CAUSED BY THE LPP GROUP IN 2019 BY SCOPE IN TONNES OF CO₂E

Scope 1+2



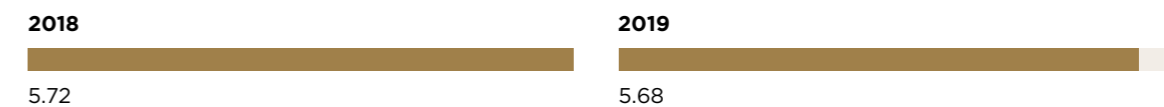
When calculating GHG emissions related to fuels, electricity and heating, we used emission factors and data provided by the National Centre for Emissions Management (KOBIZE). The emission factors for electricity used by our foreign subsidiaries came from the International Energy Agency. To determine GHG emissions generated by the production of materials for our clothes and accessories and in manufacturing processes we used the Higg MSI Material Sustainability Index (in the case of data from the GaBi database and different Ecoinvent databases, Ecoinvent 3.5 factors were used). Emissions generated in the process of the products' use include washing (electricity and water consumption, water treatment) and ironing (electricity consumption). The number of washings a product undergoes during its lifecycle is each consumer's personal choice. Based on a review of available literature, we assumed the number to stand between 10 and 62, depending on the type of garment. We adopted electricity use, water consumption and emission factors provided in the Product Environmental Footprint Category Rules (PEFCR): T-shirts. We made a distinction between hand washing, machine washing at 40 degrees Celsius, and ironing according to the instructions on the label. We used Polish electricity related emission factors for clothes sold in Poland and European electricity related emission factors for clothes sold abroad. WTT emissions, emissions related to business travel, shipping, packaging materials and waste disposal were calculated using factors provided in the database of the UK Department for Environment, Food and Rural Affairs (DEFRA). No biogenic GHG emissions were identified. The greenhouse gas used to determine fuel, electricity and heating power

Scope 3



emissions in Poland is CO₂. Other factors refer to CO₂, CH₄ and N₂O.
Sources: Fuel and energy consumption was mainly computed based on invoices. The materials used, packaging materials marketed, waste collected, shipping, business travel, washing and ironing of clothes were all determined based on internal records.
Scope 1 GHG emissions were up by about 30% YoY. The increase is a result of higher petrol (gasoline), diesel fuel and natural gas use in Poland and abroad. The use of heating oil dwindled as one energy network switched in 2019 from heating oil to natural gas (whose consumption grew).
Scope 2 GHG emissions were up by 4.8% YoY, while the retail space in Poland and abroad (except for franchise outlets) grew by 13%. Electricity use in Poland accounts for around 99% of all Scope 2 emissions. Electricity consumption at our stores in Poland dropped as the retail space became smaller, while our offices and Distribution Centre used ca. 12.7% more electric power. Heating usage at our offices and Distribution Centre dropped by 4.9%. Electricity related emissions at our stores, offices and Distribution Centre abroad stayed roughly the same. This was the first time we collected data on heating usage, which is the key component of our rising Scope 2 emissions.
In 2019 Scope 1 and 2 emissions constituted around 9.6% of the LPP Group's emissions in total. Most Scope 3 emissions (70%) were generated by the production of materials for clothes and accessories and production processes. Clothes use, namely washing and ironing, generates 23% of these emissions. The remaining 7% is produced by product shipping from suppliers (mainly by sea, but also by rail,

TOTAL GHG EMISSIONS PRODUCED BY THE LPP GROUP BY PER AN ITEM SOLD IN KILOS OF CO₂E.



Long-term carbon footprint reduction target:
15% less CO₂ emissions by 2025.

road and air transport) and from Distribution Centres to individual stores (road transport), emissions related to fuel production and transmission as well as electricity distribution, business travel of the LPP Group's employees, packaging production and waste disposal.


Total GHG emissions produced by the LPP Group by per an item sold went down by 0.8% YoY, which results from an increase in the number of items sold (212 million items in 2018 versus 265 million items in 2019) and a slower rise in Scope 2 emissions.

2. ELECTRIC ENERGY CONSUMPTION

TABLE 8. ELECTRIC ENERGY CONSUMPTION [GJ] BETWEEN JAN. 2019 AND JAN. 2020².

	LPP SA AND STORES IN POLAND	FOREIGN SUBSIDIARIES (STORES AND OFFICES)	LPP GROUP
	450,298	492,403	942,701

TABLE 9. TOTAL ELECTRIC ENERGY CONSUMPTION AT LPP SA BETWEEN JAN. 2019 AND JAN. 2020³

	ENERGY SOURCE	CONSUMPTION [GJ]
	Electric energy	43,098
	Natural gas	23,805
	Diesel fuel	18,791
	Light heating oil	5
	Thermal energy	6,121
	Petrol (gasoline)	3,653
	LPG	0
	Total	95,473

Electric energy consumption reduction target:
In 2021 our servers and online shops will excessively use renewable energy.


² The data pertain to the 13 months of the 2019/20 reporting year and do not apply to franchise outlets. The LPP Group's total electricity consumption in 2019 (12 months) was 887 279 GJ.

³ The data pertains to the 13 months of the 2019/20 reporting year.



3. PACKAGING


TABLE 10. TOTAL PACKAGING OUT ON THE MARKET BETWEEN JAN. 2019 AND JAN. 2020.

	TYPE	LPP SA	LPP GROUP
	Cardboard	11,293,433	15,173,549
	Plastic film	1,937,743	2,182,880
	Wood	153,350	199,340

Long-term plastic target:
By 2025 all plastic packaging used by LPP will be 100% reusable, recyclable or compostable.

4. WASTE

TABLE 11. TOTAL WASTE BY TYPE AND MANAGEMENT METHOD BETWEEN JAN. 2019 AND JAN. 2020.

	TYPE	LPP SA	LPP GROUP
	Recycled cardboard	5,869,249	6,844,749
	Recycled plastic film	153,966	196,547
	Recycled wood	178,960	179,410

Green investments to reduce waste:
We will invest PLN 1m into new technologies to textile recycling.

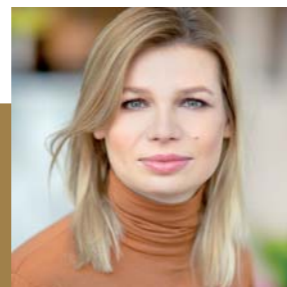
2.3. DESIGN AND PRODUCTION

2.3.1. SUSTAINABLE DESIGNS AND SELECTION OF MATERIALS

We are a Polish company and this is where the creative ideas for our collections are born. **We work on our designs in three cities.** In Gdańsk, the LPP central headquarters house the design studios of Reserved, Cropp and Sinsay, while House and Mohito collections are designed in Cracow. Reserved has another design studio in Warsaw. Overall, 1,100 people are involved in designing collections for all brands. Our designers take part in the world's most important fashion events, look for inspiration in culture and follow social transformations. They are also up-to-date with the activity of Internet influencers. We also control the way our designs are turned into ready-made products by our suppliers. As a result, the collections we offer allow our customers to express themselves and realise their dreams through the way they look.

SUSTAINABLE MATERIAL SELECTION

In our everyday operations, we meet our own and international standards of quality and environmental care. This also means that we provide customers with precise information on the materials and processes used to manufacture our collections, making it easier to make informed shopping choices.



'LPP's designers and merchandisers take part in workshops to learn about environmentally friendly materials in clothes design, ways to reduce natural resources consumption and LPP's commitments in this respect. We discuss principles, certification and targets that the company has set for itself and we all need to help achieve. The workshops are supposed to educate, inspire and show us all how we can change and support sustainable development.'

Anna Miazga,
sustainability expert

WE SHARE KNOWLEDGE

In November Ania Miazga represented LPP at the 8th UN Forum on Business and Human Rights, where she talked about LPP efforts to promote human rights in Asia and Europe. We showed the progress we have made with respect to ensuring our suppliers' safety and shared our experiences.

[GRI 102-3] [Reporting topic: Product quality] [GRI 103-1], [GRI 103-2] [GRI 103-3] [Own measure: Percent share of Eco Aware products in LPP collections]



LPP ECO AWARE

Eco Aware goes back to LPP's first sustainable development strategy and included some elements of the green agenda. With time, the concept evolved and became the symbol of LPP's commitment to environmental protection in all processes, thus giving rise to Eco Aware Production and Eco Aware Stores. As regards collections as such, the Eco Aware standard has two pillars: regularly increasing use of environmentally friendly materials from reliable sources and responsible production.

You will find out more about the Eco Aware standard in production under 'Collection production' later in this chapter.

All materials used in Eco Aware collections are certified by an independent organisation or bought from a supplier that owns environmentally friendly technologies. Our employees must check the product's certification, confirm each procurement with the LPP sustainable development department and prepare appropriate documentation that confirms the material's conformity with the Eco Aware standard.

Eco Aware products are tagged with a green label giving details of the item's manufacturing process: whether the material is environmentally friendly and the manufacturing process was sustainable.

In 2019 all LPP brands introduced Eco Aware collections into the market.



Organic cotton

Grown with the use of ecological methods and substances, and attention to conserve water.



Fabrics made of cellulose fibres

Lenzing's TENCEL™ / REFIBRA™ / ECOVERO™ / MODAL™ are fabrics made of a natural and renewable material: cellulose. The producer uses a circular business model, which means reduced use of water and chemicals. The wood is sourced from sustainably managed forests.



Recovered fibres

We regularly expand the variety of recycled materials we use. Apart from wool, cotton, polyester, polyamide, linen and silk, we also use REPREVE® RECYCLED POLYESTER, durable high-quality polyester made of recycled materials, such as PET bottles. Using recycled materials reduces waste and water, energy and other resources consumption.



Organic fibres

Organic fibres are grown by certified producers and include organic linen and hemp.

TABLE 12. ECO AWARE PRODUCTS BY LPP BRAND IN THE 2019/20 REPORTING YEAR.

	RESERVED	CROPP	HOUSE	MOHITO	SINSAY
% of Eco Aware products	16.65%	0.62%	3.36%	7.93%	1.68%



HUMANE ANIMAL TREATMENT
Down

RDS is an international standard safeguarding responsible sourcing of down and feathers developed in association with industry experts and retailers working for the protection of animal rights. The standard recognises the best practices in animal welfare and defines ethical farming. Certified products are audited at each stage in the supply chain. For example, down used in Mohito coats comes solely from responsible suppliers with valid RDS certification

- We have not used angora since 2014.
- Down used in Mohito collections comes from reliable sources — certified suppliers who produce the material in an ethical manner.
- In 2019 we decided to use certified wool, including cashmere. From 2021 we will only use wool from producers who comply with animal welfare standards.
- In 2020 we gave up using mohair, a material whose sourcing can be inhumane to animals.
- In 2021 all our down and wool will come from certified farms.



FOREST STEWARDSHIP COUNCIL CERTIFICATION

The Forest Stewardship Council (FCS) is an organisation offering one of the largest forest management certification systems in the world. It offers guidelines ensuring that the sourcing of wood and manufacturing of wooden and paper products are done in a way that preserves forests and their biodiversity. Certified paper is used to make price tags for some of our brands, cardboard boxes, bags and other paper items.

By 2023 100% of our cardboard boxes will be made of recycled or FSC certified paper.

EOoffice

The spaces where our designers work in Poland are more and more environmentally friendly. The EOoffice principles which we are introducing in our headquarters underscore our ecological approach to the workplace and help us support responsible behaviours of our employees. The following are some practical EOoffice principles:

- using environmentally friendly paper made from eucalyptus wood and procured as part of a scheme that supports farmers,
- using multiple-use fabric envelopes in internal correspondence to reduce single-use packaging,
- double-sided, black-and-white printing is the default setting on our office computers (employees can change it if needed),
- recycling used toner cartridges and batteries,
- promoting healthy and environmentally friendly habits among our employees: more and more of them give up corporate cars for corporate bicycles, which are available to employees of our offices in Gdańsk.

In 2019 we started sorting waste in our offices in Gdańsk and Cracow. At the central headquarters, we held a Supersorter Day, when employees could play multimedia game and talk to the town hall representatives about waste sorting.

In addition:

- the canteen at our Gdańsk central headquarters no longer uses plastic straws and takeaway containers; plastic water bottles were replaced with glass ones, while sandwiches are packed into paper bags,
- we put in place a coffee machine with lactose free milk,
- there are no more plastic cups alongside the water dispensers in our offices.

This year we are planning to:

- offer water in glass bottles during internal meetings,
- replace selected bottled water dispensers with point-of-use water dispensers connected to the water supply,
- reduce the number of single-use cups alongside coffee machines for visitors and replace the remainder with biodegradable ones.

TABLE 13. MANAGEMENT OF OTHER TYPES OF WASTE AT LPP SA AND LPP RETAIL.

USED PAPER, PLASTIC, USED BATTERIES, USED ELECTRIC EQUIPMENT AND TONER CARTRIDGES	We have special bins for paper and plastic bottle caps. We have containers for used batteries, which are collected by a specialist company and recycled. Used computer equipment, electric devices and toner cartridges are properly utilised.
USED CLOTHES IN THE CENTRAL OFFICES AND STORES	We collect used clothes at Reserved, House and Mohito stores, than donate them to people in need through the Saint Albert Charity Association. We hold internal sales at the LPP SA offices to help people in hardship – all the collected money is donate to the LPP Foundation.
HOUSEHOLD WASTE	We sort waste at the LPP SA offices.

2.3.2. PRODUCTION OF OUR COLLECTIONS

LPP does not own manufacturing plants. According to our business model, just like other textile companies, we outsource our production to suppliers in a variety of Asian and European countries. The terms and conditions of our collaboration with the suppliers is regulated by:

- **The LPP Quality Guidebook**, which sets out our product quality standards, and
- **our LPP Code of Conduct**, which defines our requirements towards our suppliers with respect to conditions of work and protection of human rights.

Regardless of the country where they operate, our suppliers must sign the LPP Code of Conduct and meet its standards as well as those provided in The LPP Quality Guidebook. We audit our suppliers regularly with the help of independent international auditors.

You will find out more about the standards we set for suppliers later in this chapter.

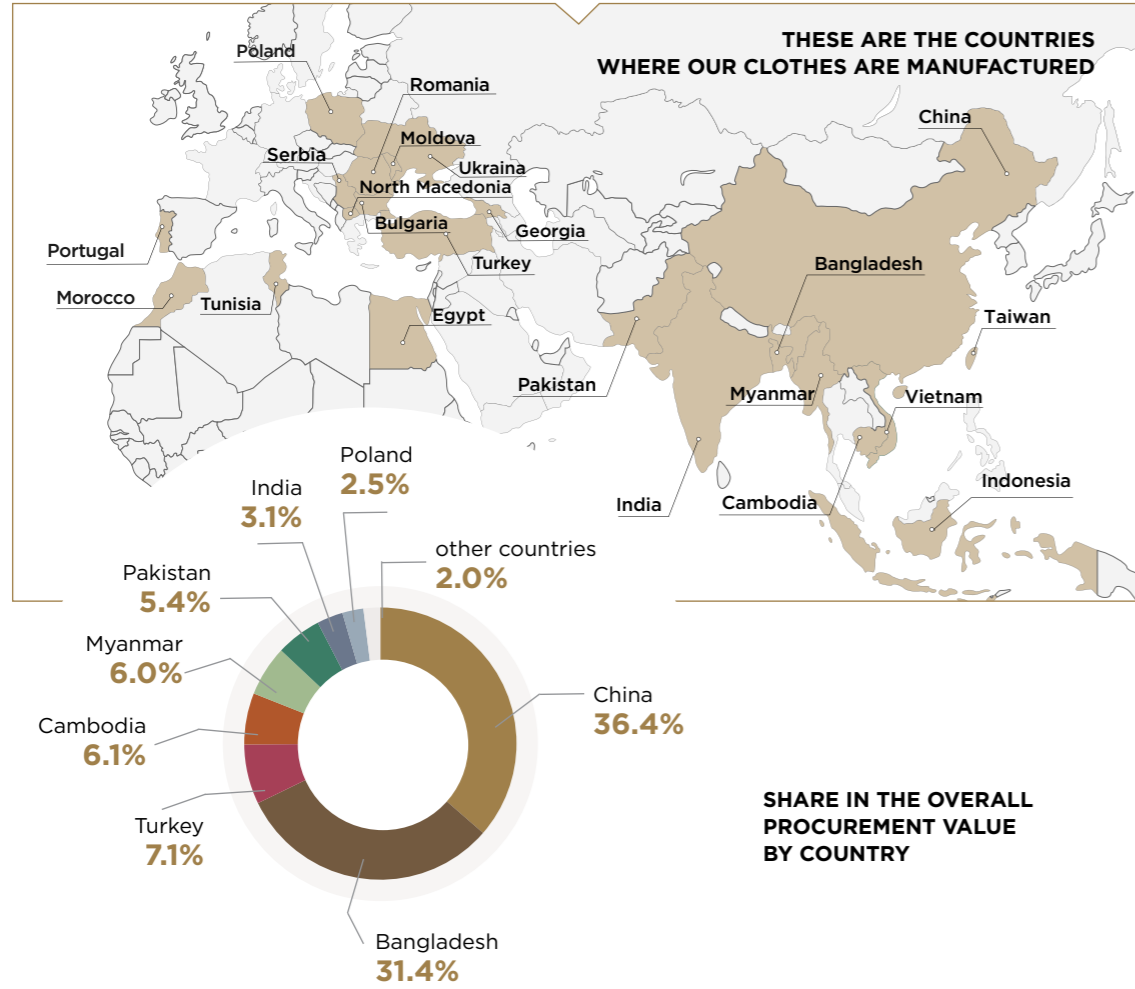


1,247

is the number of suppliers LPP worked with in the reporting year.

100%

of our new suppliers were checked for compliance with the standards of working conditions, social conditions and protection of human rights.



We outsource the largest percentage of our production to manufacturers in Asian countries. That is why we have two representative offices in **Shanghai** and **Dhaka** to help us manage our relationship with the suppliers in the region. The offices employ 158 people in total. This makes it possible for us to find new suppliers and monitor their production quality. Our offices' employees check the suppliers for compliance with The LPP Code of Conduct with respect to production safety, working conditions, employee rights and human rights protection.

At the same time, we have been outsourcing more and more of our production to manufacturers based closer to our central headquarters, namely in Europe and Morocco. In the reporting period their share in the total procurement value was:

- over 10% overall for all brands,
- 21% for Reserved,
- 27% for Mohito.

Releasing collections quickly to capture the current trends and fashion weeks held in the world's fashion capitals is a must today. Production based in Europe makes it possible for us to act with the speed of light without the need to rely on high-emissions air transport.

THE LPP CODE OF CONDUCT

This original LPP document takes account of the provisions of the International Labour Organisation conventions and the Universal Declaration of Human Rights. The code sets out requirements that must be met by all our suppliers across the world. It sets out the following principles:

- It sets out the following principles:
- obligatoriness of having a proper payroll policy and formal terms and conditions of work,
- unconditional prohibition of child labour,
- voluntariness of labour,
- freedom of association,
- equal treatment of all employees.

The code also specifies work safety and hygiene standards and compel the suppliers to take care of the natural environment. Each supplier is required to sign the code before their begin to work with us. To boot, every plant in Bangladesh undergoes an audit before it starts to produce clothes for LPP brands. In the reporting period seven out of all the factories reported by the merchandisers were not approved as LPP suppliers following an audit.

AUDITS IN THE SUPPLY CHAIN

At LPP, we want to ensure high quality in our business partnerships by introducing control measures in the supply chain. We are particularly keen to promote our standards among our suppliers and monitor their compliance. This is the task of specialised units in our organisation: the sustainable development unit and the representative offices in Shanghai and Dhaka.

To audit our suppliers in Bangladesh, which remains our key market, we have enlisted the help of SGS, an independent international auditor, which inspects conditions of work, pay and environment protection. The auditor monitors compliance with The LPP Code of Conduct.

In the reporting period, our representative office commissioned **83** SGS audits and **97** special audits. 85% of our production plants received a very good or good score. The average SGS score, which shows the manufacturers' compliance with The LPP Code of Conduct, was **92%**

in the reporting year (and 84% in 2018). As for discrimination prevention, the compliance score was 100%. If a supplier does not meet all of our requirements, they receive a Corrective Action Plan with a an implementation deadline.

In 2019 we also launched special audits in India.

In the reporting period, LPP auditors conducted **1,564 audits** of occupational health and safety, conditions of work and human rights protection in **10 countries** (Bangladesh, China, Cambodia, Myanmar, Pakistan, India, Turkey, Ukraine, Bulgaria and Georgia).

In October 2019, another **Awareness Day** meeting was held at the SGS headquarters in Dhaka with representatives of **40** LPP suppliers in attendance. The participants were reminded of the provisions of The LPP Code of Conduct. We also discussed the main health and safety problems occurring at the factories and recommended solutions. The participants received instructions to help them implement our standards.



ZS Apparels factory

In the reporting period, LPP auditors conducted **1,564** audits to evaluate occupational health and safety, working conditions and human rights protection in 10 countries (Bangladesh, China, Cambodia, Myanmar, Pakistan, India, Turkey, Ukraine, Bulgaria and Georgia).

[GRI 102-4] [GRI 102-9] [GRI 102-10] [Own measure: Percentage share in the overall procurement value by country] [Reporting topic: Evaluation of suppliers with regard to conditions of work] [GRI 103-1] [GRI 103-2] [GRI 103-3] [Own measure: Number of audits of occupational health and safety, conditions of work and human rights protection in the reporting period] [GRI 308-2]

ACCORD ON FIRE AND BUILDING SAFETY

Since 2013 have been the **only Polish signatory of the Bangladesh Accord on Fire and Building Safety (ACCORD)**, which unites clothing companies. ACCORD works to improve the working conditions in Bangladeshi factories and educate the factory workers on safety and their rights. Our actions initiated a great deal of positive change in the factories where LPP clothes are produced between 2017 and 2019:

- 97% of factories replaced or modernised their electrical wiring.
- 91% of manufacturers had additional fire protection equipment installed.
- 88% of the plants had their buildings reinforced, while many moved production to new buildings.

As part of ACCORD, LPP also supports a training programme for occupational health and safety. More than 263,000 of our suppliers' workers have joined the scheme. Nearly 80,000 have completed it.

One of the key things the workers learn about is a whistleblower system, a free helpline every worker may call to report a safety hazard in their factory.

CASE STUDY: GROWING WITH LPP

ZA Apparel was set up in 2011 by a group of friends. The four partners, including Mahedi, Zahid and Arif, decided to go into the textile business. Their adventure began in Uttara, where they established a fully functioning buying house in the course of two years. From day one, they worked with LPP brands and learned about our standards.

With time, they started to consider opening their own factory. When designing the plant and implementing safety measures, standards of working conditions and a more environmentally friendly manufacturing process they were

also drawing on the knowledge and experience gained in the course of their long-lasting collaboration with LPP. They called their factory 4 Stitch Knit Composite Ltd. It opened in late 2018. Today, it has six production lines and mainly manufactures LPP clothes. By 2021, they plan to have 21 lines.

4 Stitch Knit Composite Ltd was disclosed to the ACCORD and was awarded 'green colour of structure'. The factory uses green solutions. For instance, solar energy accounts for 20% of its energy consumption and all lamps in the factory use LEDs.

CASE STUDY



[GRI 102-13] [GRI 308-2]



A factory in Pakistan

GREEN PRODUCTION

At first, Eco Aware clothes were pieces made of materials that had been sourced in a more environmentally friendly manner. As our commitment to sustainable development was growing, we began to look into the next step in making clothes: production. This was particularly important in the case of denim, whose environmental impact is the largest when manufacturing the end-product. That is why, all our clothes are produced in factories that meet our **Eco Aware Production** standard. They are required to prove that they conserve water and energy, and have reduced their use of chemicals. In 2019 we made first attempts to tackle this difficult issue. In 2020 we will use our experience to develop the **Eco Aware Production** standard in order to be able to evaluate and select factories for the programme.

To meet the Eco Aware Production standard, a manufacturer needs to have certification proving they are considering the environment when approaching the production process or - if they do not have the certification - undergo our verification process. Their conformity with the



standard must be confirmed by LPP's sustainable development department.

In the reporting period, six factories (three in Bangladesh and three in Pakistan) met the Eco Aware standard. In 2020 we will be developing the Eco Aware Production programme as regards water management and energy consumption, while in 2023 **100% of jeans factories** will be covered by the programme.

2.3.3. PRODUCT QUALITY AND SAFETY

At LPP, we pay the utmost attention to the quality and safety of our products, setting precise standards for all our suppliers, regardless of their factory's location. The standards have all been collected in The LPP Quality Guidebook which defines such utility properties as color-fastness, propensity to shrink or the thickness of the wool fibre. It also includes a list of banned chemicals and permitted concentrations according to the EU-wide REACH regulation. The guidebook stipulates that the suppliers must use humidity detectors and - in the case of children's products - metal detectors. Basing on the AQL standard we have defined expected quality levels for all our brands.

We carried out an in-depth analysis of the product complaints we received and changed our quality standards accordingly. The updated LPP Quality Guidebook of November 2019 requires, among other things, that the suppliers run basic quality tests of the materials they use, and keep their records. It also details an anti-mould procedure and product humidity limits.

Just as in the previous years, we held training sessions on our quality standards for those of our employees who deal with procurement and work directly with the suppliers. Importantly, we had inspections carried out in our suppliers' factories and monitored their manufacturing process.

COLLABORATION WITH SUPPLIERS IN BANGLADESH

In December 2019 we launched a pilot Quality Assurance System as part of which workers of twelve selected Bangladeshi factories underwent our product training. Each manufacturer appointed a person in charge of checking the compliance of our orders with our quality standards. We carried our audits in all the factories to check if they implemented our guidelines. In the next phase of the project we will repeat the audit to detect any potential shortcomings and help their representatives implement the system.

In the reported period we decided to recall three types of accessories due to a manufacturing defect or lack of conformity with the standards. In 2019 there were no confirmed cases of our products having a negative impact on our customers' health.

55.9% of all our clothes contain cotton fibres (all cotton or a combination of cotton and other fibres).

This year we will:

- introduce the Quality Assurance System in factories in Bangladesh,
- work on quality reports for materials,
- carry out anti-mould audits in factories,
- continue to educate our suppliers and employees about quality standards.

EVEN STRICTER APPROACH TO CHEMICALS

For us, being a sustainable fashion business means that we continually strive to eliminate all hazardous chemicals in the supply chain. According to the **Sustainable Development Strategy For People, For the Planet**, in 2020 we will probably become the first Polish company to join **Zero Discharge of Hazardous Chemicals (ZDHC)**, a coalition working to minimise the use of chemicals in the textile, leather and shoe industry, and will achieve complete compliance with the ZDHC standards in 2025.

[GRI 102-13] [Reporting topic: Safe products] [Reporting topic: Product quality] [GRI 103-1] [GRI 103-2] [GRI 103-3] [GRI 103-4] [GRI 103-5] [GRI 103-6] [GRI 103-7] [GRI 103-8] [GRI 103-9] [GRI 103-10] [GRI 103-11] [GRI 103-12] [GRI 103-13] [GRI 103-14] [GRI 103-15] [GRI 103-16] [GRI 103-17] [GRI 103-18] [GRI 103-19] [GRI 103-20] [GRI 103-21] [GRI 103-22] [GRI 103-23] [GRI 103-24] [GRI 103-25] [GRI 103-26] [GRI 103-27] [GRI 103-28] [GRI 103-29] [GRI 103-30] [GRI 103-31] [GRI 103-32] [GRI 103-33] [GRI 103-34] [GRI 103-35] [GRI 103-36] [GRI 103-37] [GRI 103-38] [GRI 103-39] [GRI 103-40] [GRI 103-41] [GRI 103-42] [GRI 103-43] [GRI 103-44] [GRI 103-45] [GRI 103-46] [GRI 103-47] [GRI 103-48] [GRI 103-49] [GRI 103-50] [GRI 103-51] [GRI 103-52] [GRI 103-53] [GRI 103-54] [GRI 103-55] [GRI 103-56] [GRI 103-57] [GRI 103-58] [GRI 103-59] [GRI 103-60] [GRI 103-61] [GRI 103-62] [GRI 103-63] [GRI 103-64] [GRI 103-65] [GRI 103-66] [GRI 103-67] [GRI 103-68] [GRI 103-69] [GRI 103-70] [GRI 103-71] [GRI 103-72] [GRI 103-73] [GRI 103-74] [GRI 103-75] [GRI 103-76] [GRI 103-77] [GRI 103-78] [GRI 103-79] [GRI 103-80] [GRI 103-81] [GRI 103-82] [GRI 103-83] [GRI 103-84] [GRI 103-85] [GRI 103-86] [GRI 103-87] [GRI 103-88] [GRI 103-89] [GRI 103-90] [GRI 103-91] [GRI 103-92] [GRI 103-93] [GRI 103-94] [GRI 103-95] [GRI 103-96] [GRI 103-97] [GRI 103-98] [GRI 103-99] [GRI 103-100]

22,786 this is how many quality inspections LPP carried out in factories and the Distribution Centre in the reporting period.

83 this is how many quality inspections LPP inspectors carried out daily.

420 this is how many meetings we had with the suppliers to provide them with pre-production support.

2.4. TRANSPORT AND LOGISTICS

2.4.1. OUR LOGISTIC MODEL

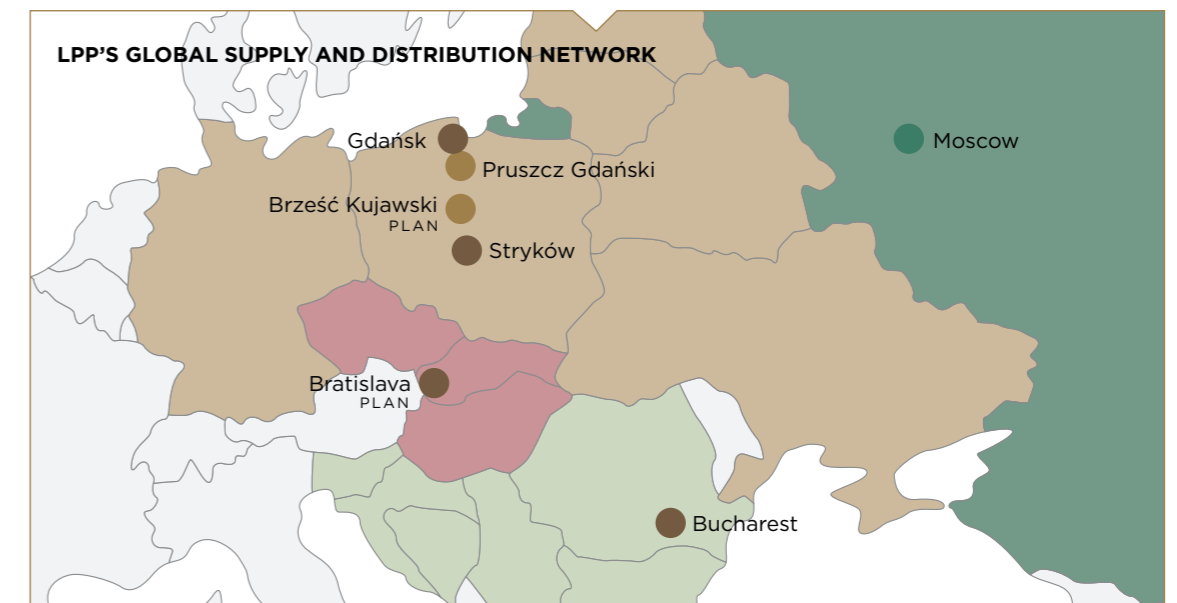
The LPP global supply and distribution network is centrally managed.

- The key element of the system are our **Distribution Centres (DC)**. That is where products manufactured by our international suppliers are warehoused. The DCs are in charge of stock control and supply the stores.
- **Fulfillment Centres (FC)** are warehouses that service the e-commerce channel. The FCs fulfil the orders of online customers: they pick, pack and ship orders. The delivery time depends on the Fulfillment Centre's location - the closer it is to the customer, the shorter the delivery time.

The Distribution and Fulfillment Centres are organised in line with precise guidelines that specify the facility's layout, the arrangement of workstations or the equipment used. All our warehoused work according to the same procedures. This way, each new facility can benefit from the know-how and experience of the existing ones.

The distribution network and the solutions it uses are designed to reduce our environmental impact. The Fulfillment Centres ship products directly to the customers. Returns are handled via the physical stores and consolidation points on our major markets.

- Distribution Centres (DC)
- Fulfillment Centers (FC)
- DC + FC



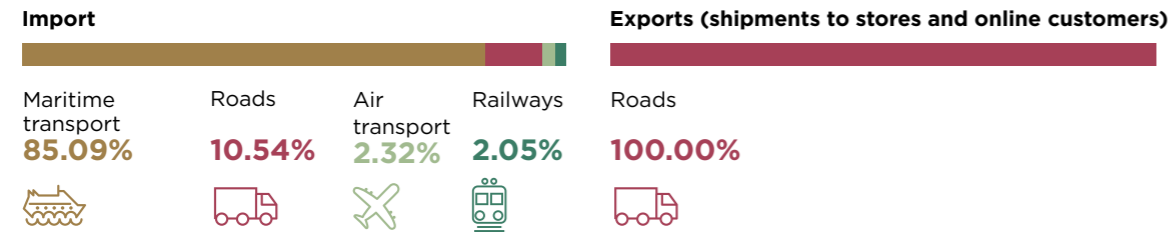
CREATION, PRODUCTION AND SALE OF OUR COLLECTIONS

We contract specialised freight companies to transport our products in the supply chain. We reduce CO₂ emissions per unit of output by:

- using intermodal solutions which enable us to switch between multiple modes of transportation without any handling of the freight itself,

- relying less on air transport and more on maritime and road transport,
- shipping stock to the stores and online orders in the same vehicle, which allowed us to use its space more effectively and reduces CO₂ emissions.

DIFFERENT MODES OF TRANSPORTATION IN THE REPORTING YEAR (BY THE NUMBER OF ITEMS SHIPPED)

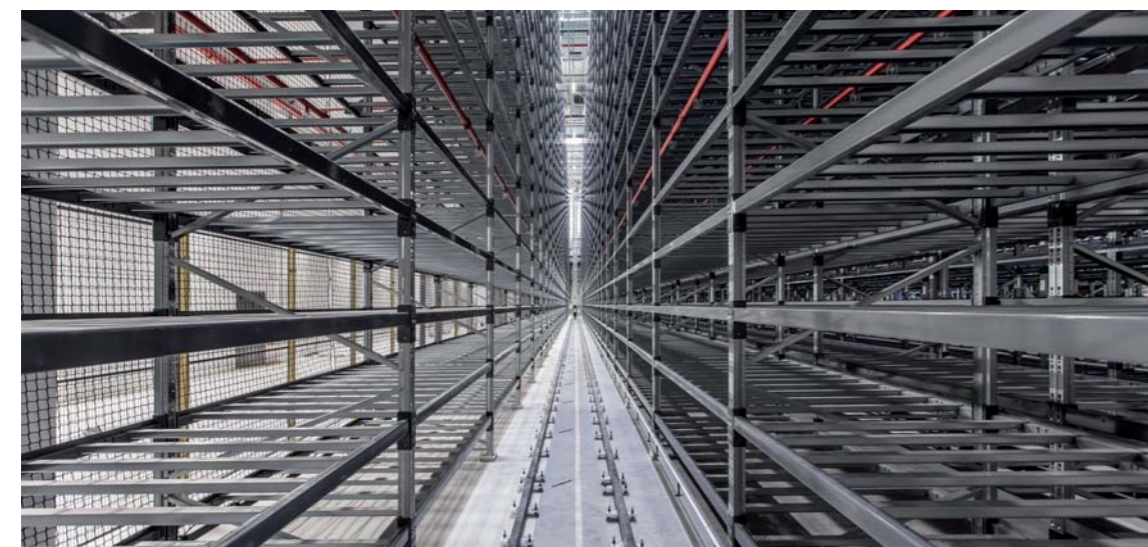


DEVELOPMENT OF THE DISTRIBUTION NETWORK

We own one of the largest and most advanced distribution centres in Europe. It is located in Pruszcz Gdański. In 2019 the centre's enlargement was completed. The project included building a new mini-load automated warehouse with a new dispatch area and a new office building. Currently, the centre's total area is 91,400 m².

We also own a facility in Moscow, Russia, which serves the double function of a Distribution Centre and a warehouse handling online orders, as well as another two Fulfillment Centres in Poland, one in Stryków and one in Gdańsk.

In 2019 we put strong emphasis on the development of our network by continuing to invest tragically in new facilities.



Our warehousing space is 240,000 m² in total.	739,840 average number of clothing items dispatched daily to the stores from the Distribution Centre in Pruszcz Gdański in the 2019/20 reporting year.	25.6m this is the number of clothing pieces dispatched from the Fulfillment Centre in Stryków in the reporting period.	1,712,758 this is the maximum number of clothing pieces shipped to stores on one day in the reporting period
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[GRI 308-2] [Own measure: Percent share of different modes of transportation in the reporting year] [Own measure: Average number of garments sent to stores daily]

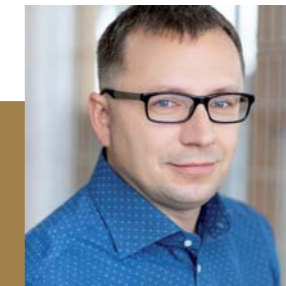
DISTRIBUTION CENTRE IN BRZEŚĆ KUJAWSKI

The investment is linked to our plans to continue our international expansion and will play an important role in the global network of supply and distribution for our organisation. The advanced logistic park will have the space of around 120,000 m². Each week the centre might be shipping as many as 10 million of clothing pieces and accessories to LPP stores around the world. The facility will be warehouse with **BREEAM certification**, which confirms that a workplace has a positive influence on people's health and well-being.

In the reporting period, works were underway on the design of the facility. We focused on working out the architectural and technological concept for the centre. To this end, we visited model warehousing facilities in the UK, Germany and the Netherlands, and analysed international trends as regards workplace optimisation and energy efficiency. We also conducted a survey of our employees' needs.

We also worked closely with the local authorities and became involved in community service projects in the area as part of the programme Focus on Brześć Kujawski.

You will find out more about the ways in which we help local communities and support the development of our neighbourhood in Chapter 4, 'Socially conscious'.



'When it comes to online shopping, the key factor influencing customers' decisions, besides the product's attractiveness, is fast delivery. That is why, the popularity of our brands directs our logistic investments. One of the pillars of LPP's growth strategy in the next few years is the development of local distribution networks closer to the customer.'

Jacek Kujawa,
vice-president of LPP

NEW E-COMMERCE INVESTMENTS

We are also dynamically developing our international network of Fulfillment Centres. In the reporting period we opened a new facility of this kind in Romania, which is our second - after Moscow - warehouse abroad. Located near Bucharest, the new Fulfillment Centre takes up the area of 22,000 m² and handles online orders for all five LPP brands. Its excellent location makes it possible for us to deliver products to our customers in Southeast Europe one working day after the order was placed.

In the spring of 2020 we opened the Fulfillment Centre in Slovakia. The facility's area is 32,000 m² and it handles orders from the region of Central Europe. It focuses on automated warehouse processes to deliver high work efficiency and shorter delivery times.

Nearly **128,000 m²**
of e-commerce warehouse space.

CREATION, PRODUCTION AND SALE OF OUR COLLECTIONS

2.4.2. PACKAGING

Our membership in the New Plastics Global Economy Commitment added momentum to our earlier efforts to introduce eco packaging in our online shops. In the reporting year, 79% of our online orders had eco packaging. Reserved and Mohito products were delivered in cardboard boxes made exclusively from recycled paper. All our cardboard packaging has FSC certification or equivalent. The cardboard boxes are designed in a way that makes it possible to repackage the product and return it to the seller. In the fourth quarter we started using recycled poly mailers. In 2020 all plastic film used to pack online orders for House, Cropp and Sinsay will be recycled and our use of single-use plastic film packaging for retail samples will drop by 50%.

In 2019 we also decided to no longer offer plastic bags to our in-store customers in Poland. Instead they can buy recycled paper bags. To boot, Reserved launched new recycled cardboard boxes for men's underwear.



'We are aware that using any raw material on a large scale must be done sustainably. The overproduction of plastic, its short lifecycle and the fact that it is not circular has become a global problem that we should tackle. We want to do that by learning to manage plastics widely and working towards a circular economy.'

Anna Miazga,
sustainability expert

TYPES OF E-COMMERCE PACKAGING*

Reserved and Mohito

Cardboard boxes
100%

Cropp, House and Sinsay

Poly mailers*
92%

Cardboard boxes
8%

*Does not apply to the Russian market. Reserved and Mohito orders in Russia are packed in cardboard boxes and additionally secured by plastic film.



Between October 2017 and now, the number of poly mailers used in our online sales operations dropped by **8.3m** which means that by 2019 we used almost **250 tonnes** of plastic less.

2.4.3. THE HARD TAG (RFID)

After only 12 months after the beginning of the project, we managed to successfully implement the hard tag in Reserved in Poland. **This was the fastest RFID implementation in the world.** As a result, we now have a unique opportunity to respond to customer needs and provide them with positive customer experience.

The hard tag allows us to track our clothes **along the supply chain, both in the distribution network and stores.**

The system includes two elements: an RFID micro chip, which also prevents theft, and a RFID reader. The chip is attached to the garment during the manufacturing process. The Distribution Centre adds information about its model, colour, size and unique inventory number to the chip. The reader can receive data from a chip that is even a few meters away, identifying each piece of clothing or package contents without the need to open it. This way, we can get information about our inventory at the warehouse or store in a matter of second, and quickly restock, if needed. The chip is removed at the cash desk and reused.

In 2019 we produced 110 million RFID chips for Reserved. Nearly 140 people worked to implement the technology. The system's cost amounts to PLN 60m to annually.

This year we will continue to implement the hard tag in other Reserved markets and - encouraged by the very positive outcome of the project - another of our brands, Mohito.



'The hard tag means a great deal of benefits for the customers and our employees. We have significantly shortened the time needed to receive inventory, restock the sales floor and handle the transaction at the cash desk - all because we no longer have to scan a paper tag. In the future, RFID will enable us to fulfil online orders in the store nearest to the customer's home. We will work to develop the functionality of this technology.'

Tomasz Koczara,
sales director, Reserved

The team of our RFID instructors has more than 60 people. The training lasts two to four weeks, depending on each store's and its staff's needs. The instructors teach the employees how to use the technology and show how it may streamline the store's day-to-day operations as well as being a benefit to the customer. Outside of Poland the training is led in the participants native tongue.

TRAINING FOR STORE PERSONNEL

RFID: benefits to employees

We now can control each and ever piece of clothing along the supply chain and make much faster decisions to restock. **Stocktaking is now even 100 times faster and the effectiveness of restocking increased by 95%.**

Now, that employees can check the contents of packages delivered to the store from a distance **the delivery reception time was cut by 60%.**

RFID: benefits to customers

In-store product availability increased by **13.64%.** Now, we can quickly check if a given design, colour or size is available at the back of the store.

Because the price is read from the RFID tag, the time needed to register a product at the cash desk was cut by **70%.**

2.5. SALES CHANNELS

In the reporting period, all our brands entered the market in Bosnia and Hercegovina and Finland.

We also made our online sales available to customers in new countries.

Physical stores and online sales are not two separate worlds to us. We subscribe to the concept of *omnichannel*, namely integrating different sales channels to offer the customer a comprehensive and unique shopping experience. As a Fashion Tech company, we invest in technologies that allow customers to make their purchases online and collect their shopping at a physical store and the other way round – to place an online order at a physical store. To optimise the availability of our collections, we implemented the RFID system along the Reserved brand’s supply chain in Poland.

Our physical stores operate in 25 markets, while our online sales are available in 30 countries. **In the reporting period, our net revenue from foreign sales was higher than net revenue from sales in Poland.**



‘We continually work to make our collections better and invest in the further development of omnichannel. Multichannel sales is a chance to learnt more about our customers and identify trends with more precision. Our designers are able to use this knowledge and create collections that the customers love.’

Przemysław Lutkiewicz,
vice-president of LPP

TABLE 14. LPP NET REVENUE BY BRAND IN THE 2019/20 REPORTING PERIOD.

	RESERVED	CROPP	HOUSE	MOHITO	SINSAY
Net revenue [PLN m]	4,047	1,300	1,117	897	1,208
Change as compared to 2018	+4%	+8%	+13%	+6%	+42%

2.5.1. GRAND OPENINGS IN 2019

HELSINKI, FINLAND

In October 2019 we opened each of our brands a store in the Mall of Tripla, the largest shopping centre in Finland. The ultramodern mall was designed as a multifunctional space: apart from retail spaces it has a versatile food court and entertainment venues, a hotel, living apartments and office spaces. The building uses a range of environmentally friendly solutions, such as a rainwater collection system which makes it possible to reduce water consumption by around 40% as compared to similar buildings.

The Reserved store takes up the area of over 3,100 m² spread out on two floors. It was designed according to our original Open To Public concept, which means that all the products are displayed at the customer’s eye level and within their reach. Taking up the total space of 3,415 m², the stores of the remainder of the brands can boast consumer friendly, ergonomic design. All the stores are fitted with energy-efficient LED lamps.

Currently, the LPP stores in the Mall of Tripla are their respective brand’s leading retail outlets and rank high in sales.



MOSCOW, RUSSIA

Reserved increased its retail space in the capital of Russia. In October we opened a store with an area of over 2,700 m² at Metropolis, which is considered one of the best shopping centres in the city. In December we relocated the Reserved store in the Columbus shopping centre situated by the Moscow ring road. With its **record-breaking 4,000 m²**, the new store is the largest in Reserved history.



2.5.2. IN OUR STORES

We pay enormous attention to the quality of customer experience in our retail outlets. Our sales assistants work according to each brand's respective standards of service **on the sales floor, in the fitting rooms and at the cash desk**. We are particularly keen to attend to the needs of pregnant women: in our stores there are 555 fitting rooms designed with them in mind.

We systematically develop our store designs and invest in advanced technological solutions. In the reporting period we spent **PLN 729m** on store development in Poland and abroad.

RESERVED (454 stores internationally)

New Reserved stores are designed in line with our Open To Public concept: all the products are displayed at the customer's eye level and within their reach. Thanks to the clear new layout, the buyers may take in the whole collection. The Fashion Tech highlight of 2019 was the implementation of RFID in all Reserved outlets in Poland. Selected newly opened stores are fitted with a fitting room navigation system.



CROPP (360 stores internationally)

New Cropp stores surprise customers with their size, some having an area of more than 1000 m². We focus on original display: after entering the store, customers are greeted by expansive tables and mannequin groups that beautifully showcase the collection and help us stand out on the market. We practice in line with the 5 Cropp Basics, namely five rules of thumb in consumer service. Regardless of the store's location, a customer walking through the door must be noticed, assisted when making their choice and make the purchase at the cash desk in a nice atmospheres.



HOUSE (318 stores internationally)

Our brand's store is a loft interior inhabited by young creative people. Decorating their first home, they use mainly upcycled and self-made objects. The interior is bright, homey and inviting; the decor is creative and diverse. Whitewashed floorboards, red and white bricks and decorative lamps create a warm and cosy atmosphere.



MOHITO (283 stores internationally)

Our store concept is changing. The new arrangement of the furniture help guide the customers along more understandable pathways. The clothes are within a hand's reach. We want the customer to feel comfortable from the moment they walk through the door and the space - with its subtle elements of decor - to be fully accessible to all our guests.



SINSAY (324 stores internationally)

When entering our store, the customer feels like walking into a den of fashion bargains where they can always find something for themselves. As the brand grows, new store layouts are developed: at this point, there are already four, including Kids and Home sections. We focus on light design and rearrange the interiors by moving the furniture and walls. Stores opened in 2019 were larger than ever before.



TABLE 15. CHANGES AT LPP STORES IN THE REPORTING YEAR.

	STORE COUNT	RESERVED	CROPP	HOUSE	MOHITO	SINSAY	TOTAL
New openings		31	26	28	15	67	167
Renovations		1					1
Enlargements		11	4	4	4	2	25
Relocations		6	9	7	3	8	33
Total		49	39	39	22	77	226

2.5.3. GREEN SOLUTIONS

Our investments in store technology do not only refer to products and customer service: we also implement solutions that significantly limit LPP's environmental impact. We committed to marked reduce our carbon footprint by 2025 and use renewable energy. Whenever we are in the position to choose the energy provider, **over 25% of the energy consumed by our outlets is collected from renewable sources** (mostly wind and water). Some locations are currently testing the SolarCool technology that uses solar energy to cool the air-conditioning system

Our commitment to energy efficiency is combined with a focus on innovations that reduce energy consumption and improve the customer's shopping experience and comfort. All our stores are fitted with:

- energy-efficient screens and intelligent video walls, which – combined with appropriately prepared display content – reduces energy consumption by 40%,
- a progressive LED lighting system that makes it possible to save energy after hours and helps showcase our collections better,
- an advanced, highly energy-efficient air-conditioning system that adapts to customer flow,
- escalators with motion sensors which stop when no-one is using them.



'Our stores evolve all the time, offering even greater comfort to shoppers. We are increasing our retail space, streamlining the design and introducing new technologies. Progressive lighting and advanced air-conditioning systems allow us to manage our energy consumption more sustainably.'

Jakub Szych,
retail design manager



80%

of hangers used in our stores were made of recycled granulate.

100%

of our hangers are recyclable.



97.41%

of online orders are delivered on time.

Selected stores are equipped with an intelligent lighting system that adapts to the amount of sunlight entering the space as well as energy-efficient systems of cooling, heating and reclaiming heat (free cooling, rooftop) for the purposes of the air-conditioning system.

In 2020 we started the implementation of the **Eco Aware Stores** scheme, which will cover all our stores by 2025.

House and Mohito. The clothes are donated through the Saint Albert Charity Association, which runs shelters for homeless people across Poland.

To date, we have collected **over three tonnes of garments**. In the reporting period, containers for used clothes were to be found in 50 outlets across 21 towns in Poland. In 2023 the programme will cover all our stores.

USED CLOTHES COLLECTIONS AT RESERVED, HOUSE AND MOHITO STORES

At LPP, we start with ourselves. But we also try to help consumers contribute to sustainability. By collecting used clothes from customers and donating them to people in need, we implement our social mission and reduce our environmental impact as the clothes are reused. Customers of selected stores in Poland can bring their used clothes, regardless of brand, and deposit them in special containers. Originally initiated by Reserved, in 2019 the programme also covered

2.5.4. ONLINE SALES

In the reporting period, our online sales revenue exceeds **PLN 1 bn**. The most important development when it comes to e-commerce was the **launch of 13 new e-shops that make up our so-called pan European online shop**. As a result, our products became available in the majority of EU countries where we do not have physical stores. Our market portfolio also expanded to include Croatia and Ukraine. Currently, our online sales are available in 30 countries.

TABLE 16. ONLINE SALES REVENUE IN THE 2019/20 REPORTING PERIOD.

	POLAND	LPP GROUP
Online sales revenue in the reporting year [in PLN thousand]	644,224	1,174,064
% contribution to total sales revenue	13.4	11.9
% increase YoY	31	46.3

OUR TEAM

Our online sales team is made up of 300 people and includes top IT experts (testers, developers, UX specialists and scrum masters) as well as other professionals in charge of sales and market analysis, product marketing and content creation. We have our own in-house photographers and video-makers and a team of stylists, hairdressers, makeup artists and models – all to showcase the products to online customers in the best and most comprehensive way.

Our customers can contact our Customer Service Centre in 13 languages. We systematically implement new solutions to streamline our customer service communication. One of the new improvements is automated client identification using the phone number they are calling from. As a result, it is possible to identify their order and inform the customer about its status. This AI solution does not require human intervention. What is more, consultants may send customers text messages with order number, store addresses and collection points. We also use automated customer support systems that do not need a consultant's involvement.

NEW E-COMMERCE TECHNOLOGIES

Our principle is Mobile First: we want all of our online functionalities to be available for mobile users. In the reporting period, 70% of our website traffic came from mobile devices, while smartphone purchases accounted for 50% of LPP online sales.

We implement new payment methods for different markets (BLIK, KLARNA, YANDEX, TWISTO, GOOGLE PAY). In 2020 we will be focusing on improving our customers' personal information safety. We will also be working to increase our websites' accessibility by localising them to more languages.

STORE VISION IN RESERVED

In line with the omnichannel philosophy, traditional and online sales should converge. Reserved sales assistants have mobile devices with the Store Vision app. When a customer cannot find the piece or colour they are looking for, the sales assistant may check its availability online and order it for the customer to pick up at the store or be delivered to a convenient address.

[Reporting topic: Investment in advanced technologies], [GRI 103-1], [GRI 103-2], [GRI 103-3] [Own measure: Description of the goals and scope of investments in advanced technologies.]



We answer more than **80%** of calls within 20 seconds.

We reply to **95%** emails within 24 hours.



'The decision to no longer use plastic film to pack purchases made in the online shops of Reserved and Mohito, which are our flagship brands, results in the elimination of 250 tonnes of plastic from the market over the last three years. The cardboard boxes' improved design and durability makes it possible to protect their contents without a poly mailer. Next up, we are going to get rid of all the plastic void fillers in our parcels by the end of 2020.'

Sylwester Dmytriwski,
e-commerce fulfillment general manager

MORE ENVIRONMENTALLY FRIENDLY PACKAGES

In the reporting period, Reserved and Mohito online orders were packed in cardboard boxes made of 100% recycled paper. Their construction makes it possible to reuse the boxes for product returns. The boxes also take much shorter to fold at the Fulfillment Centre, which improves work efficiency. We are planning to dispose of all plastic packaging in Reserved and Mohito online orders by the end of 2020. We are testing paper and corrugated cardboard sheets as void fillers to be used in place of bubble wrap and air pillows. Plastic parcel tapes are being replaced with paper ones using starch glue. This year the other LPP brands will replace single-use plastic film with recyclable poly mailers made of recycled materials.

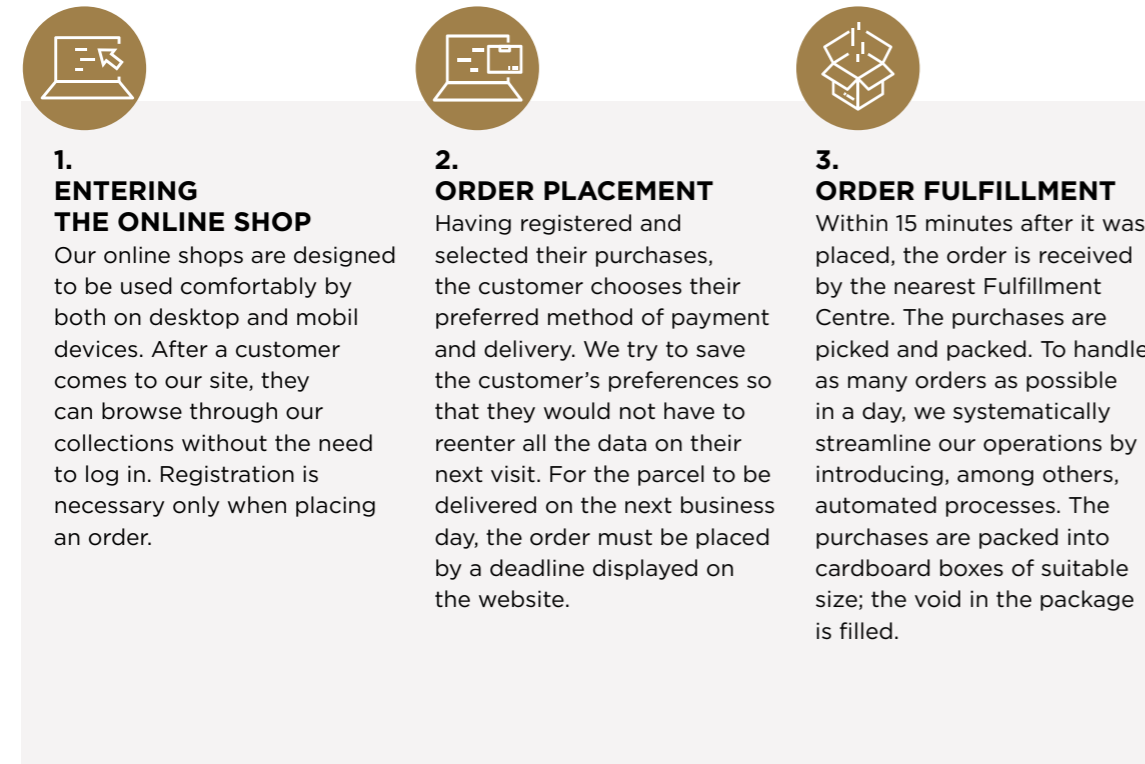
MORE RECYCLING

LPP's green approach to business is also reflected in our online operations. Invoices are circulated by electronic means, which allows us to save paper. We are developing cloud infrastructure: cloud computing has already been implemented by Mohito and the other brands are following suit. This way, we do not have to maintain, replace and service our equipment, which reduces electricity consumption. In 2021 our online shops will be excessively powered by renewable energy.

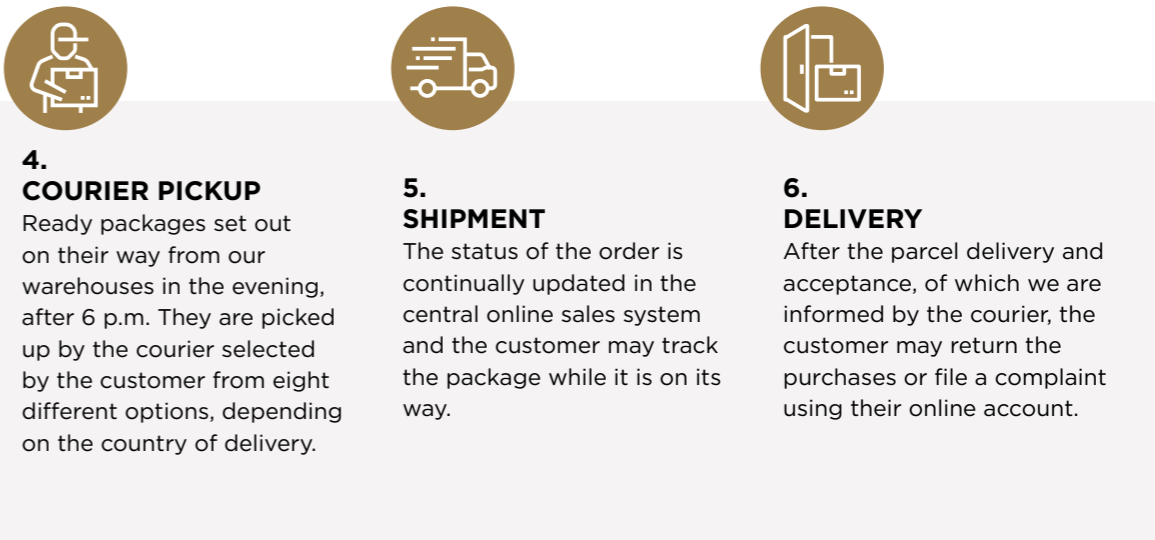
You will find out more about e-commerce distribution and supply as well as customer delivery and environmentally friendly packaging elsewhere in this chapter.

NEXT DAY DELIVERY

We understand that our online customers want to enjoy their purchases as soon as possible. That is why, we work to shorten our delivery times to a minimum. We launched next business day deliveries. This is how we do it:



In the reporting period, next business day delivery was available to customers in Poland. In 2020 the service will be launched in the Czech Republic, Slovakia, Hungary, Croatia and Romania.



● Next business day delivery

[Reporting topic: Consumer satisfaction], [GRI 103-1], [GRI 103-2], [GRI 103-3]

2.5.5. RETURNS AND COMPLAINTS

Customer trust and satisfaction with their purchases is a priority for us. We work to ensure that our customers feel comfortable, and any returns or complaints are handled as fast as possible and to the customer's advantage. Each of our brands has relevant policies and procedures.

As a rule, in-store and online purchases may be **exchanged or returned** within 30 days.

Cropp products may be returned within 365 days of the purchase date. Mohito accepts returns for store credit. House products may be returned within 365 days, yet after the 30th day store credit is offered in place of a refund.

Whenever possible, we apply a simplified **complaint handling** process, which means we cut paperwork to a minimum. The customer does not even have to present the proof of purchase (we only need an approximate date of purchase).

HUMAN RIGHTS AT LPP

We believe that respecting human rights is the cornerstone of ethical and responsible business. That is why we work to ensure that all our employees, suppliers, clients and other stakeholders are treated with dignity. Our approach to human rights protection is detailed in the LPP More Sustainable Development Strategy for 2017–2019, which rested on the following pillars: practices involved in clothes design and production, friendly workplace and employee well-being, ethics and transparent norms of behaviour, as well as working for the benefit of local communities. In October we adopted a new strategy, For People For Our Planet, which focuses on reducing our environmental impact. Respecting human rights at all levels of the value chain is, however, the linchpin of our operations. Below is an overview of the actions we take to protect human rights across our business model.

DESIGN

Check out what clothes design has to do with human rights.

KEY ISSUES

Work based on mutual respect.

Preventing discrimination of employees.

Transparent employment terms.

Supporting diversity in all its aspects.

Promoting employee development and education.

Promoting healthy lifestyles and health awareness among the employees.

Social engagement.

Preventing corruption.

Copyright protection.

OUR ACTIONS

- Our ethics code, The LPP Principles, and whistleblowing system.
- Diversity Team and its operations.
- Employee development programmes.
- Cancer prevention, nutrition and mindfulness workshops.
- Encouraging employees' physical activity as part of The LPP Team and other schemes, reimbursement of private health insurance.
- Employee volunteering.



- Educational projects led by LPP employees.
- Anti-corruption training for all employees.

OUR POLICIES

- Employee Conduct Policy and Anti-Mobbing Procedure.
- The LPP Principles (ethics code).
- General Recruitment Policy.
- Payroll Policy and Procedure.
- Employee Support Fund Policy and Procedure.
- List of particularly strenuous jobs and jobs prohibited to pregnant women.
- List of jobs prohibited to minors.
- Anti-Plagiarism Policy.
- External Partnerships Policy.
- Business Travel Policy.



PRODUCTION

Find out what we focus on to protect human rights in the process of clothes manufacturing and when we outsource production to third parties.

KEY ISSUES

Ensuring that factory workers are safe and treated with dignity.

Raising suppliers' awareness about human rights.

OUR ACTIONS

- Joining ACCORD.
- Inspections of workplace safety and conditions carried out by LLP.
- Social audits carried out by our social auditor in Bangladesh.
- Workplace safety inspections carried out by an independent auditor, SGS.
- Cooperation with and training for vendors.
- Pilot phase of the Quality Assurance System in Bangladesh.

OUR POLICIES

- The LPP Principles (ethics code).
- LPP Quality Guidebook.



LOGISTICS

Read on to find out which aspects of our Distribution and Fulfillment Centres' operations are connected with human rights protection.

KEY ISSUES

Ensuring that Distribution and Fulfillment Centres' employees are safe.

Comfortable working conditions.

Supporting employee diversity.

OUR ACTIONS

- Facilities at the Distribution Centre in Pruszcz Gdański (free meals for the night shift, break areas)
- Upgrades and comfort improvements at the Fulfillment Centre to facilitate employee diversity.

OUR POLICIES

- Distribution Centre Rules and Regulations.
- Alcohol Abuse Prevention Policy.
- Employee Conduct Policy.
- Occupational Health and Safety instructions.



SALES

Learn about human rights protection in our stores, customer communication and customer service.

KEY ISSUES

Friendly conditions of work at our stores.

Employee development and education.

Honest and coherent marketing communication.

Respect for the customers, their needs and diversity.

Customers' right to be informed.

Preventing corruption.

OUR ACTIONS

- Implementation of development programmes.
- An ethics code for store personnel, The LPP Principles.
- Multichannel communication with customers.
- Marketing communication adjusted to different groups of customers (such as communication that promotes diversity).
- Friendly and respectful customer service.
- Information on materials and the origins of products.

OUR POLICIES

- The LPP Principles (ethics code) and The LPP Principles for Store Personnel.
- Employee Conduct Policy.
- Payroll Policy and Procedure.
- Customer service procedures for each brand.
- Returns and Complaints Policies.
- Crisis Management.

PARTNERSHIP AT WORK

In this chapter you will read about:

- LPP organisational structure and the kind of employer we are – p. 86,
- recruitment and new employee on-boarding in the first months on the job – p. 90,
- employee training and development programmes – p. 97,
- job satisfaction surveys – p. 100,
- protecting our employees' health and safety – p. 106.

UN Sustainable Development Goals:



24,447

employees across 19 countries

61.1%

of our managers and directors are women



3.1. OUR WORK STYLE



3.1.1. WE ARE A TEAM: LPP CORPORATE CULTURE

Our performance as a company is a **consequence of having strong teams and good leaders**. We are a diverse groups of specialists in many disciplines who cherish growth and teamwork. We share a passion for fashion and such values as openness, responsibility and respect. They motivate us to work each day to be considered as the best clothing retail company in Poland and the world. As an international organisation, diversity is our priority. We offer our employees in different countries opportunities to travel, broaden their horizons and - most importantly - gain experience and get promotions away from their home countries.

We are proud of the creative and laid-back atmosphere in our company. All the credit here goes to our leaders, who approach their teams with respect and treat them as partners. Many of the leaders are our long-standing employees who decided to link their career with our company.

We provide our employees with intensive training opportunities and promote knowledge exchange. For this reason, we often participate in industry events as speakers or lead workshops. We are happy to support the fashion industry as well as young designers.

There are no labour unions or collective agreements in our organisation.

3.1.2. WORKFORCE MAKEUP: THE KEY DATA

TABLE 17. TOTAL EMPLOYEE COUNT BY GENDER AT THE LPP GROUP (LPP SA, LPP RETAIL, DISTRIBUTION CENTRE IN PRUSZCZ GDAŃSKI AND FOREIGN SUBSIDIARIES).









	LPP SA	LPP RETAIL	DISTRIBUTION CENTRE IN PRUSZCZ GDAŃSKI	FOREIGN SUBSIDIARIES	LPP GROUP
 Employee count (as of 31 Jan 2020)	2,636	9,877	898	11,036	24,447
Change as compared to 2018	+7.8%	-9.8%	-0.3%	+1.4%	-2.9%
 Women	1,982	9,058	456	9,110	20,606
Change as compared to 2018	+8.5%	-9.6%	-6.4%	+1.7%	-3.2%
 Men	654	819	442	1,926	3,841
Change as compared to 2018	+5.7%	-11.7%	+6.8%	+0.3%	-1.0%

TABLE 18. EMPLOYEE COUNT BY THE TYPE OF EMPLOYMENT CONTRACT AT THE LPP GROUP (LPP SA, LPP RETAIL, DISTRIBUTION CENTRE IN PRUSZCZ GDAŃSKI AND FOREIGN SUBSIDIARIES).

	LPP SA	LPP RETAIL	DISTRIBUTION CENTRE IN PRUSZCZ GDAŃSKI	FOREIGN SUBSIDIARIES	LPP GROUP
 Contracts of indefinite duration					
 Women	1,284	2,075	224	7,010	10,593
Change as compared to 2018	+17.2%	+170.5%	+19.1%	+9.0%	+24.8%
 Men	436	155	172	1,567	2,330
Change as compared to 2018	+22.5%	+146%	+19.4%	+2.5%	+11.4%
Other contracts (contracts for a probationary period, fixed-term contracts, incl. internship contracts, replacement contracts and independent contractor agreements)					
 Women	698	6,983	232	2,100	10,013
Change as compared to 2018	-4.5%	-24.5%	-22.4%	-16.9%	-21.8%
 Men	218	664	270	359	1,509
Change as compared to 2018	-17.1%	-23.1%	0.0%	-8.2%	-15.5%
SUM TOTAL	2,636	9,877	898	11,036	24,447

61.1%

of all managers and directors at LPP's central headquarters are women.

TABLE 19. EMPLOYEE COUNT BY THE FORM OF EMPLOYMENT (FULL-TIME VS. PART-TIME) AND GENDER AT THE LPP GROUP (LPP SA, LPP RETAIL, DISTRIBUTION CENTRE IN PRUSZCZ GDAŃSKI AND FOREIGN SUBSIDIARIES).

	LPP SA	LPP RETAIL	DISTRIBUTION CENTRE IN PRUSZCZ GDAŃSKI	FOREIGN SUBSIDIARIES	LPP GROUP
Full-time employees					
Women	1,958	3,761	455	6,116	12,290
Change as compared to 2018	+8.2%	-18.4%	-6.6%	+3.1%	-4.3%
Men	649	330	442	1,395	2,816
Change as compared to 2018	+6.2%	-20.5%	+6.8%	+3.6%	+1.1%
Part-time employees					
Women	24	5,297	1	2,994	8,316
Change as compared to 2018	+33.3%	-2.1%	n/a	-1.1%	-1.6%
Men	5	489	0	531	1025
Change as compared to 2018	-37.5%	-4.5%	n/a	-8.1%	-6.6%
SUM TOTAL	2,636	9,877	898	11,036	24,447

You will find more workforce data for 2018 and the period between 1 Jan. 2019 and 31 Jan. 2020 in Chapter 6.

3.1.3. DIVERSITY AT LPP

The Management Board is made up of four men: two aged 30-50 and two aged over 50. The Supervisory Board has six members: five male and one female. Two are aged 30-50 and the remaining four are over 50.

People with disabilities make up 4.3% of all the LPP SA employees and 1.2% of all LPP Retail personnel. Low representation of disabled workers at LPP Retail is a consequence of the demands of the store jobs. LPP is, however, running a project contributing to the activation of disabled people in the labour market as part of which disabled workers support our recruitment processes. 251 people with disabilities are employed in the LPP Group as a whole.

You will find out more about our remote workers with disabilities later in this chapter.

DIVERSITY TEAM

We value diversity. Our teams are multigenerational, we make sure that many managerial posts are filled by women and employ workers with disabilities. To underscore the value of diversity in our company, in 2019 we set up a Diversity Team formed by different representatives of our HR and communications departments.

On the team's initiative, our annual organisational climate and job satisfaction survey included a question on discriminatory behaviours. The team also surveyed the employees of our central headquarters to identify the areas where we should take action as an organisation to build a culture of openness to diversity. What is more, we asked our workers to suggest what we should do to promote sensitivity to diversity at LPP. They indicated four main focus areas on which the Diversity Team concentrated their activity at the turn of 2019 and 2020:

- disability,
- age difference and providing support to older people,
- mental health,
- LGBTQ+.

The areas will continue to be the focus of the team's activity in 2020.

DIVERSITY CHARTER

To confirm our commitment to promoting and developing diversity in our organisation, we became a signatory to a Diversity Charter. This way we formally undertook to ban discrimination and actively promote diversity. We are also obligated to include our employees and business partners in these efforts.

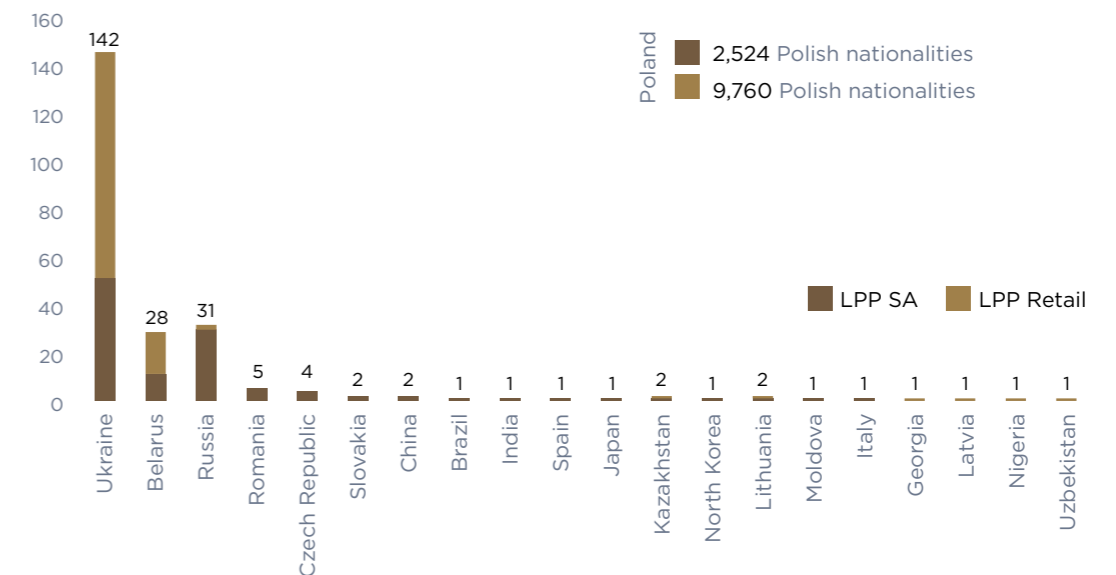
The Diversity Charter is an international initiative introduced across the European Union. Its signatories stress the significance of equal treatment regardless of sex, age, physical condition, religion, political views, sexual orientation, gender identity, family status, and other potential basis for discrimination. By signing the charter, compa-

nies commit to create an atmosphere of respect for diversity, introduce measures that promote equal treatment, implement an anti-mobbing and anti-discrimination monitoring system, engage in dialogue with their employees and report their activity in this respect on an annual basis.

TABLE 20. LPP SA AND LPP RETAIL EMPLOYEES BY GENDER, AGE AND OTHER DIVERSITY INDICES.

	LPP SA	LPP RETAIL
Executives		
Overall count	252	828
Women	154	762
Men	98	66
Incl. employees under 30	9	473
Incl. employees aged 30-50	232	355
Incl. employees aged over 50	11	0
Incl. foreign nationals	2	2
Incl. people with disabilities	4	2
Other employees		
Overall count	2,384	9,049
Women	1,828	8,296
Men	556	753
Incl. employees under 30	1,018	8,233
Incl. employees aged 30-50	1,303	781
Incl. employees aged over 50	63	35
Incl. foreign nationals	110	115
Incl. people with disabilities	53	117

CHART 1. LPP SA AND LPP RETAIL EMPLOYEES BY NATIONALITY



[GRI 102-8] [GRI 405-1] [Own measure: Percentage of employees with disabilities]

3.1.4. RECRUITMENT AT THE CENTRAL HEADQUARTERS

To grow, we need to work with the best. That is why recruiting the right co-workers is so important. We want to attract specialists as well as graduates who want to gain professional experience in our company. Ensuring that our recruitment processes are of top quality is a responsibility of our internal recruitment team formed by around a dozen of people. We continue to improve our recruitment tools and tasks, because we want them to accurately evaluate the key competencies we are looking for as a business and be an engaging experience for the candidates.

In 2019 we put more emphasis on direct searches using employment websites. In October we were presented with the LinkedIn Talent Award for the efforts we had taken to promote the company as an attractive employer.



'When recruiting a new candidate we make sure that they fulfil the key job requirements and have the ability to adjust to our company culture. We want to work with people who share our values.'

Rafał Talar,
HR business partner LPP Cracow

Because of our rapid growth, we are able to regularly invite our existing employees – both from the central offices and our retail chain – to take part in internal recruitment to become managers or specialists. Horizontal and vertical promotions within our organisation are smooth and transparent thanks to our Principles of Internal Recruitment, which are available for all interested employees to read on the Intranet.

We are aware how challenging it is to find the best candidates and keep them in the company. That is why in 2020 we wish to improve our selection processes and upgrade our evaluation of candidates and invest more in training and development.

THIS IS HOW WE SEEK OUT NEW CANDIDATES:

- We post job offers on employment sites.
 - We participate in career fairs and conferences.
 - We post jobs on our website at www.lppsa.com/kariera.
 - We use employee referral.
 - We invite art students, engineering students and graduates of tailoring vocational programmes to the LPP central headquarters.
 - We take part in graduation ceremonies to honour the most talented students. Many of them are offered paid internships at the company. Some have become our employees.
 - We run direct searches and executive searches, e.g. on LinkedIn,
 - We hold open days called LPP Behind-the-Scenes for graduates with different degrees in Gdańsk and Cracow.
 - We reach out to future candidates on social media (Facebook and Instagram), introducing them to LPP.
 - We work with universities and colleges to promote fashion occupations
- We also run internal recruitment, giving our store workers opportunities for growth.

44,653

job applications received in response to job offers published between 1 Jan. 2019 and 31 Jan. 2020 (not unique candidates).

587

this is how many employees we hired as a result of our transparent recruitment processes.



In 2019 nearly **70%** of all vacant higher level and managerial positions were filled by internal candidates.



SUMMER FASHION LAB

During the summer holidays we launched the first edition of THE SUMMER FASHION LAB, an internship programme that enables students and recent graduates to get to know the fashion industry and the possibility to join each of our brands' product development departments. The 17 participants of the programme interned as merchandisers or designers. Based in Gdańsk or Cracow, they took a behind-the-scenes look at our company. They got familiar with the responsibilities of a merchandiser and designer, made a group visit to our Distribution Centre in Pruszcz Gdański and our e-commerce studio, took part in a workshop on communication and collaboration, and established relations with one another during the team building activities.

The programme proved to be a big success: 100% of the participants said they wanted to work with us after they finish university!

3.1.5. RECRUITMENT OF STORE PERSONNEL

As our brands' retail chains continue to grow, recruitment is one of the key tasks faced by store managers. When looking for candidates

for higher level jobs managers mostly rely on internal recruitment and promotions of existing team members. Naturally, they also seek out talent outside of the company. Thus, they make the best of the two basic hiring strategies.

INTERNAL RECRUITMENT

An existing employee is always our first recruitment choice, especially when it comes to our retail chains and sales departments. We believe that the experience they gained in the company will make their transition into the new role much quicker and their professional performance more effective. We are proud that over the years thousands of people have developed their whole careers at LPP, often starting off as shopping assistants. Today, many of them are part of different departments of our central headquarters. The number of internal promotions we recorded is a great success and a proof that our employees can and do develop within our organisation.

Each week our store personnel receive a newsletter with current job openings at the stores and the central headquarters, together with instructions on how to take part in the recruitment processes. This way, they know about all the vacancies they can apply to fill.

We received nearly **90,000** applications for store jobs in the reporting period.

We hired **11,913** people, that is 20% of the candidates who applied.

LPP CAREER DAYS

We encourage our employees to progress within our organisation. On way we do that is by holding Career Days in our central headquarters in Gdańsk and our offices in Cracow. In the course of day-long meetings, those of our store personnel who are interested in developing their careers further meet with representatives of the sales department. They discuss the roles, tasks and requirements that go with given positions, while the HR specialists present the recruitment processes and available career paths.

The atmosphere of the whole event is informal: presentations alternate with competitions and fashion assignments.

The event's goals are:

- To present career opportunities at LPP's central headquarters.
- To reach out to potential candidates among the store personnel.
- To make it possible for store personnel to learn more about LPP and its central headquarters.

In 2019 over 70 people took part in the Career Days in Cracow and Gdańsk. Over 10% of them changed their career paths as a result and transitioned to LPP's central headquarters.

EXTERNAL RECRUITMENT

We follow the latest trends in external recruitment: we use the most advanced tools available, such as mobile job search apps that make it possible to find and communicate with a candidate in a fast and easy manner.

RECRUITMENT BY REMOTE CONSULTANTS WITH DISABILITIES

Building effective and stable teams is one of the main challenges faced by our store managers every day. For two years now they have been helped by a team of 32 remote recruitment consultants. This way, we are able to contribute to the activation of people with different degree of disability in the labour market across Poland. Their primary task is to handle the initial stages of the recruitment process: publish listings for shopping assistant jobs and certain higher level positions, select eligible candidates and make appointments for job interviews at the stores.

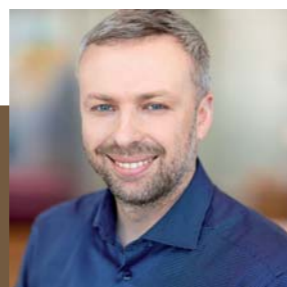
In the reporting period of 13 months, more than 300 stores across Poland received additional, regular recruitment support from the team of remote consultants. Over that period,

the stores had 2,327 vacancies, almost 60% of which were filled thanks to the efforts of the remote team.

The remote team is also responsible for conducting exit interviews and surveys that follow up on our StartUp on-boarding programme. Thanks to the reliable feedback they collect, we are able to react fast and make our workplace even better.

Izabela Szumska of the House store at CH Zakopianka is one of the store managers who enlisted the help of the remote consultants. 'Thanks to the support of the remote team I am able to work in an even more time-effective manner. We discuss all the recruitment requirements on a case by case basis and the candidates are selected in line with my needs. Most members of my team have been hired with the help of the remote consultants. These employees have worked with me for an extended period of time now and I am very pleased with their performance,' Ms Szumska said.

We appreciate the commitment and reliability of our remote team and try to develop our cooperation with disabled workers further. We sign them up for other projects, such as translations, data analysis and graphic design.



'Store managers' collaboration with the remote recruitment consultants helps us optimise the whole recruitment process and, consequently, allows us to save time. What is more, a recruitment process of this kind makes it possible for us to reach larger numbers of candidates, improve the selection and boost our effectiveness.'

Grzegorz Markowicz,
HR manager for the retail chain

TABLE 21. NEW HIRES AT LPP SA AND LPP RETAIL IN THE 2019/20 REPORTING YEAR BY GENDER AND AGE.

	LPP SA	LPP RETAIL
Overall number of employees hired in the reporting period	570	11,255
Women	441	10,044
Men	129	1,211
Incl. employees under 30	393	10,834
Incl. employees aged 30-50	169	402
Incl. employees over 50	8	19

TABLE 22. EMPLOYEES WHO LEFT LPP SA AND LPP RETAIL IN THE 2019/20 REPORTING YEAR BY GENDER AND AGE.

	LPP SA	LPP RETAIL
Overall number of employees who left the organisation in the reporting period	380	11,913
Women	286	10,596
Men	94	1,317
Incl. employees under 30	191	11,296
Incl. employees aged 30-50	179	597
Incl. employees over 50	10	20

TABLE 23. EMPLOYEE TURNOVER IN THE 2019/20 FISCAL YEAR [%].

	LPP SA	LPP RETAIL
Overall employee turnover¹	14.42	120.61 ²
Women	10.85	107.28
Men	3.57	13.33
Incl. employees under 30	7.25	114.37
Incl. employees aged 30-50	6.79	6.04
Incl. employees over 50	0.38	0.20

¹ Total workforce turnover calculated by dividing the number of employees who left the organisation in the reporting year (13 months) by the number of new hires in the reporting year (as of 31 Jan. 2020), multiplied by 100.

² The employee turnover for 1 Jan.-31 Dec. 2019 was 110%, which is lower as compared to 2018. Employee turnover at LPP Retail in the 2019/20 reporting period was typical for the fashion industry in general, which is an attractive workplace for very young people who combine work and study. LPP's retail network offers young people an opportunity to continue their education while earning money. Once they finish school, these young workers either return to their hometowns or start a job in their trained profession. As a result, the organisation must seek new employees. The turnover was also connected with the growing jobs market and the demographic situation in Poland.

3.1.6. JOINING FORCES WITH COLLEGES AND UNIVERSITIES

We stay close with colleges, universities and students. We participate in graduation shows, invite the best graduates to work with us, organise workshops to invest in the development of the industry and young talents. We show students the different job opportunities that await them in our organisation. Until last year, we mostly worked with art schools. In 2019, however, we

reached out to technical universities. This way we can present career opportunities to students competent in the field of logistics, among others, which is a valuable skill for us.

You will find out more about the actions we take together with colleges and universities to develop the fashion industry in Chapter 4, 'Socially conscious'.

REACHING OUT TO ART SCHOOL STUDENTS:

- We gave a talk at the 2019 Art of Fashion conference held at the Gdańsk Academy of Fine Arts.
- We gave a presentation about the job of designer and garment technologist at LPP for students of the Łódź Academy of Fine Arts. What is more, our experts led workshops at the Academy. As part of the international competition Łódź Young Fashion 2019, of which we were a partner, we set up a special LPP zone, where visitors could learn more about career opportunities in our organisation and take part in creative workshops.
- Thirty first-year students of the Via Moda college visited our offices in Warsaw to learn more about the process of designing our products.
- We organised meetings for the students of the Poznań University of Fine Arts and the Szczecin Academy of Fine Arts to talk to them about the job of garment designer and career opportunities at LPP.
- Just like in 2018, we held four LPP Behind-the-Scenes meetings that introduced students to the practical aspects of the job of merchandiser, designer or architect. Held in Gdańsk and Cracow, these open doors events attracted 92 participants.

COLLABORATION WITH NON-ARTISTIC SCHOOLS IN THE TRI-CITY

- LPP experts gave guest lectures to Computer Technology students of the University of Gdańsk. We also helped organise the sixth edition of the Sopot Logistics Workshops held by the university. The conference's 240 participants could listen to a talk by the head of our e-commerce logistics. We also sponsored welcome kits for the attendees and prizes for the winners of the best conference paper competition. We invited students in the Logistics Programme for two study visits in our Distribution Centre in Pruszcz Gdański.
- Students of the Gdańsk University of Technology had a chance to participate in three guest lectures we gave. We also took part in the Engineer Job Fair and the Tri-city Job Fair held at the University. We invited architecture students to take part in our open days, LPP Behind-the-Scenes. We supported a charity initiative of the Electronics, Telecommunications and Computer Technology Department.
- We invited members of the Logistics Science Club of the Eugeniusz Kwiatkowski University of Business and Administration in Gdynia to take part in a study visit at Pruszcz Gdański.



3.1.7. WELCOME TO THE WORLD OF FASHION, OR STARTING OUT AT LPP

The first months on a job are crucial, because that is when a new hire needs to get to know our organisation's DNA and acquaint themselves with our principles to be able to begin to perform their duties effectively. For this reason, we continually improve our on-boarding process, streamlining its existing elements and adding new ones to the mix.

The process of getting to know LPP starts even before a new hire's first day at work: it begins while we communicate with the candidates during the recruitment process.

FIT INTO FASHION: ON-BOARDING AT THE LPP CENTRAL HEADQUARTERS

On their first day of work new hires participate in the Fit Into Fashion training session led by our HR specialists. During the session new employees learn about our mission, vision, values, structure of the organisation and responsibilities of different departments. They also get to know about the company's history and our brand portfolio.

Later in the day, they visit the 'heart' of the business: the product development department of one of our brands. On that day they also meet their peer mentor, a more experienced member of their team who will help them out during their first weeks in the organisation. The mentor hands the new employee an on-boarding sheet, which is a checklist of things the employee needs to know by their third month in the company.

On their first day, new hires are also given small gifts: necessary office supplies, discount vouchers for our products and an leaflet guide to help them navigate their new workplace.

MEETING THE PRESIDENT OF THE MANAGEMENT BOARD

Each month one or even a few dozen of new employees join our ranks. That is why, we continue to hold monthly meetings for the new hires with Marek Piechocki, LPP co-founder and president of the Management Board. The meetings are the perfect opportunity to get to know and understand our organisation.

During the meetings with new employees Marek Piechocki recounts many anecdotes connected with milestone events in LPP history and takes questions from the workers. None goes unanswered, even the most controversial ones get a reply.

The meetings are held in LPP's training facility in Pruszcz Gdański. The participants also get to visit our pride: the Distribution Centre and photography studios in the e-commerce content department.

After three months on the job, it is time to take stock of the on-boarding process. We do that using evaluation surveys. Available in our computer network, the surveys are completed by the new hire and their team leader. We receive feedback from the employee about the tasks they were assigned, their team and the organisation. The leader shares their view on the progress made by the new hire and their commitment. We learn both perspectives and improve our on-boarding process accordingly.

STARTUP: ON-BOARDING AT THE STORES

StartUp is an on-boarding programme for new employees and one of the key HR projects implemented across LPP's retail chains in Poland and abroad. In 2019 we focused on reinforcing the idea of appropriate on-boarding among the managerial staff in our stores and refreshing our training materials.

StartUp for shopping assistants aims to successfully integrate a new employee into the workplace within their first 4-5 weeks on the job. At the end of 2019 we launched the programme's evaluation across the stores.

We talked on the phone to all employees who completed their sixth week at LPP. A personalised follow-up of this kind was possible thanks to the efforts of our remote recruitment consultants. The first quantitative and qualitative conclusions will be released in early 2020.

STARTUP MANAGEMENT: TRAINING STORES AS A GUARANTEE OF TOP QUALITY

One of the most important elements of Start-Up Management, our on-boarding programme for employees in higher level and managerial positions, are 'training stores', that is the best stores of each of our brands in Poland. Run by representatives of the operational departments and HR specialists, the selection process is very complex.

Areas of key importance when building a friendly workplace:

- Every manager of a training store participates in a two-day tailor-made course called Train the Trainer, which draws on StartUp Management and is lead by the training department in Pruszcz Gdański.
- A manager may also receive partial reimbursement for an English language course, which - apart from obvious educational benefits - is a reward for participating in the project.
- The trainers/managers take part in regular workshops and training sessions led by HR specialists and representatives of the operational departments. This way they build their training skills, broaden their knowledge and get to know the best tools at their disposal.

Currently, there are nearly 50 training stores of all LPP brands across Poland. Between May and November 2019 they trained around 400 new hires in higher level and managerial positions.

The training stores are a high-yield investment on our part. They guarantee that people working in our stores in key positions for our business have an effective and safe start.

In 2020 we launched a large-scale development programme for shopping assistants on the path to become managers and visual merchandisers. This way we invest in the development of the managers of the training stores and strengthen key leadership skills in regional sales managers.

3.1.8. COMMUNICATION AT LPP

We want to stay in touch with one another on an everyday basis and be able to access events of key importance for the company. We use a range of tools to achieve this goal. One of the most sophisticated ones is our social networking service, Yammer, with its many groups and thematic channels. One of them is LPP News, a information platform for all the LPP central headquarters employees.

Our store personnel use Quick Peek to access their data, check how many days of annual leave they have left, lodge leave requests, access their payslips and enter their preferences as regards the work schedule. The service is also a helpful tool for store managers, allowing them to monitor their team's working time, leave and the recruitment process, and to generate HR documents on their own.

Every LPP brand uses their Instagram pages to bring together the brands' workers based across the world. To boot, @sinsaypeople, @mohito-team, @croppcrew and @reservedteam serve to promote each of the respective brands.

Wishing to be perceived as a Polish family firm and an attractive employer, LPP communicates with the general public on Facebook, Instagram, LinkedIn and Youtube.

3.1.9. EMPLOYEE FEEDBACK


We regularly conduct an employee satisfaction survey at the LPP central headquarters as prescribed by our Organisational Climate Evaluation Procedure. The survey enables us to monitor employee mood and workplace atmosphere, evaluate job satisfaction and find out what needs to be improved. The results of the survey and the resultant action plan are communicated to the workers.

WHAT AND HOW DO WE EXAMINE?

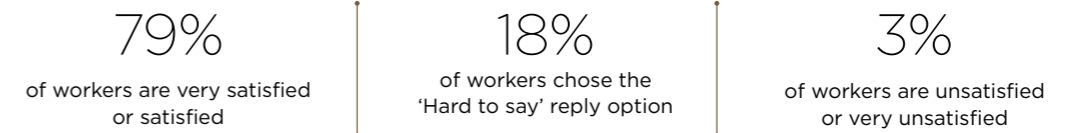
The survey is an online questionnaire and lasts for two weeks. The respondents are employees who have worked in the company for more than three months. Apart from job satisfaction, the survey evaluates other issues which are of crucial importance in a friendly workplace:

Key areas of promoting friendly workspace:

- autonomy,
- knowledge exchange,
- emotional commitment,
- feedback,
- communication,
- responsibility and participation in decision making,
- work organisation,
- appreciation,
- having influence,
- relationship with team members and supervisors,
- development,
- support,
- resources.




How do LPP workers evaluate their job satisfaction?



One of the main values we go by in our work is respecting our coworkers, fighting mobbing, promoting diversity and equal treatment. These issues are also included in the survey.

In the event that a manager's leadership is poorly evaluated by their team, the standard procedure for the HR department is to conduct a 180 degree assessment to draw feedback

from the manager and obtain more detailed information needed to draw up a performance improvement plan. The implementation of the plan is assessed during the following organisational climate evaluation. The next edition of the survey will be conducted in 2020 across our retail chain.

[Reporting topic: Employee satisfaction] [GRI 103-1] [GRI 103-2] [GRI 103-3] [Own measure: Employee satisfaction surveys carried out at LPP and their results - descriptive measure]

PARTNERSHIP AT WORK

In 2019 we circulated an organisational climate survey at the LPP central headquarters across Poland among **2,484** eligible employees, 2,038 of whom answered the questions.
The participation rate was **82%**.

3.2. WORKPLACE PRINCIPLES

3.2.1. WORKPLACE PRINCIPLES AT LPP

Openness, responsibility and respect are the key values that we go by at work. Despite LPP's international profile, the atmosphere in the organisation is truly familial.

Although our teams are formed by members of different generations, we are all on first name terms, members of the Management Board included. We support diversity within the organisation, treating differences as a reason to grow. There is no prescribed dress code at our offices; we make sure our relationship is open and direct. We continually offer LPP employees opportunities to grow, not only professionally. We encourage them to engage socially, which led to the formation of robust volunteering groups called WolontWariaci and a company sports team known as LLP Team.

You will find out more about our social engagement and employee volunteering later in this chapter and in Chapter 4, 'Socially conscious'.

The most important documents regulating workplace issues at LPP SA:

- Employee Conduct Policy and Anti-Mobbing Procedure,
- General Recruitment Policy,
- Payroll Policy and Procedure,
- Remote Employee Policy,
- Employee Support Fund Policy and Procedure,
- External Partnerships Policy,
- The LPP Principles (ethical code),
- LPP Sustainable Development Strategy for 2017-2019³.



'Respect for other human beings and fair treatment is a cornerstone of our ethics code, The LPP Principles. It is a point of reference and a guide for every LPP employee in their daily work at the company.'

Klaudia Waga,
LPP ethics officer

THE LPP PRINCIPLES

Since 2018 an ethical code, The LPP Principles, has been in force at LPP SA. In conjunction with the code, the company launched an e-mail system of reporting misconduct operated by two ethics officers.

In the 2019/20 reporting year the ethics officers handled 19 reports, one case is in progress. Ten reports were actually inquiries about The LPP Principles. Two reports were not followed up because they did not include sufficient information and the ethics officers were unable to contact the anonymous whistleblowers. Two reports concerned LPP subsidiaries, while the remainder were related to the behaviour of central headquarters employees in Poland. In connection with requests for explanation of the company's travel policy and following the ethics officer's intervention, the LPP Management Board changed the controversial wording.

THE LPP PRINCIPLES IN THE RETAIL CHAIN

Following in the footsteps of the LPP central headquarters, in the first quarter of 2019,

LPP Retail adopted its ethics code, called The LPP Principles. The document was drafted by workgroups formed by employees working at different levels in LPP stores and sales departments. The LPP Principles regulate the conduct within the organisation as well as the most important issues concerning customer relations, partnerships with third parties and the handling of confidential information.

The ethics code defined the role of ethics officers to whom employees may voice their concerns or report misconduct that they experienced or witnessed. Three ethics officers were appointed at LPP Retail. They may be contacted by e-mail, phone or in person. Their task is to collect the reports and refer each case to the relevant manager or team to be investigated, while protecting the whistleblower's anonymity, if requested.

- In the course of the first six months following the publication of The LPP Principles and their circulation among LPP stores in Poland, the ethics officers received around 40 reports, mostly concerning workplace relations at different levels of the stores' structure.
- There were no confirmed cases of discrimination in the organisation in the reporting period.



'The most important thing when creating a friendly workplace is to listen to the needs of your employees. We put strong emphasis on the atmosphere and want our employees to speak openly about their expectations. What we are most proud of, however, is the fact that we offer our workers at the LPP headquarters and LPP Retail opportunities to develop. LPP is a perfect place for people who want to broaden their skills and fulfil their ambitions with us.'

Sławomir Łoboda,
vice-president of LPP

ANSWERING EMPLOYEE NEEDS, OR PARENTS AT LPP

Many of our employees are parents. We help them juggle their career and childcare, which is especially challenging during the summer months. That is why, we organised for the second year in a row a daytime camp for 140 children of our central headquarters employees. The boys and girls took part in robotics classes, cookery workshops, circus classes, urban games and experiments. We will continue the project in 2020.

Every new parent employed at LPP is presented with a set of baby clothes from the Reserved Kids team. In 2019 as many as 150 newborns received the sets!

3.2.2. EMPLOYEE BENEFITS AT LPP AND LPP RETAIL

Our employees are offered a range of benefits that make their lives easier and enable them to take a better care of their health and mental wellbeing.

Employee benefits offered at LPP SA:

- private healthcare packages for employees and their families — LPP covers 50% of the cost of the selected package,
- shopping discounts — 25% off the regular price,
- life insurance on preferential terms,
- Multisport membership on preferential terms
- a restaurant for employees at the Gdańsk offices,
- daytime camps for children during the summer months
- baby clothes sets for newborns,
- 10-year and 25-year work anniversary party and memorable gift,
- Christmas vouchers and gifts.

Employee benefits offered at LPP Retail⁴:

- medical package after three full calendar months of work,
- Multisport membership on preferential terms,
- shopping discounts (depending on how long the employee has been working at LLP Retail),
- life insurance on preferential terms,
- E-tutor online language learning application,
- 10-year work anniversary party and memorable gift,
- Christmas vouchers and gifts.

³ The LPP More Strategy was in force until October 2019.

⁴ Offered to staff with employment contacts.

3.3. DEVELOPMENT WITH LPP

3.3.1. DEVELOPMENT AT LPP

At LPP we believe in continual development. We know that continuing education is a must if you want to keep pace with the changing world. It also helps develop our employees' potential and boost their motivation. When planning our training programmes, we focus on the development needs reported by different LPP departments. We want our workshops and courses to address the problems and challenges the teams face.

Although many of our development activities are successful long-standing programmes with

hundreds of graduates, we sometimes purposefully give up on our long-term plans and act spontaneously to address a need that arises here and now. We feel responsible for instilling a culture of respect, feedback and empowering our teams. These ideals are part of every event we hold.

In 2020 we want to work even harder to encourage our employees to grow and share the knowledge they gained. We believe that the professional potential of LPP teams may always be multiplied, that is why we want to create more space for it.

TABLE 24. AVERAGE NUMBER OF TRAINING HOURS (TRADITIONAL AND E-LEARNING) AT LPP SA, LPP RETAIL, FOREIGN SUBSIDIARIES AND THE WHOLE LPP GROUP IN THE 2019/20 REPORTING YEAR BY GENDER.

	LPP SA	LPP RETAIL	FOREIGN SUBSIDIARIES	LPP GROUP
Average no. of training hours per employee trained	13	2	3.9	4.2
Women	13.3	1.7	3.9	3.8
Men	12.7	3.6	3.9	6.1

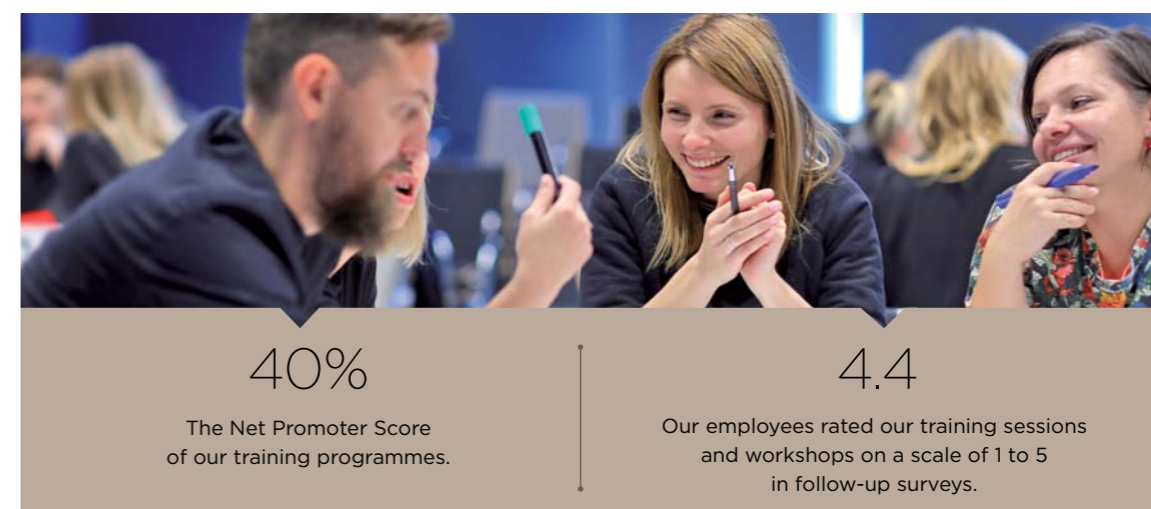
TABLE 25. OVERALL NUMBER OF TRAINING HOURS (TRADITIONAL AND E-LEARNING) AT LPP SA, LPP RETAIL AND FOREIGN SUBSIDIARIES IN THE 2019/20 REPORTING YEAR BY EMPLOYMENT CATEGORY.

	LPP SA	LPP RETAIL
TOTAL	36,800	18,152
Executives	6,939	16,424
Other employees	29,861	1,728

TABLE 26. EMPLOYEE DEVELOPMENT ACTIVITIES AT THE LPP CENTRAL HEADQUARTERS IN 2019 AND PREVIOUS YEARS⁵.

	NO. OF ACTIVITIES	NO. OF TRAINING HOURS	NO. OF PARTICIPANTS	OVERALL NO. OF PARTICIPANT HOURS	AVERAGE NO. OF PARTICIPANTS PER SESSION	AVERAGE NO. OF TRAINING HOURS PER PARTICIPANT	SATISFACTION
2017	168	1,122	1,883	14,508	10	6.4	4.5*
2018	235	1,552	2,636	18,716	11	7.7	4.4*
2019	347	3,344	3,300	36,800	10	13.6	4.4*
YOY change	48%	115%	25%	97%	-9%	92%	0%

*Applies to the sessions which were evaluated.



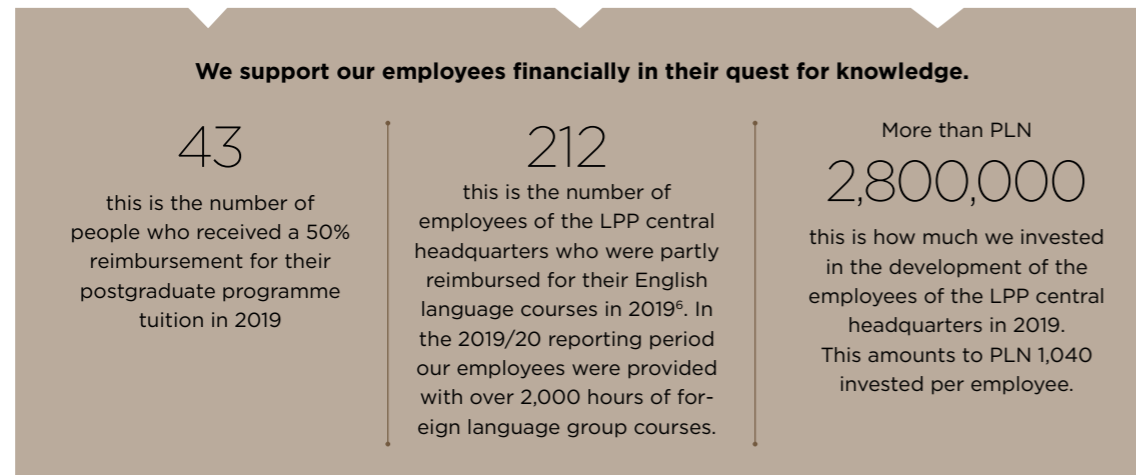
In the 2019/20 reporting period (1 January 2019 to 31 January 2020), we carried out 347 employee development activities at the LPP central headquarters. They lasted 3,344 hours and had 3,300 participants. LPP Group employees were provided with 98,226.5 hours of training in total 43,274.5 of which were received by employees of foreign subsidiaries.

The total length of training sessions given **between January 2019 and the end of January 2020** to employees of LPP SA was 36,800⁵ hours. If you take into account the number of employees who participated in each of the training sessions, the average number of **training hours** undertaken by the employees of the LPP central headquarters was 13.

TABLE 27. TRAINING AT THE LPP CENTRAL HEADQUARTERS IN THE 2019/20 REPORTING YEAR.

	INTERNAL TRAINING	EXTERNAL TRAINING	IN TOTAL
Hours of training provided to the employees of the LPP central headquarters	15,149	21,652	36,800
Total training hours offered through all the training activities held	1,327	2,017	3,344
No. of participants	2,029	1,315	3,344
No. of female participants	1,470	824	2,317
No. of male participants	559	491	667
No. of training sessions/workshops	226	121	347

⁵ In order to allow comparability of data in percentage terms, the table includes information for the twelve months of 2019 (and excludes Jan'20).



3.3.2. UPGRADING EMPLOYEE SKILLS AT THE LPP CENTRAL HEADQUARTERS

TABLE 28. LEADERSHIP TRAINING AT THE LPP CENTRAL HEADQUARTERS IN THE 2019/20 REPORTING YEARCCC.



	Academy & Leadership Academy A six-month long programme for newly appointed managers and leaders that teaches soft skills and knowledge.	56 participants: 20 managers and 36 leaders 288 graduates since the programmes' launch in 2012
	Action Learning A six-month long series of meetings for a group of managers/leaders at the LPP central headquarters using peer coaching.	3 groups and 24 participants in the reporting period 64 participants since 2016
	Coach Management An intensive, two-day long course for managers that focuses on getting employees engaged with the use of questions, encouraging independent solution finding and self-development.	78 participants in the reporting period 175 participants since 2017
	GROW Model Goal/Reality/Options/Will training that helps managers to improve their ability to use coaching tools in their work with subordinates.	47 participants, managers from different departments in the LPP central headquarters
	Coaching Management coaching for selected managers and directors in the central headquarters.	3 participants in the reporting period 20 participants since 2017

TABLE 29. SPECIALIST TRAINING PROVIDED IN THE 2019/20 REPORTING YEAR.

	Microsoft Excel workshops Changing times and our growing business makes us hungry for more data. These Excel workshops have become a requisite element of our development. The workshops were attended by all of our analysts.	260 participants
	Team collaboration workshops Teams are the cornerstone of our success. These workshops help improve or strengthen team collaboration and classify roles in the process, in order for the team to make good decisions and work effectively and without delays.	8 workshops for teams 172 participants
	Self-management One of our values is speed and agility of operations. This self-management training improves planning and performance effectiveness in teams, while preventing overload.	152 participants

⁶ We reimburse 70% of the cost. The reimbursement is available to employees who use English on a day-to-day basis and whose level of the language is below advanced.

[GRI 404-2]

Negotiations	This training course for merchandisers, e-commerce department and investment department at different levels of advancement. Thanks to the negotiation and influence skills acquired during the course, LPP gets the best possible deals, while respecting the suppliers.	122 participants
Customer service at the Customer Service Point	This course is dedicated to central headquarters employees in first line support.	107 participants
Project management	This course aims to increase the effectiveness and success rate of LPP projects and – as a result – react to change in the environment with agility. The course was provided both to managers of top-bottom and bottom-up projects.	76 participants
Retrospective for teams	This training programme for production preparation departments was complemented with periodic meetings. Its aim was to improve team effectiveness with the use of retrospective meetings during which team work is evaluated and improvements are planned.	13 mini-teams 70 participants in total



Some other training programmes undertaken by our employees:

- public speaking,
- Future's Thinking,
- conflict management,
- Adobe Illustrator for advanced users,
- meeting moderation,
- motivation,
- facilitation,
- coaching and mentoring,
- feedback,
- managing multigenerational teams,
- nonviolent communication,
- transition workshops (for teams with a new leader),
- Oracle,
- Project Pro and Project Online,
- engineering 3D prints,
- business process modelling,
- garment construction,
- SICK optoelectronic devices,
- introduction to pneumatics,
- ethics in business,
- ITIL® 4 Foundation,
- intercultural training (Finland),
- Agile & Automation,
- Agile By Example,
- accounting,
- supply chain,
- forensic audit.

OUR PLANS FOR THE FUTURE

- To make our internal training monitoring more efficient and make it easier for departments other than HR to organise training for employees, in 2020 we will launch a special app which will facilitate knowledge exchange within the organisation. It will also make it possible to provide support to trainers and recognise their contribution to their team's professional development.
- We will expand our training offer to include, among others, a new series of open courses for the employees of our central headquarters. The courses will focus on: communication that facilitates collaboration, behavioural styles in the context of teamwork, assertiveness, work and time management as well as managing your own energy levels, which is becoming increasingly important these days.
- We would also like to widen the access to action learning groups whose task is to generate groundbreaking solutions in response to present-day challenges, facilitate the exchange of knowledge and experience between employees, and develop leadership skills in employees working at different levels in the organisation.

3.3.3. DEVELOPMENT PROGRAMMES FOR STORE PERSONNEL

STRATEGY FOR GOOD WORKPLACES

Readiness to make positive changes and implement bold ideas is a requisite element of the work in retail. In the past year we launched a pilot phase of a project called Strategy for Good Workplaces across Cropp stores in five Polish cities.

Our goal is to delegate responsibility by increasing employee engagement and enabling workers to achieve work-life balance. We consider the following the means to the end:

- stabilisation of the work schedule,
- multitasking,
- employee empowerment,
- standardisation and work simplification.

To achieve these outcomes, we organised workshops focusing on leadership, potential identification and setting additional roles for team members, complemented with e-learning courses.

We are open to the preferences expressed by our employees as regards working part time or full time, and their work schedule. By delegating responsibility and providing opportunities for development, our leaders build strong and committed teams, learning to be more effective managers in the process.

Strategy for Good Workplaces is a pilot project. If the participating stores report positive change with respect to key business and HR indicators, we will consider implementing the strategy in other LPP stores.

NOWSIMÉ! - A DEVELOPMENT PROGRAMME FOR THE BEST SINSAY MANAGERS

NowSiMe! is a well-received training initiative for Sinsay store managers across the world. The brand puts strong emphasis on the development of its retail chain, that is why we want our managers to grow with us. Launched at the end of 2018, this development project was open to all store managers in Poland and abroad who were wishing to learn more about working in three higher level positions: regional sales manager, regional commercial trainer and sales coordinator.

One of the key elements of the project were days spent by the participants at the central headquarters with mentors and representatives of the product department, S.C., allocation and DWS. Numerous training sessions in the training facility and meetings with design groups produced solutions that are being implemented across the chain. Our experience shows that

nothing is as instructive as practice, that is why each of the participants could shadow their mentor in their everyday work: visiting stores, working with the product or taking part in opening new stores.

Sinsay - just like the rest of the LPP group - tries to invest heavily in its internal potential. That is why, we are even more pleased with the fact that in 2019 six out of 16 NowSiMe! participants got promoted to a higher position in the company's central offices in different markets.



'As a participant of the NowSiMe! development programme, I can say that it was a great opportunity to showcase yourself, broaden your horizons and get a new perspective on the organisation's operations. The collaboration with different departments, weekly meetings with the mentor and the investment in our potential was a chance for me to gain important experience and consequently get promoted to regional sales manager. I am very happy that I could take part in a project that made me realise our company is a well-oiled machine. Although sometimes some cogwheels need maintenance, which happens everywhere, we are ourselves able to get things going, which pleases me a lot.'

Kinga Wzorek,
regional sales manager in Poland

3.3.4. E-LEARNING

TRAINING JUST A MOUSE CLICK AWAY

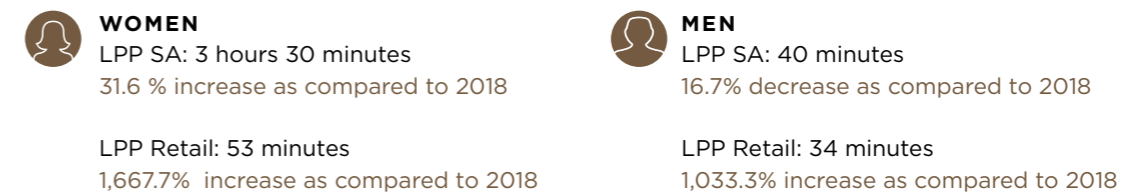
For five years now the employees of our central headquarters have had at their disposal over 100 e-learning courses. In their opinion, e-learning is the most comprehensive and accessible way of gaining knowledge in the company. They can choose from a wide array of open specialist, general development and management courses to improve their time management, communication, assertiveness and team management skills, to name just a few.

LPP EDUSTORES

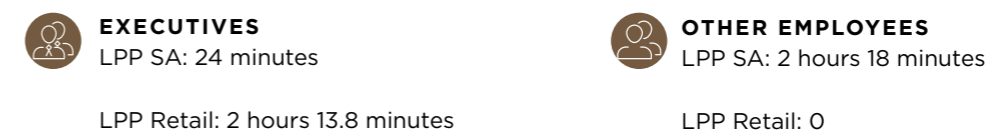
Following the modernisation of the LPP Edustores platform, e-learning became an integral element of knowledge exchange at LPP stores. The platform can be accessed by all employees of LPP stores in higher level and managerial positions. The training offer includes a range of general development and management courses, and will be expanded to include programmes specifically designed for store personnel and taking into account the demands of their job. The first of such courses, Effective Recruitment: How to Find a New Employee Quickly and Effectively, is already available to the users and was evaluated highly in a follow-up survey. The respondents also expressed high appreciation for the Edustores platform itself, giving it an impressive Net Promoter Score of 56.



Average number of training hours (e-learning) in the 2019/20 reporting year by gender.



Average number of training hours in total (e-learning) in the 2019 by employment category.



3.4. HEALTH AND SAFETY

3.4.1. EMPLOYEE SAFETY

Last year we achieved a decrease in the number of workplace hazards and an improvement of the quality of occupational health and safety training.

OCCUPATIONAL HEALTH AND SAFETY REGULATIONS: ENSURING EVERYONE IS SAFE AND SOUND

The issues of occupational health and safety in LPP SA and LPP Retail are regulated in a range of documents:

- Employee Conduct Policy,
- List of particularly strenuous jobs and jobs prohibited to pregnant women,
- Allocation of protective garments, footwear and personal protective equipment,
- List of jobs prohibited to minors – occupational health and safety for minors,
- Task risk assessments,
- Occupational Health and Safety Instructions,
- Internal occupational health and safety procedures.

Both at LPP SA and LPP Retail, we continually update our risk assessments. Detailed information about risks is provided in risk assessment cards for different groups of positions. In our assessment, the primary risk we face, and one that causes most accidents, is the movement of employees (transport). Both companies keep a central register of work accidents, which helps us manage situations involving job-related accidents and act to prevent them.

Each quarter sees a meeting of the occupational health and safety commission formed by employee representatives, the occupational health and safety department and a specialist in occupational medicine. During the meetings, the commission assesses safety and hygiene in the workplace, reviews new occupational health and

safety procedures and puts forward new solutions to improve working conditions.

We put strong emphasis on the occupational health and safety of our contractors. In line with our internal procedures, periodical occupational health and safety audits as well as fire safety inspections are also carried out at the premises managed by LPP, that is the Fulfillment Centre and Distribution Centre. To boot, we evaluate the quality of the contractors' performance, as a result of which a corrective action plan must sometimes be implemented.

We use a range of specific methods to protect our contractors: we provide them with protective garments, footwear and personal protective equipment. Just like LPP employees, they are also provided with training for first aid. In the centres, there are open rest areas, changing facilities and canteens, as well as rest areas for delivery lorry drivers. The Distribution Centre is equipped with automated external defibrillators.

OCCUPATIONAL HEALTH AND SAFETY AT LPP SA

We work to create a comfortable workplace for the employees of LPP central headquarters and minimise the risk of injuries. We use top-quality office equipment that may be adjusted to each worker's individual anthropometric characteristics. The work stations are equipped with ergonomic chairs and desks as well as external monitors, which are more comfortable to use when working on a computer. If an employee reports a problem, we conduct a risk assessment and provide them with additional measures that address their needs. We partly reimburse glasses to employees who use monitors in their work.

All LPP SA workers undertake initial and periodical occupational health and safety training. They may also participate in training for evacuation, fire and first aid.



LPP SA ran a noise assessment in the halls of the Distribution Centre. The survey found that admissible levels of noise were not exceeded.

SAFE IN LPP RETAIL

Those LPP Retail employees who run the greatest risk of suffering from an accident when performing their tasks undertake a range of training courses to increase their awareness and knowledge of occupational health and safety regulations. They take part in initial and periodical occupational health and safety training. Store managers also undertake training on the phone to learn about internal occupational health and safety procedures.

Additional training is also provided to newly hired regional managers to enable them to run occupational health and safety audits in the stores they supervise. Just like LPP SA employees, LPP Retail workers may participate in training for evacuation, fire and first aid.

Store safety is supervised by occupational health and safety inspectors appointed by LPP and external firms that support them directly.

Store personnel are in constant contact with the occupational health and safety department thanks to a special communication service that makes it possible for them to have any health and safety issue clarified at any time.

In the reporting period we conducted a survey among LPP Retail employees to assess their collaboration with the occupational health and safety department. Overall, 769 stores in Poland (93.7%) took part in the survey. As many as 382 people thought the collaboration worked 'very well', while 362 thought it worked 'well'; 18 people assessed it as 'mediocre' and three people considered it to be 'bad'. As a result of conducting the survey, we received a lot of positive feedback regarding the respondents' relations with the occupational health and safety department.

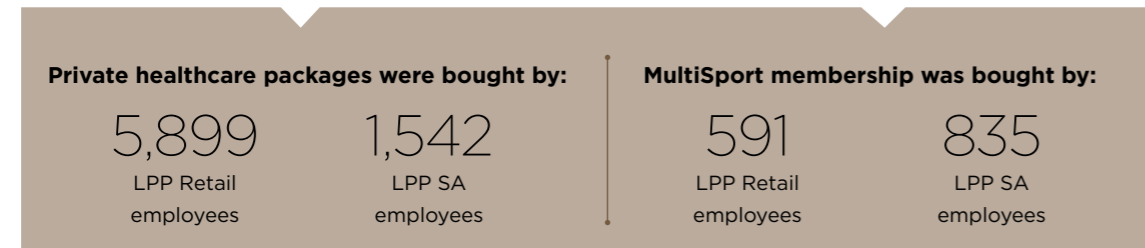
TABLE 30. JOB-RELATED INJURIES IN LPP SA, LPP RETAIL AND FOREIGN SUBSIDIARIES IN THE 2019/20 REPORTING PERIOD.

	LPP SA	LPP RETAIL	FOREIGN SUBSIDIARIES	LPP GROUP
Fatal accidents				
Women	0	0	0	0
Men	0	0	0	0
All accidents reported				
Women	9	70	37	116
Men	3	3	4	10
Total	12	73	41	126
Working days lost as a result of job-related accidents				
Employees in total	117	1,107	692	1,916
Accidents causing working days loss				
Women	6	57	-	-
Men	2	3	-	-

EMPLOYEE HEALTH AS THE TOP PRIORITY

We work to support our employees' health and healthy lifestyle. We reimburse 50% of the cost of private healthcare packages chosen by our

employees for themselves and their families. They can also buy Multisport memberships for themselves and their loved ones on preferential terms.



3.4.2. HEALTH AND INTEGRATION IN ONE

WORKSHOPS FOR EMPLOYEES

Responding to our employees' needs, we organised three types of workshops.

- **Dietary workshops**, as part of which Anna Słomkowska, a clinical and sports dietician with twelve years of experience, presented healthy lifestyle choices and dietary recommendations, advising the participants how to keep a diet and make sure it is effective. The workshops were attended by over 60 people.
- Keeping in mind the enormous success of the **Cancer Awareness Workshops** held in 2018, we organised Cancer Prevention Workshops led by Dr Magdalena Wojtkiewicz, an oncologist, as part of a campaign run by the Copernicus Hospital in Gdańsk. The workshops

focused on prevention of cancers, including cervical cancer, and were attended by around 100 people.

- Living in a world full of tension, it is good to pause for a moment. That is why, we organised **Mindfulness Workshops**, which taught our employees to reduce stress, preserve good health and mental well-being, and reduce the effects of professional burnout. The workshops attracted 40 prospective mindfulness practitioners.

LPP TEAM

Every LPP employee who is willing to take on a sports challenge and exercise their body on a regular basis - regardless of their level of advancement - may join the LPP Team. They may choose between the running, cycling and triathlon clubs. We reimburse LPP Team members for



their entry fees and buy sport-specific clothing for those who have participated in at least three sporting events. The members motivate one another, share their achievements with each other and arrange to participate in sporting events together with the help of the Yammer networking service.

LPP TEAM FOR KIDS

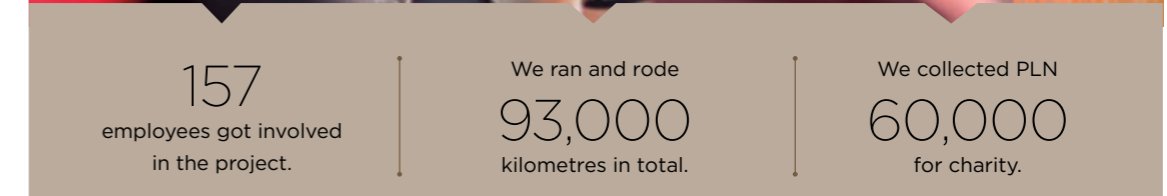
We use our energy and leg strength to do good. Our employees - not only the members of the LPP Team - once again joined a charity campaign as part of which the LPP Foundation undertook to donate money for every kilometre run or cycled over the course of three months. The foundation donated PLN 0.5 for every kilometre cycled and PLN 2 for every kilometre run. The money went to the Gdańsk Korczak

Foundation and the Rehabilitation Centre of the Children's Hospital in Radziszów. We counted the kilometres using the Strava app.

You do not have to be an LPP Team member to join in health-oriented and eco-friendly initiatives. The employees of the Gdańsk headquarters have had access to company bikes for the third year running and they are eager to get involved in cycling charity races.

You will find out more about protecting the environment in Chapter 4, 'Socially conscious'.

As previously, in 2019 we organised blood drives among our employees in Gdańsk and Pruszcz Gdański. As a result, 105 people gave over 47 litres of blood!



SOCIALLY CONSCIOUS

In this chapter you will read about:

- Our influence on the development of the fashion industry – p. 112,
- Building awareness about sustainable fashion – p. 114,
- How much we care about our closest environment – p. 118,
- The activities of the LPP Foundation – p. 122,
- Our employees' volunteering work – p. 125.

UN Goals:



PLN
3,245,022

donated by LPP and the LPP Foundation
for social causes in the 2019/20 fiscal year

Nearly

80

initiatives supported



4.1. OUR INFLUENCE ON THE DEVELOPMENT OF THE FASHION INDUSTRY

4.1.1. DEVELOPMENT OF THE INDUSTRY AND PROMOTION OF SUSTAINABLE FASHION

Supporting the development of talent in our industry, promoting knowledge about sustainable fashion, helping out with initiatives that bring these topics to the attention of our designers, customers and everybody interested in fashion – these are the goals we pursued when engaging socially and in our sponsoring activities.

We continued to support designers in their artistic and professional development. We shared our knowledge and experiences, discussed milestones and the greatest challenges awaiting our industry on its way to sustainable development. We encouraged joint efforts to make a change for the better, because we believe that minimising negative environmental impacts is a sum of all the decisions made throughout the supply chain. We pulled together with organisers of numerous events that are a platform for inspiring one another and looking jointly for new solutions.

GDYNIA DESIGN DAYS
Once again we partnered with the **twelve edition Gdynia Design Days**, a festival mounted by the Design Centre of the Pomeranian Science and



Gdynia Design Days



'Made in Poland'

Technology Park. The event is an annual showcase of the latest trends and good practices in design. It is a unique place where professionals and lovers of the applied arts share their experiences of design and business. The most recent edition focused on polarised reality. For us, the festival was a chance to have serious conversations about the challenges of making fashion more sustainable and encouraging customers in their attempts to consume more responsibly.

The festival offered a series of workshops and talks divided into six thematic modules, showcases and other events. One of the contributions was titled 'Truth or Dare? What do we know and what can we do to make fashion green?'. We invited the participants to make a study visit in our Gdańsk headquarters. This way we could share with them very concrete information on what we do to set sustainable standards in the Polish fashion industry.

The Reserved brand became the strategic partner of the sixth edition of the **Polish Designs, Polish Designers series**. An exhibition launched during the festival explored the work of Polish designer Barbara Hoff. In conjunction with the show and working in association with the Gdynia City Museum, we organised workshops dedicated to transforming vintage clothes, called Re-creation. Together with Reserved designers and garment constructor, the participants worked to give their clothes new life.

MADE IN POLAND CONFERENCE
During the fourth edition of the Made in Poland conference we announced our new sustain-

'We are pleased that in the wake of the Made in Poland meeting more than 200 materials were published in the media concerning a "green turn" in our strategy, and the topic was widely discussed for the following months. Given the climate challenges of today, one of the greatest tasks businesses face is to reduce their environmental impacts. It is no surprise then that ecology and the objectives of our new sustainable development strategy attract the interest of journalists.'

Sławomir Ronkowski,
communications director

able development strategy For People For Our Planet, as part of which we have committed to continue to treat responsibility for people and the environment as an integral element of our growth strategy.

Nearly 80 people, most of them representing the media, gathered together at our centre in Pruszcz Gdański in October to learn about our plans concerning, among others, making our production processes greener, eliminating plastic packaging, implementing green solutions in our central headquarters and retail chain, as well as reducing our CO₂ emissions.

The participants of the meeting also learnt about the world's fastest implementation of RFID technology, which took place at LPP.

You will learn more about our sustainable development strategy in Chapter 1, 'LPP profile and business model'



Responsible Fashion Awards

RESPONSIBLE FASHION AWARDS

We were proud to support Poland's first Responsible Fashion Awards. Launched in June 2019, the competition, which does not have many counterparts internationally, was organised by the **International School of Costume and Fashion Design (MSKPU)** in Warsaw and aimed to promote the idea of ecological and ethical fashion design. Entrants included professional designers with considerable experience and training as well as amateur fashion and design aficionados.

The participants submitted collection designs made of eco-friendly materials. They were given more eco-friendly textiles and dressmaking accessories to sew their submissions. The winners could sew their whole collections.

The prizewinners' creations will be presented in June 2020 as part of the Graduation Show at MSKPU.

OPEN EYES ECONOMY SUMMIT

In 2019 we partnered with Poland's only congress devoted to the economy of values. We were part of the 'fashion' module which presented the challenges faced by the fashion industry.

4.1.2. COLLABORATION WITH COLLEGES AND UNIVERSITIES

Our robust collaboration with colleges and universities goes many years back. We support and inspire the fashion industry, help students and emerging designers grow, educate and present employment opportunities, while attracting new talent to our company. We also share our knowledge about fashion and the process of designing garments, and invite the brightest students to work with us.

You will learn more about our actions in this respect in Chapter 3, 'Partnership at work'.

EXAMPLE ACTIVITIES

SHOPPER BAG. SIMPLE STORIES

At the turn of April and May we organised the Shopper Bag. Simple Stories workshops at the Gdańsk Academy of Fine Arts. Over the course of five meetings the participants went through the whole process of creating a shopper bag. The workshops ended with a professional photo-shoot of the collection.

The participants used eco-friendly materials containing resourced polyester. In line with the zero waste principle, they were supplied with leftover tapes and fabrics.

The effects of the project were subsequently presented at the 2019 Art of Fashion conference, in which we also participated as a speaker.



Zero Waste

ZERO WASTE

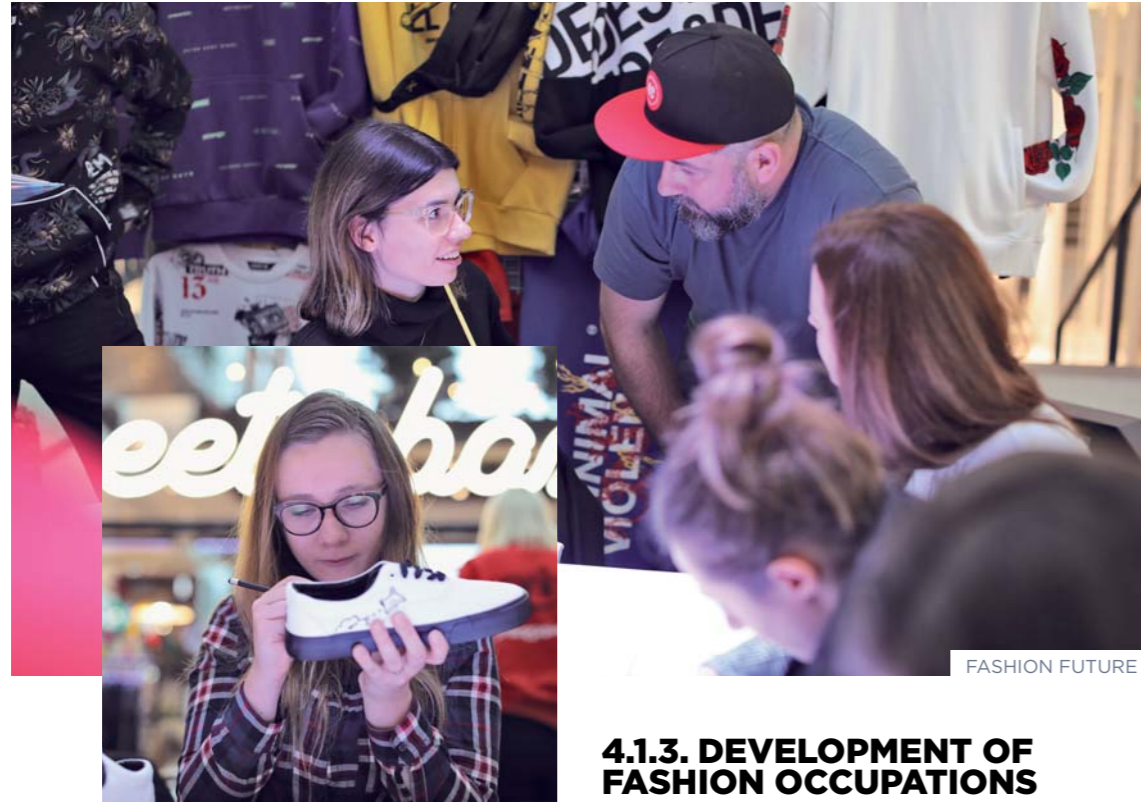
Working in association with School of Form, we carried out Zero Waste, a project aimed at making young designers more sensitive to the issue of sustainable development in the fashion industry. As part of the project, three meetings led by Reserved chief designers were held along with online consultations to help participants create zero waste micro-collections. Fourteen works were created as part of the workshops. The creator of the best one was offered an internship with us.

WORKSHOPS AS PART OF THE ŁÓDŹ YOUNG FASHION 2019

As a partner of the International Contest Łódź Young Fashion 2019 run by the **Łódź Academy of Fine Arts**, we organised two practical workshops led by LPP designers: 'Megatrends, their significance and influence on the designer's consciousness' and 'From an idea to a product'. The workshops were attended by 35 fashion aficionados.



From an idea to a product



4.1.3. DEVELOPMENT OF FASHION OCCUPATIONS

FASHION FUTURE COMPETITION

As part of our collaboration with the Warsaw-based college Via Moda, we became a partner of the competition FASHION FUTURE. Its theme was SPORT & STREETWEAR and it was open to final-year students and secondary school leavers aged 25 or younger who dream about receiving professional training in the area of fashion. Cropp became the competition's professional partner. The brand's designer who joined the jury met with the 18 semifinalists to discuss designing streetwear and working in the industry. The contest's grand finale in June 2020 will include a show featuring selected pieces by the 12 finalists. The winner will be awarded a Bachelor scholarship to study at Via Moda.

INTERNSHIPS FOR THE BEST GRADUATES

- We awarded three honourable mentions with internship invitations to students of the **Łódź Academy of Fine Arts**: one during the **DEBUTS Gala**, two during the **Graduation Gala of the Łódź Young Fashion 2019**.
- We were a partner of the **2019 Via Moda Upgrade Graduation Show**. We invited the creator of the best collection to take an internship at LPP.
- We became a partner of the **Graduation Show of the International School of Costume and Fashion Design (MSKPU)** in Warsaw. One of the graduates was invited to take an internship at LPP.

THE FIRST FITTING 3.0

We take great pride in the growth of The First Fitting, our social engagement project, and all the participants of its third edition. The First Fitting helps young people learn what it is like to work in the industry and get an opportunity to catch the fashion bug. Participation is open to young people in different types of foster care and experiencing difficult life conditions. The project is an opportunity to get first job experiences, which is crucial when starting out adult life.

The First Fitting means:

- job seeking workshops where participants learn to write a CV and prepare for a job interview,
- opportunities to take an internship at one of our stores and benefit from mentoring offered by a designated store employee who shares their knowledge and experience. Participation in The First Fitting teaches young people the skills required to work in different positions in retail as well as a range of social skills. It also fosters self-confidence.

Joining us again as partners of the project were the **Gdańsk Foundation for Social Innovation (GFIS)**, **Rodzinny Gdańsk Foundation** and **Atalaya Foundation**, Warsaw. The mentors completed special training to learn how to work with young people.



Eleven people joined our teams at Cropp, Reserved, Mohito and House stores in Gdańsk (4) and Warsaw (7).

The participants put in 1,570 hours of work. They were supported by seven mentors. **One of the participants became our employee.**

PARTICIPANT FEEDBACK ON THE FIRST FITTING:

What did we get out of it?

- A boost to my self-esteem and more confidence when interacting with customers, mentors and colleagues.
- Self-reliance, ability to deal with difficult situations and make my own decisions.
- Ability to work in a team, communicate with colleagues and fulfil our tasks together.
- Responsibility, self-discipline, sticking to the rules, punctuality and reliability at work.
- Ability to develop interpersonal relations.

What was the coolest thing about The First Fitting?

- The support from the mentors.
- The opportunity to get out of your comfort zone and try something new.
- Safe environment to take on a professional challenge.
- Good atmosphere.
- Opportunity to earn some money.

4.2. NEIGHBOURHOOD RELATIONS

The events we support most often take place in the vicinity of our offices: the Dolne Miasto district of Gdańsk and the Bagry district of Cracow. We invest in the local communities in Pruszcz Gdański, where our Distribution Centre is located, and Brześć Kujawski, where our new Distribution Centre will be located. As a new neighbour in town, we are already trying to identify the needs of Brześć Kujawski residents and come up with initiatives that are beneficial for them.



'Our responsibility is multidimensional and includes remembering about our closest environment. We want to be a good neighbour who cares about the local area: supports local activities, contributes to the region's development and stimulates local communities.'

Monika Szenfer,
social engagement specialist



Colours in the Garden

[GRI 413-1]



Street Full of Life



4.2.1. HELPING TO DEVELOP OUR NEIGHBOURHOOD

COLOURS IN THE GARDEN, A NEIGHBOUR DAY

In June we helped the Mrowisko Association for Preventing Addictions to organise the Colours in the Garden family fair marking the Neighbour Day. The event took place in Dolne Miasto, in the community garden of the Reduta Centre for Community Activation and Integration. It featured a theatre performance and concert staged by young people and an open graffiti painting session, in which WolontWariaci, a group of LPP volunteers, was involved. One of the fair's highlights was a fashion show titled 'Girls and boys like you', which was the result of year-long workshops led by a member of our staff. Walking the runway as models were the beneficiaries of the Mrowisko Association.

STREET FULL OF LIFE

For two weeks in September an intersection of three streets in Dolne Miasto was turned into a meeting place for local residents, a place where they could take part in artistic and sports activities. Street Full of Life was mounted by the city of Gdańsk. We joined in the project with pleasure. On our part, we held arts workshops for children that involved mosaics and organised a clothing swap.

CHRISTMAS FESTIVAL IN DOLNE MIASTO

Traditionally, we contributed financially to the organisation of a Christmas event for the residents of Dolne Miasto. We want to help activate the area and bring the local community together.

THE CHARITY RUN FIVE FROM THE HEART

For the second year in a row we sponsored a charity race organised by the TriMama Foundation run by a Gdańsk-based activist, Natalia Wodyńska-Stosik. Held in December, the aim of the event was to raise money for the Pomeranian Children's Hospice. We contributed towards the organisation of the run and paid for the participation of our employees in the race.

SUMMER ON BAGRY LAKE IN CRACOW

On 15 June Cracow residents welcomed the summer with a fair on Bagry Lake. The event was held close to our Cracow headquarters and we were its partner. We invited our employees and their families to join in the fun. They participated in workshops, were introduced to little known sports and took part in competitions.



FETA

SUPPORT FOR PRUSZCZ GDAŃSKI

We became a partner of the Pruszcz Gdański Town Festival, an event packed with artistic and sports attractions. Eager to improve local children's play area, we provided equipment for a playground in the Ice Age Park.

We also supported a first aid event organised by the local Fire Service Commander, the 2nd District First Aid Championships for teams representing the National Fire Service, Polish Armed Forces, Police and Volunteer Fire Brigades.

FETA

Once again we joined forces with the organisers of the International Street and Open-Air Theatre Festival (FETA), which took place for the thirteenth time in Gdańsk, becoming the event's strategic partner. Over its four days, the festival welcomed eighteen theatre companies from eight countries. The audience was treated to 22 different performances, including a movement piece featuring our employees. 'Here and There' was directed by Marek Brand the Plama Gdańsk Archipelagos of Culture and used movement, improvisation and animation of inanimate forms as its means of expression. The performance was shown in front of our headquarters at Łąkowa 39/44.

FOCUS ON BRZEŚĆ KUJAWSKI

As we are planning to open a new Distribution Centre in Brześć Kujawski, we are already actively supporting the development of the town and the local area. We reached out to the local authorities and in 2019 signed a letter of intent confirming our willingness to work together for the development of the area and its residents, in particular in the field of education, culture and leisure.

We carried out the following projects in the reporting period:

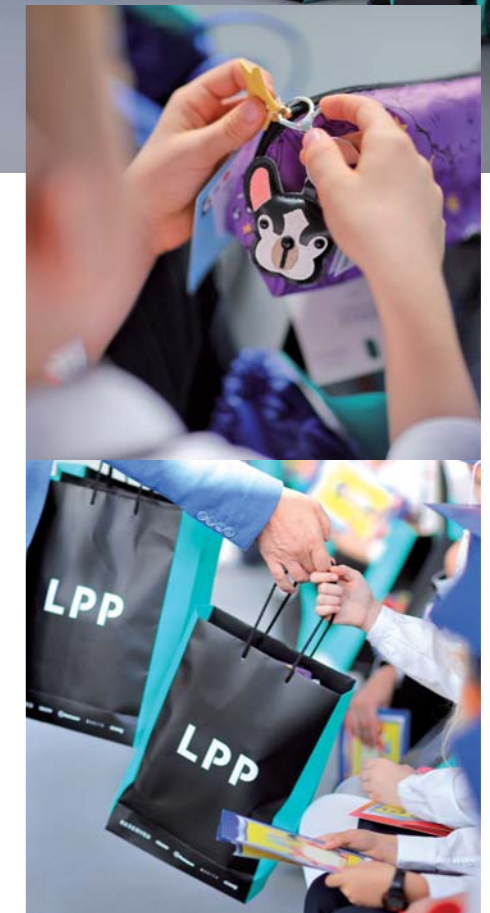
- **First School Supply Kit.** To support children starting primary school in Brześć Kujawski and the local commune we provided supply kits to 114 pupils in five schools in the area.
- **English with LPP.** To support the education of the youngest residents of the Brześć Kujawski commune, in the 2019/2020 school year we offered English classes to all children in year 1-6 of primary school in the commune. Thanks to the programme, 381 pupils from four schools were provided with a chance to polish their English.
- **Łokietek Goes Out.** To stimulate and integrate local children and promote a healthy lifestyle, we joined forces with the Łokietek Local Sports Club and organised summer ac-



First School Supply Kit

tivities for children who were spending their holidays at home.

- We became a partner of one of the largest sporting events in the region, the **Czesław Wasielewski Memorial Race**. Apart from sponsoring race kits for the youngest participants of the street run and additional attractions, we invited the members of the LPP Team to join in.
- We equipped language classrooms of local schools with interactive whiteboards; one such whiteboard was also provided to a kindergarten in Brześć Kujawski.



In the reporting period of 13 months our sponsorships amounted to over

PLN 172,500

Our monetary donations amounted to

PLN 201,247

The gift cards we donated were worth

PLN 20,750

Overall, LPP's donations and sponsorships amounted to

PLN 394,497

[Own measure: Donations made in the reporting period]

4.3. SOCIAL ENGAGEMENT, OR #LPPHELPS

4.3.1. ACTIVITIES OF THE LPP FOUNDATION

Since 2017 we have been carrying out our social and environmental protection activities through the LPP Foundation. The projects it runs or supports focus on:

- empowering socially excluded persons, especially children and young people,
- healthcare,
- supporting our closest environment,
- introducing innovative and ecological solutions in the textile industry,
- providing in-kind support.

HOW WE WORK

The Foundation mainly supports organisations based in the region of Pomerania, where LPP's central headquarters and its Distribution Centre are located, and the region of Lesser Poland, where House and Mohito offices are situated. We also carry out nationwide projects. We provide in-kind support to people across the country.

The Foundation's operations are regulated by its Bylaws and Principles of Cooperation with External Partners. Their provisions dictate that we work with legal persons only.

Our efforts are appreciated by the organisations we support. Last year we were presented with two special accolades: the title of Honorary Volunteer awarded by the Hospice Foundation and the Roman Koturbasz Helper of the Year Award presented by the Saint Albert Charity Association.

For more information about the Foundation's operations and how to obtain support, go to: www.lppsa.com/zrownowazony-rozwoj/fundacja-lpp-wspiera.

WHO WE SUPPORTED

In the reporting period we donated money mostly to organisations based in the regions of Pomerania and Lesser Poland. Their projects focused mainly on: preventing social exclusion and supporting local communities, healthcare and environment protection.



PREVENTING SOCIAL EXCLUSION AND SUPPORTING LOCAL COMMUNITIES

Our main partners in this area are: Gdańsk Foundation for Social Innovation, Rodzinny Gdańsk Foundation in Gdańsk and Nasz Dom Association in Cracow (all supporting children in foster care), Hospice Foundation (operator of the Orphaned Children's Fund), Bliżej Centrum Association for Local Initiatives and Prometeusz Association for Support and Reintegration.

In 2019 we took numerous actions to support initiatives that reduce the risk of social exclusion.

- We fully paid for 18 people's summer holiday and helped sponsor a children's summer holiday for 87 children and young people from Gdańsk and Cracow.
- We awarded scholarships to 42 beneficiaries of the Orphaned Children's Fund from Pomerania and Lesser Poland.
- We equipped small children's homes run by the Rodzinny Gdańsk Foundation and children's care homes in Tczew and Grudziądz.
- We sponsored Easter and Christmas events for socially excluded persons organised by the Dominican Friars in Gdańsk.
- We renovated and equipped the kitchen of a homeless shelter in Gdańsk.

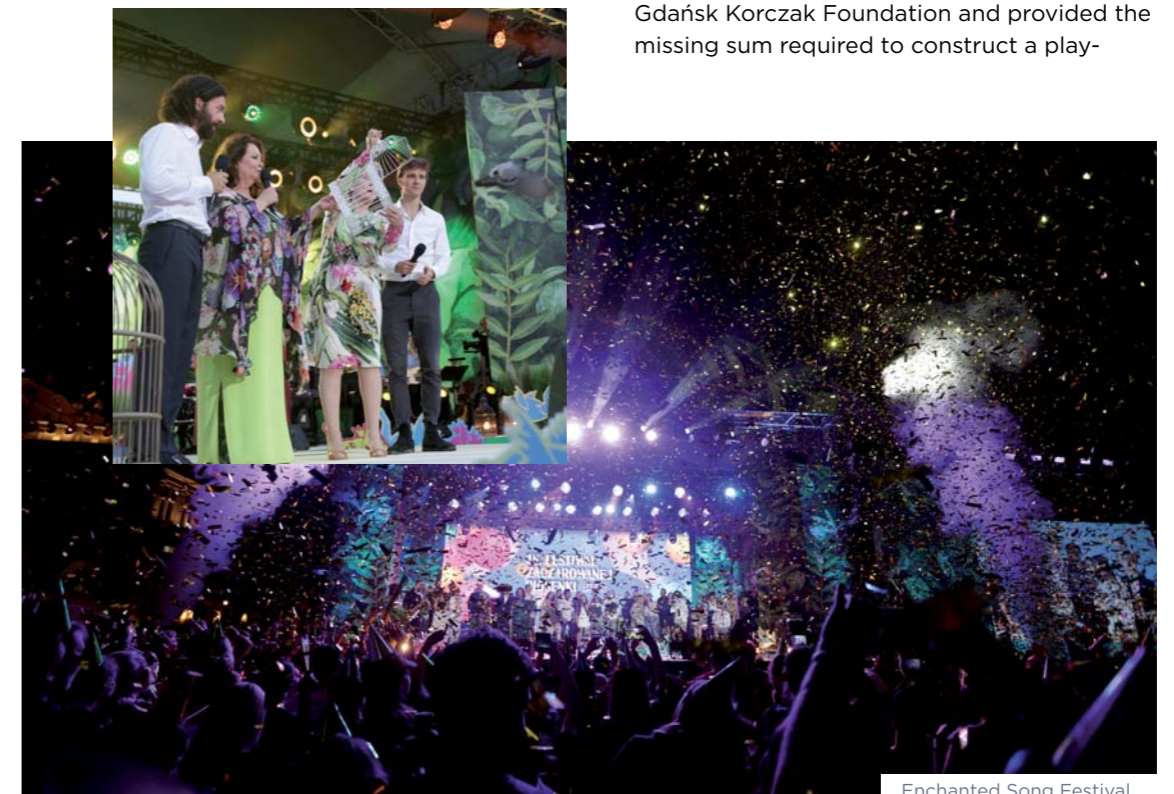
- We helped finance workshops and a performance held as part of Niefestiwal Miasto i Sztuka, a contemporary art event mounted by the Łaźnia Contemporary Art Centre.
- We supported the organisation of cycling workshops for children and young people.
- We co-organised the Neighbour Day in Gdańsk.
- We supported the day-to-day operations of Anna Dymna's Mimo Wszystko Foundation and paid for St. Nicolas Day gifts and Christmas presents for the foundation's beneficiaries.
- We paid for the remodelling and renovation of So Eat Restaurant, a community project that supports young people, including those who grew up in the small children's homes run by the Gdańsk Foundation for Social Innovation, as they enter the job market. LPP volunteers designed and carried out the remodelling and renovation with the help of the DWINIKS company.
- We bought school supplies and teaching aids for a pupils from Wilczęta supported by TPD Elbląg.
- We donated money for the renovation of the Helper Charity Centre run by the Saint Albert Charity Association's Wrocław branch.
- We bought St. Nicolas Day gifts for the beneficiaries of the Polish Association for People with Mental Disability, Na Skraju Association and Nasz Autyzm Association.



HEALTHCARE

We supported projects promoting a healthy lifestyle as well as healthcare centres.

- We contributed to the organisation of the charity run Five From The Heart and a fair promoting a healthy lifestyle, Ku zdrowiu.
- We contributed to the organisation of a Grandfather's Day fair for the patients of the Copernicus hospital.
- We paid for ecology promoting performances for child patients in Gdańsk and Cracow.
- We supported the construction of the eMOCja Holistic Loss Support Centre set up by the Pomorze Dzieciom Hospice, as well as the renovation of a waiting room for patients requiring care at night and out of hours in the Polanki Children's Hospital.
- We donated to the Hospice Foundation.
- Thanks to the efforts of the LPP Team, we were able to help finance rehabilitation and therapy needed by the beneficiaries of the Gdańsk Korczak Foundation and provided the missing sum required to construct a play-



Enchanted Song Festival



Children's Hospital

ground at the Lesser Poland Rehabilitation Centre in Radziszów.

- Together with our employees, we decorated a hallway of the Children's Anaesthesiology and Intensive Care Ward at the Copernicus Hospital with painted depictions of Gdańsk townhouses.
- We donated hospital beds to the Children's Haematology Ward of the University Clinical Centre in Gdańsk.
- We gifted computer equipment to the Polanki Children's Hospital.



ECOLOGY AND ENVIRONMENT PROTECTION

The Foundation supports animal welfare NGOs. We helped animal shelters that suffered as a result of a flood in 2019. We also contributed to a volunteering project started by our animal loving employees.

We supported: the Animals Pura Vida Foundation, Animal Rights Patrol in Borek, Pomeranian Temporary Cat Housing, Zwierzętom w Potrzebie Foundation in Jelonki, OTOZ ANIMALS Ciapkowo in Gdynia, OTOZ ANIMALS in Dąbrówka near Wejherowo, OTOZ ANIMALS in Elbląg, REKS Shelter in Malbork, Psi-Raj Shelter in Pasłęk, Psi Głos Association in Kruszewica and Cracow Animal Care Society.

In our efforts to support healthcare we supported: the Copernicus Hospital, Polanki Children's Hospital, St. Louis Regional Specialised Children's Hospital in Cracow - Lesser Poland Rehabilitation Centre in Radziszów, Pomorze Dzieciom Hospice, TriMama Foundation, Hospice Foundation, Gdańsk Korczak Foundation and Fundacja z Pompą.



PLN 315,600

this is how much we gave to initiatives that support local communities and prevent social exclusion.



PLN 404,000

this is how much we spent to support healthcare.



PLN 50,000

this is how much we gave to advance ecology and environment protection.

[Own measure: Number of projects implemented/supported by the LPP Foundation]

Between January 2019 and January 2020:

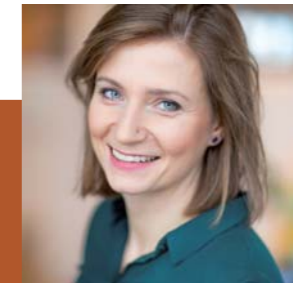
The LPP Foundation gave nearly
PLN 770,000
in monetary donations to support **54** projects.

We also donated nearly
136,000
articles of clothing worth over **PLN 2m** to **114** entities.

In total, we committed
PLN 2,829,275
to assist **140** organisations.

4.3.2. EMPLOYEE VOLUNTEERING

We are proud that our employees get involved in community service projects year after year. We know that this serves our development. It is also an opportunity to get to know each other and make our relationships stronger, which translates into better work atmosphere. Sharing your time, talents and abilities, regardless of your position in the organisation, is simply very satisfying. That is why many of us join Wolont-Wariaci, our employee volunteering scheme. More and more often we invite our contractors to help us help others.



'Last year LPP employees once again joined a number of ad hoc volunteering projects. The effect is instantaneous and lasts a long time, and the joy you see on the faces of those you helped is an invaluable gift for every volunteer.'

Monika Szenfer,
social engagement specialist



Cat Housing

In the reporting period **320** employees volunteered to help out with community service projects. Overall, they put in **1,650** hours.



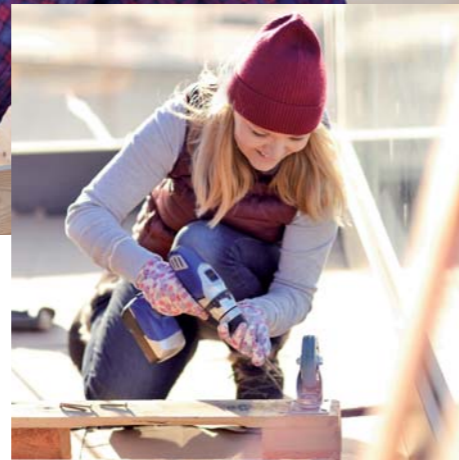
Mini-grants

HELPING IN ACTION

Our employees designed a remodelling of So Eat, a restaurant operating at Poland's first socially responsible hotel whose mission is to support young people facing a difficult start into adulthood. Both So Eat and So Stay are projects of the Foundation for Social Innovation, which we support. Our employees created designs, graphic art and murals inspired by the city of Gdańsk. Throughout the project they were helped by an LPP contractor, who worked pro bono.

We regularly support children's healthcare centres by making their spaces more friendly to their little patients. In 2019 our volunteers carried out another project for the Polanki Children's Hospital. This time round they redesigned the waiting room used by patients who turn up at the hospital at night. The renovation and new equipment was paid for by the LPP Foundation. To boot, the volunteers decorated the walls of the Children's Anaesthesiology and Intensive Care Ward at the Copernicus Hospital with painted depictions of Gdańsk townhouses. Our contractor helped out this time as well.

It is now a tradition for our employees to get involved in Children's Day and St. Nicolas Day events held at the University Children's Hospital in Cracow. Last year, they handed out presents to the little patients dressed in fairytale costumes.



LPP employees helped animals as well. Getting together with the Pomeranian Temporary Cat Housing to repair shelters for cats living in the Gdańsk Shipyard is now a fixture in our annual calendar. Without our efforts the cats might not survive in difficult weather conditions, especially in the winter.

4.3.3. MINI-GRANTS, THE FIRST EDITION

To encourage our employees to get even more involved in volunteering, in 2019 we launched a programme as part of which employees may apply for funds supporting projects in the field of: education, safety, culture, health, ecology, social activism and sports, diversity and work conditions at LPP. Applications are considered based on their justification, significance for the local or employee community, number of volunteers that are directly involved in joint actions and budget. The four top-ranking projects were awarded mini-grants.

The programme's overall budget was PLN 25,000. The grants were used to support a Single Mother's Home in Matemblewo and a school in Bangladesh. The money also helped organise training sessions for the LPP Team in Cracow and set up a garden on a terrace of LPP Gdańsk headquarters.

4.3.4. ECO-FRIENDLY INITIATIVES

GET CYCLING

In July and August 2019 we joined a campaign called Get Cycling mounted by Allegro's All For Planet Foundation. Its aim was to promote cycling as a way to reduce air pollution and reduce your carbon footprint. During the previous editions, cities competed with each other for the title of #TheCyclingCapitalofPoland. This time round the competition was also open to companies. In participating in the initiative our employees joined forces to support an ecological cause. We showed that you can significantly reduce your carbon footprint and save a lot of money when you switch four wheels for two.

LPP came in third in the competition. The 112 employees who joined in the campaign cycled 65,632 km altogether, which means they spent 4,036 hours on their bikes, burnt 2,173,962 calories, reduced their carbon footprint by 1.62 tonnes and saved PLN 55,131.

CYCLING GAME - GET CYCLING FOR GDAŃSK 2019

We continued our biking adventure by taking part in a Cycling Game organised by the city of Gdańsk in association with the Activity app. The aim of the game was to encourage the residents of Gdańsk to choose the bike over other, less ecological, means of transport, throughout the year, not only in the summer. LPP came in seventh out of 100 companies who participated. The 71 LPP employees who took part cycled 32,449 km over 3,449 bike rides and reduced their CO₂ emissions by 8,112 kilos.

PLANT AWAY

We became an official partner of Plant Away, a tree planting project launched by the company TORUS. The initiative aimed to replant a forest in the area of Lipusz devastated by a violent storm in 2017. On 19 and 26 October 2019, 200 of our employees together with nearly 1,500 workers from 40 other firms replanted 11 hectares of woodland.



Plant Away

[Own measure: Number of volunteers involved in community service projects in the reporting period]

RESULTS



OUR ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACT

As one of the largest tax payers in Poland and the largest one in the Polish province of Pomerania, we have a significant impact on the economy, environment and society. We consciously manage it, making these issues part of our development strategy. In the last reporting year we continued our investments in Poland, while our takings grew by PLN 184,233,000 as compared to 2018.

ECONOMIC IMPACT



- **94% of our profit** is taxed in Poland.
- **Our contribution to Poland's budget** in the reporting period was **PLN 1,097,619,000**.
- We drive up Polish exports. In the 2019/20 reporting year **our exports were worth PLN 5,106m**.
- **We support Polish companies.** As we develop as an organisation, we buy products and services from 300 Polish businesses. They employ ca. 3,500 people in total.
- As an active business partner and employer, we promote **local development** in the Pomerania Province.
- We regularly make **considerable investments**, mainly in Poland.
- Preparations are under way to build a Distribution Centre in Brześć Kujawski.
- We also invest abroad. In 2019 we set up an online orders Fulfillment Centre in Romania, creating new jobs and boosting local business.
- Between January 2015 and January 2020 we paid **PLN 4,182,927,000** in taxes, tariffs as well as social security, health care and disability contributions.
- Out of this sum we paid **PLN 465,554,000** in income tax and **PLN 2,576,553,000** in VAT.

ENVIRONMENTAL IMPACT



- Our new Strategy focuses on environmental goals.
- Our target is **to reduce our CO₂ emissions by 15% by 2025**.
- **All LPP brands marketed Eco Aware collections.** Eco Aware clothes are made of more environmentally friendly materials. We develop green manufacturing as part of the Eco Aware Production scheme. In 2025 Eco Aware's share in Reserved collections will be 50%.
- We are the Poland's first company to join a global initiative for circular plastic management launched by the Ellen MacArthur Foundation in association with the UN. **We actively support the goals of the New Plastics Economy Global Commitment.**
- Our approach to packaging is changing. All our stores in Poland **replaced free plastic bags with recycled paper bags for which the customers must pay.** Reserved and Mohito online orders are packed in cardboard boxes made from **100% used paper.**
- In 2020 we will reduce the amount of plastic film used in retail samples by 50%. **By 2025 we will exclusively use plastic that is 100% reusable, recyclable or compostable.**
- We care for the well-being of animals. We source wool and down from reliable suppliers. We stopped using fur and angora. **As of 2020 we no longer use mohair.**
- Our organisation uses renewable energy. In the reporting period, wherever we could choose the provider, **over 25% of the energy used by our stores was renewable.**
- **We put strong emphasis on chemical safety in manufacturing.** In 2020 we will most probably become the first Polish company to join Zero Discharge of Hazardous Chemicals (ZDHC), a coalition for minimisation of chemicals use in the textile, leather and shoe industries.
- Our shipments travel by maritime since it produces the least emissions¹.
- We adhere to the ECOOffice principles.
- Our customers are encouraged to get involved by bringing their used clothes to our stores. The garments are then donated to those in need. In giving the clothes a new life, we help protect the environment. In the reporting period, used clothes we collected in 50 Reserved, House and Mohito stores in 21 towns across Poland. **In 2023 all LPP stores will be collecting used textiles.**

¹ According to OECD Observer No 267, May-June 2008.

SOCIAL IMPACT



- Thanks to our products and customer experience, which we are constantly improving, our clients may realise their dreams.
- We want to help our customers make informed and responsible consumer choices.
- As a company that designs its products in Poland and sells them on three continents, **we promote Polish creators and fashion industry** abroad.
- Over **24,000 workers** are employed in our organisation. **Over 13,000** of them are based in Poland. As we grow and invest, we create more jobs. We plan to hire a few hundred people in our new Distribution Centre in Brześć Kujawski.
- We are **a good and stable employer**. We invest in employees' development and comfort in the workplace.
- Our employees' health is our top priority and a way to building a healthier society.
- **Our employee volunteering programmes** bring the best out of our workers. We make them more sensitive to social issues, encourage to give back and help those in need in the process.
- **We support local communities in our neighbourhood**, both materially and non-materially, by building relationships, activating, supporting health and well-being, facilitating access to culture and entertainment, and improving the space they live in.
- **Aspiring fashion professionals can benefit from our assistance**. We offer experience opportunities to young people.
- Thanks to us people facing the risk of social exclusion can **learn the skills needed to function in the society**, further their education and improve living conditions.

5.1. TAXES AND OTHER LEVIES PAID IN POLAND

TAXES AND OTHER LEVIES PAID IN 2015-2019/20 IN POLAND [IN PLN THOUSAND].

	2015	2016	2017	2018	2019/20
Value Added Tax (VAT)	412,945	488,056	529,929	540,869	604,754
Corporate Income Tax (CIT)	44,401	5,692	41,703	144,909	133,994
Tariffs	149,204	143,259	157,869	132,283	239,961
Personal Income Tax (PIT)	16,871	14,256	18,994	20,275	24,459
Employee social security contributions	11,154	14,828	19,890	22,884	
Employer social security contributions	15,779	21,068	27,866	32,932	
Healthcare contributions	5,370	9,313	12,617	14,754	
Total social security & healthcare contributions			60,373	70,570	88,925
Disability contributions	118	345	590	696	944
Real property taxes	2,954	3,225	3,607	3,791	4,578
Vehicle taxes	3	3	3	3	4
TOTAL [in PLN thousand]	658,799	700,045	813,068	913,396	1,097,619

5.2. KEY NON-FINANCIAL DISCLOSURES

Below is a juxtaposition of some key workforce and environmental data for 2019 (12 months) and the reporting period between Jan. 2019 and Jan. 2020 (13 months). The tables present the most comprehensive data collected for the past reporting periods.

WORKFORCE DATA	2017		2018		JAN. 2019–JAN. 2020	
	LPP SA	LPP GROUP	LPP SA	LPP GROUP	LPP SA	LPP GROUP
Employment²						
Total employee count	2,126	25,635	2,446	25,174	2,636	24,447
women	1,572	21,506	1,827	21,293	1,982	20,606
men	554	4,129	619	3,881	654	3,841
Contracts of indefinite duration	1,188	9,891	1,452	10,577	1,720	12,923
women	887	7,968	1,096	8,485	1,284	10,593
men	301	1,923	356	2,092	436	2,330
Other contracts ³	938	15,744	994	14,597	916	11,524
women	685	13,538	731	12,809	698	10,013
men	253	2,206	263	1,788	218	1,511
Full-time employees	2,098	16,102	2,420	15,623	2,607	15,106
women	1,553	13,089	1,809	12,837	1,958	12,290
men	545	3,013	611	2,786	649	2,816
Part-time employees	28	9,533	26	9,551	29	9,341
women	19	8,409	18	8,453	24	8,316
men	9	1,124	8	1,098	5	1,025

² As of the last day of the reporting period.

³ Contracts for a probationary period, fixed-term contracts, incl. internship contracts, replacement contracts and independent contractor agreements.

WORKFORCE DATA	2017		2018		JAN. 2019–JAN. 2020	
	LPP SA	LPP RETAIL	LPP SA	LPP RETAIL	LPP SA	LPP RETAIL
Employee turnover						
New hires	656	16,072 ⁴	658	12,054	570	11,255
The ratio of new hires to total employee count [%]	30	<i>Data reported since 2019</i>	26	<i>Data reported since 2019</i>	21.62	114.0
Including women	481	14,365	490	10,750	441	10,044
Including men	175	1,707	168	1,304	129	1,211
Including employees under 30	393	14,995	434	11,553	393	10,834
Including employees aged 30–50	251	1,029	218	485	169	402
Including employees over 50	12	48	6	16	8	19
Employees who left the organisation	388	5,016	344	12,523	380	11,913
The ratio of employees who left the organization to total employee count [%]	18	<i>Data reported since 2019</i>	14.1	<i>Data reported since 2019</i>	14.42	120.61
Including women	298	4,384	238	11,023	286	10,596
Including men	90	632	106	1,500	94	1,317
Including employees under 30	228	4,843	157	12,020	191	11,296
Including employees aged 30–50	153	164	182	473	179	597
Including employees over 50	7	9	5	30	10	20
Overall employee turnover [%] ⁵	<i>Data reported since 2018</i>	<i>Data reported since 2018</i>	14.1	114.4	14.42	120.61
Turnover for female staff			13	110	10.85	107.28
Turnover for male staff			17.1	161.8	3.57	13.33
Turnover for staff under 30			15.6	123.1	7.25	114.37
Turnover for staff aged 30–50			13.3	41	6.79	6.04
Turnover for staff over 50			7.4	107.1	0.38	0.2

⁴ The high number of new hires at LPP Retail was due to the establishment of LPP Retail in 2017. As a result the existing employees of the sales network became the subsidiary's employees.

⁵ The overall employee turnover ratio is calculated as the number of employees who left the organisation divided by the total employee count, multiplied by 100.

WORKFORCE DATA	2018		JAN. 2019–JAN. 2020	
	LPP SA	LPP RETAIL	LPP SA	LPP RETAIL
Diversity⁶				
Executives	246	1,890	252	828
women	147	1,737	154	762
men	99	153	98	66
employees under 30	17	1,347	9	473
employees aged 30–50	217	543	232	355
employees over 50	12	0	11	0
foreign nationals	1	7	2	2
people with disabilities	4	4	4	2
Other employees	2,200	9,057	2,384	9,049
women	1,680	8,281	1,828	8,296
men	520	776	556	753
employees under 30	992	8,419	1,018	8,233
employees aged 30–50	1,152	610	1,303	781
employees over 50	56	28	63	35
foreign nationals	88	103	110	115
people with disabilities	49	119	53	117

WORKFORCE DATA	2018		JAN. 2019–JAN. 2020	
	LPP SA	LPP GROUP	LPP SA	LPP GROUP
Diversity⁶				
Percentage of people with disabilities	2%	Data for 2018 not reported	4.3%	1.03%
Total number of cases of discrimination	0	0	0	0

WORKFORCE DATA	2017		2018		JAN. 2019–JAN. 2020	
	LPP SA	LPP GROUP	LPP SA	LPP GROUP	LPP SA	LPP GROUP
Training and development						
Average training hours per employee	6.4	Data reported since 2019	7.7 ⁷	2.9 ⁸	13 ⁹	4.2 ¹⁰
Total training hours (traditional and e-learning)	14,508	18,716	Data reported since 2019	36,800	98,226.5	

⁶ As of the last day of the reporting period.

⁷ Traditional.

⁸ Traditional.

⁹ Traditional and e-learning.

¹⁰ Traditional and e-learning.

WORKFORCE DATA	2017		2018		JAN. 2019–JAN. 2020	
	LPP SA	LPP GROUP	LPP SA	LPP GROUP	LPP SA	LPP GROUP
BHP						
Accidents in the reporting period	14	Data reported since 2018	20	198	12	126
The incidence rate ¹¹	8	Reported since 2018	8.2	2.8 ¹²	0.8 ¹³	
Working days lost as a result of job-related accidents	135		165	3,084	117	1,916

ENVIRONMENTAL DATA	2017		2018		JAN. 2019–JAN. 2020	
	LPP SA	LPP GROUP	LPP SA	LPP GROUP	LPP SA	LPP GROUP
Electricity						
Electricity consumption [GJ]	80,966	Data reported since 2018	88,442	793,077	95,473	942,701

ENVIRONMENTAL DATA	2017		2018		JAN. 2019–JAN. 2020	
	LPP GROUP	LPP GROUP	LPP GROUP	LPP GROUP	LPP GROUP	LPP GROUP
Greenhouse Gas Emissions						
	SCOPE 1+2	SCOPE 3	SCOPE 1+2	SCOPE 3	SCOPE 1+2	SCOPE 3
Greenhouse gas emissions [t CO ₂]	1,245.641 ¹⁴ (Scope 1)	Data reported since 2018	141,008	1,072,661	153,978	1,525,369

ENVIRONMENTAL DATA	2017		2018		JAN. 2019–JAN. 2020	
	LPP SA	LPP GROUP	LPP SA	LPP GROUP	LPP SA	LPP GROUP
Waste						
Used cardboard given up for recycling [kg]	4,627,159	Data reported since 2018	5,155,307	6,178,334	5,869,249	6,844,749
Plastic film given up for recycling [kg]	131,583		156,887	185,797	153,966	196,547
Wooden materials given up for recycling [kg]		Data reported since 2019			178,960	179,410

¹¹ The incidence rate in 2017 and 2018 equalled the number of injuries reported in a given period divided by the number of employees, multiplied by 1,000. Since the reporting year Jan. 2019–Jan. 2020 the incidence rate has been calculated according to the formula: the number of accidents in the reporting period divided by the number of hours worked, multiplied by 1,000,000.

¹² According to the previously used calculation method, the incidence rate was 4.6.

¹³ According to the previously used calculation method, the incidence rate was 5.4.

¹⁴ Our report for 2017 included 1,245,641 kilos of direct emissions from the combustion of fuels in stationary sources. The calculations were made by VERT and based on LPP SA data collected in the 2017 List of Cards: heating oil use (the boiler house in Pruszcz Gdański), natural gas use (Cracow, the logistics centre in Pruszcz Gdański).

5.3. FINANCIAL RESULTS

SELECTED FINANCIAL INFORMATION FOR THE THE LPP SA CAPITAL GROUP for a period of 13 months ended on 31 January 2020

SELECTED CONSOLIDATED FINANCIAL DATA¹⁵

	In PLN thousand			In EUR thousand		
	2019	2018	2018*	2019	2018	2018*
	1 Jan. 2019– 31 Jan. 2020	1 Jan. 2018– 31 Jan. 2019	1 Jan. 2018– 31 Dec. 2018	1 Jan. 2019– 31 Jan. 2020	1 Jan. 2018– 31 Jan. 2019	1 Jan. 2018– 31 Dec. 2018
Revenues	9,899,243	8,755,909	8,046,756	2,301,240	2,051,573	1,885,855
Operating profit (loss)	805,672	688,249	756,560	187,292	161,262	177,309
Pre-tax profit (loss)	665,190	656,813	723,680	154,634	153,896	169,603
Net profit (loss)	421,039	442,486	505,176	97,877	103,678	118,394
Weighted average number of ordinary shares	1,834,192	1,833,489	1,833,483	1,834,192	1,833,489	1,833,483
Profit (loss) per ordinary share	229.55	241.34	275.53	53.36	56.55	64.57
Net cash flows from operating activities	1,848,301	1,600,027	1,212,010	429,668	374,898	284,049
Net cash flows from investing activities	-861,467	-933,046	-704,396	-200,262	-218,619	-165,084
Net cash flows from financing activities	-682,470	-106,491	20,928	-158,651	-24,952	4,905
Total net cash flows	304,364	560,490	528,542	70,754	131,327	123,870

* Audited Year.

¹⁵ Exchange rate: EUR/PLN rate – the year 2019 (1 Jan. 2019–31 Jan. 2020): 4.3017, the year 2018 (1 Jan. 2018–31 Jan. 2019): 4.2679, the year 2018 (1 Jan. 2018–31 Dec. 2018): 4.2669.

SELECTED CONSOLIDATED FINANCIAL DATA¹⁶

	In PLN thousand			In EUR thousand		
	2019	2018	2018*	2019	2018	2018*
	1 Jan. 2019– 31 Jan. 2020	1 Jan. 2018– 31 Jan. 2019	1 Jan. 2018– 31 Dec. 2018	1 Jan. 2019– 31 Jan. 2020	1 Jan. 2018– 31 Jan. 2019	1 Jan. 2018– 31 Dec. 2018
Total assets	9,605,862	7,906,318	5,380,808	2,233,402	1,847,184	1,251,351
Long-term liabilities	3,159,266	2,634,305	346,148	734,542	615,463	80,500
Short-term liabilities	3,199,120	2,456,326	2,174,122	743,808	573,881	505,610
Equity	3,247,491	2,815,702	2,860,553	755,055	1,395	665,245
Share capital	3,705	3,705	3,705	861	2	862
Weighted average number of ordinary shares	1,834,192	1,833,489	1,833,483	1,834,192	1,833,489	1,833,483
Book value per share	1,770.53	0.00	1,560.17	411.66	0.00	362.83
Declared or paid dividend per share	60.00	40.00	40.00	13.95	8.29	9.30

CONSOLIDATED INCOME STATEMENT OF THE LPP SA CAPITAL GROUP for a period of 13 months ended on 31 January 2020

COMPREHENSIVE INCOME STATEMENT [IN PLN THOUSAND]

	2019	2018	2018
	For a period of 13 months ended on 31 Jan. 2020	For a period of 13 months ended 31 Jan. 2019 (unexamined)	For a period of 12 months ended on 31 Dec. 2018 (transformed)
Continuing operations			
Revenues	9,899,243	8,755,909	8,046,756
Cost of goods sold	4,753,528	4,127,639	3,645,497
Gross profit (loss) on sales	5,145,715	4,628,270	4,401,259
Selling costs	3,676,135	3,342,223	3,091,502
General costs	536,967	480,125	440,671
Other operating income	21,518	25,008	19,829
Other operating costs	148,459	142,681	132,355
Operating profit (loss)	805,672	688,249	756,560
Financial income	10,914	9,247	8,420
Financial costs	151,396	40,683	41,300
Pre-tax profit (loss)	665,190	656,813	723,680
Income tax	244,151	214,327	218,504

¹⁶ Exchange rate: EUR/PLN rate – the year 2019 (as of 31 Jan. 2020): 4.3010, the year 2018 (as of 31 Jan. 2019): 4.2802, the year 2018 (as of 31 Dec. 2018): 4.3000.

Net profit (loss) on continuing operations	421,039	442,486	505,176
Net profit attributable to:			
Shareholders of the parent company	421,039	442,486	505,176
Non-controlling interests	0	0	0
Other comprehensive income			
Items transferred to profit and loss			
Currency translation on foreign operations	68,851	-5,648	-23,487
Total comprehensive income	489,890	436,838	481,689
Attributable to:			
Shareholders of the parent company	489,890	436,838	481,689
Non-controlling interests	0	0	0
Weighted average number of ordinary shares	1,834,192	1,833,489	1,833,483
Profit (loss) per ordinary share	229.55	241.34	273.53
Diluted profit (loss) per ordinary share	229.44	241.22	275.40

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE LPP SA CAPITAL GROUP as of 31 January 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION [IN PLN THOUSAND]

	2019 As of 31 Jan. 2020	2018 As of 31 Jan. 2019 (unexamined)	2018 As of 31 Dec. 2018 (transformed)
ASSETS			
Non-current assets	5,870,719	5,279,524	2,417,752
1. Fixed assets	2,312,386	1,821,128	1,818,316
2. Intangible assets	126,234	92,737	89,630
3. Right of use assets	3,000,237	2,894,072	0
4. Goodwill	209,598	209,598	209,598
5. Trademark	77,508	77,508	77,508
6. Other financial assets	7,965	7,857	7,822
7. Deferred tax assets	134,795	172,784	164,277
8. Prepayments	1,996	3,840	50,601
Current assets	3,735,143	2,626,794	2,963,056
1. Inventory	1,921,139	1,210,260	1,590,368
2. Trade receivables	143,783	103,557	121,729
3. Income tax receivables	7,870	1,327	377
4. Other financial assets	210,968	170,223	134,827

5. Other non-financial assets	53,017	44,705	37,843
6. Prepayments	36,892	26,385	32,943
7. Cash and cash equivalents	1,361,474	1,070,337	1,044,969
Total assets	9,605,862	7,906,318	5,380,808
LIABILITIES			
EQUITY AND LIABILITIES			
Equity	3,247,491	2,815,702	2,860,553
1. Share capital	3,705	3,705	3,705
2. Treasury shares	-41,114	-43,067	-43,067
3. Share premium	286,829	278,591	278,591
4. Other reserves	2,731,274	2,251,623	2,251,623
5. Currency translation on foreign operations	-162,803	-213,815	-231,654
6. Retained earnings	429,600	538,665	601,355
- profit (loss) from previous years	8,561	96,179	96,179
- net profit (loss) for the current period	421,039	442,486	505,176
Non-controlling interest capital	15	-15	-15
Long-term liabilities	3,159,266	2,634,305	346,148
1. Bank loans and borrowings	171,234	84,123	88,575
2. Lease liabilities	2,567,953	2,439,447	0
3. Other financial liabilities	291,675	0	0
4. Employee liabilities	1,463	1,012	1,012
5. Deferred tax liabilities	276	309	686
6. Accruals	126,665	109,414	255,774
7. Other long-term liabilities	0	0	101
Short-term liabilities	3,199,120	2,456,326	2,174,122
1. Trade and other liabilities	2,053,635	1,286,535	1,497,511
2. Contract liabilities	19,929	18,335	23,140
3. Customer refund liabilities	27,207	36,240	36,731
4. Bank loans and borrowings	109,451	145,301	203,196
5. Lease liabilities	680,184	565,994	0
6. Employee liabilities	80,483	112,143	86,707
7. Income tax liabilities	174,363	236,474	234,434
8. Provisions	9,097	19,501	20,397
9. Accruals	44,771	35,803	72,006
Total equity and liabilities	9,605,862	7,906,318	5,380,808

CONSOLIDATED CASH FLOW STATEMENT OF THE LPP SA CAPITAL GROUP

for a period of 13 months ended on 31 January 2020

CONSOLIDATED CASH FLOW STATEMENT [IN PLN THOUSAND]

	2019 For a period of 13 months ended on 31 Jan. 2020	2018 For a period of 13 months ended 31 Jan. 2019 (unexamined)	2018 For a period of 12 months ended on 31 Dec. 2018 (transformed)
A. Cash flows from operating activities - indirect method			
I. Pre-tax profit (loss)	665,190	656,813	723,680
II. Total adjustments	1,183,111	943,214	488,330
1. Amortisation and depreciation	1,093,784	426,917	349,163
2. Foreign exchange gains (losses)	-7,042	-5,228	-11,383
3. Interest and dividends	133,523	16,067	4,825
4. Profit (loss) on investing activities	10,743	-38,983	-21,006
5. Income tax paid	-295,820	-44,812	-42,106
6. Change in provisions and employee benefits	-216,313	78,462	60,536
7. Change in inventories	-315,200	330,081	-133,164
8. Change in receivables and non-financial assets	-66,127	51,987	4,128
9. Change in short-term liabilities, excluding bank loans and borrowings	656,707	87,038	254,207
10. Change in prepayments and accruals	177,509	27,556	10,013
11. Other adjustments	11,347	14,129	13,117
III. Net cash flows from operating activities (I+/-II)	1,848,301	1,600,027	1,212,010
B. Cash flows from investing activities			
I. Inflows	480,047	638,780	634,506
1. Disposal of intangible and fixed assets	185,440	150,678	146,438
2. From financial assets, including:	1,601	3,038	3,004
a) in associates	24	125	96
- dividends	24	125	96
b) in other entities	1,577	2,913	2,908
- repayment of loans	70	95	90
- interest and other financial assets inflows	1,507	2,818	2,818
3. Other investing inflows (investment funds)	293,006	485,064	485,064
II. Outflows	1,341,514	1,571,826	1,338,902
1. Purchase of intangible and fixed assets	1,003,794	931,775	798,851
2. For financial assets, including:	2,720	51	51
a) in associates	2,628	0	0
- stocks purchased	2,628	0	0

b) in other entities	92	51	51
- loans granted	92	51	51
3. Other investing outflows	335,000	640,000	540,000
III. Net cash flows from investing activities (I-II)	-861,467	-933,046	-704,396
C. Cash flows from financing activities			
I. Inflows	949,239	390,194	369,230
1. Proceeds from issuance of shares	2	0	0
2. Loans and borrowings	649,486	390,194	369,230
3. Issuance of bonds	299,751	0	0
II. Outflows	1,631,709	496,685	348,302
1. Cost of maintenance of treasury shares	0	0	0
2. Dividends and other payments to owners	110,065	73,342	73,342
3. Repayment of bank loans and borrowings	663,512	348,522	260,706
4. Payment of lease liabilities	721,137	47,450	0
5. Interest	136,995	27,371	14,254
6. Other financial outflows		0	0
III. Net cash flows from financing activity (I-II)	-682,470	-106,491	20,928
D. Total net cash flows (A.III+/-B.III+/-C.III)	304,364	560,490	528,542
E. Balance sheet change in cash, including:			
- change in cash due to foreign currency translation	12,141	-4,943	1,637
F. Opening balance of cash	1,043,947	515,405	515,405
G. Closing balance of cash (F+/- D), including:	1,348,311	1,075,895	1,043,947

5.4. COMMENTARY TO FINANCIAL RESULTS

Last year was difficult for LPP and the whole retail sector. In Poland, we were forced to deal with an expanded Sunday trading ban; in almost any country we sell our collections, we saw more intense competition and rising consumer expectations.

The latter, in particular, were a driving force for our activities last year. With the buyers of our collections in mind, we worked hard **to develop the network of our brick-and-mortar stores and online shops**. We opened physical stores on two new markets, while our retail space increased by 14% YoY. At the same time, we launched online sales in 14 new countries, thus making our online offerings available on as many as 30 markets in total. As a result, in 2019/20 our sales revenue grew by 13.1% as compared to the previous year, hitting an all-time record.

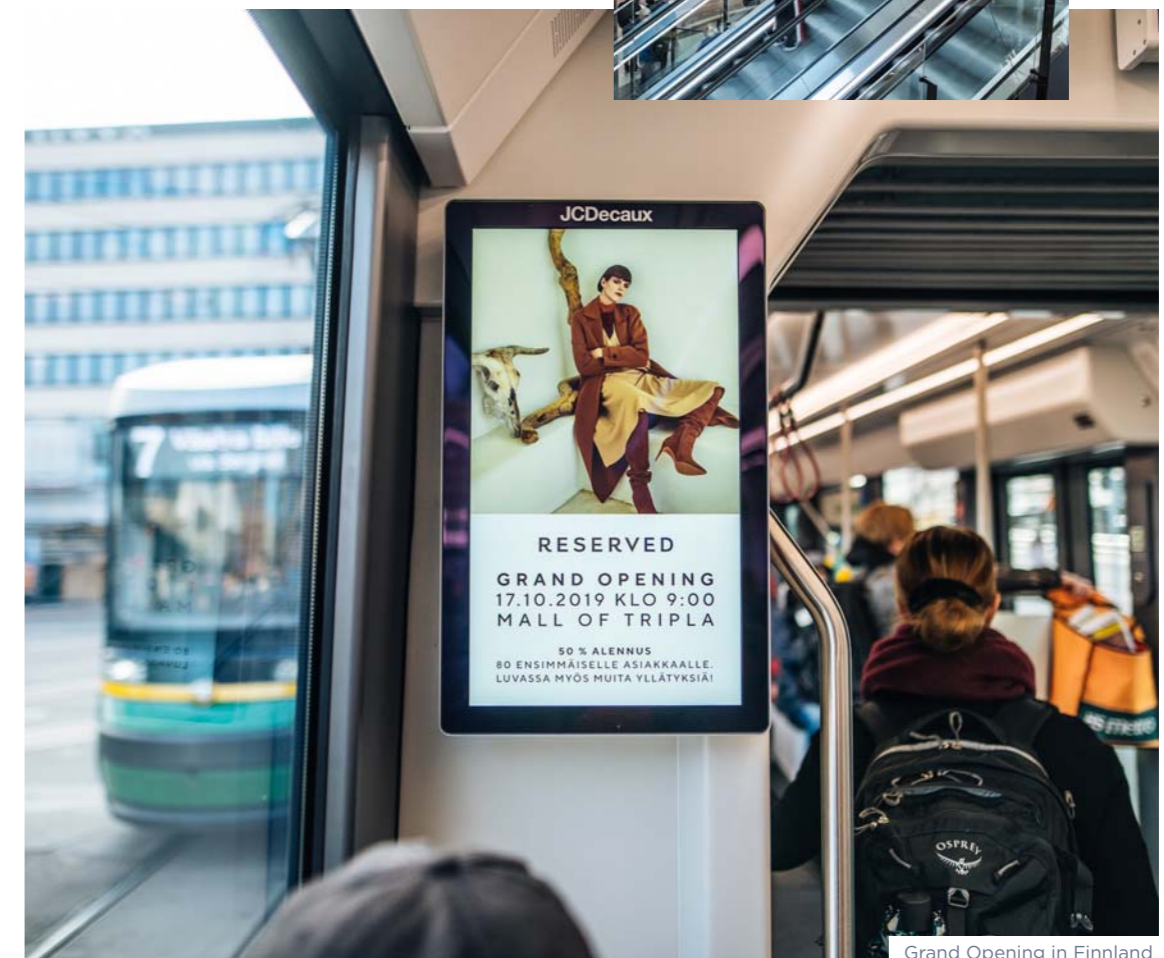
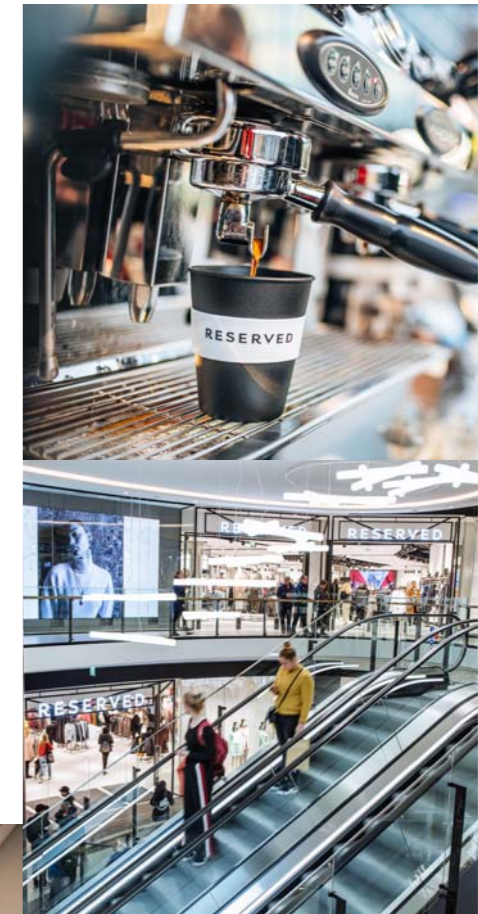
The weather was not too kind to us last year. A cold spring and warm winter translated into lower sales than originally estimated and, consequently, a drop in our sales margin to 52%, i.e. by 0.9 percentage point, as compared to 2018/19. Another contributing factor was **the growing share of Sinsay collections in the Group's sales**. The rising prominence of the youngest and most affordable brand in our portfolio naturally drives the Group's sales margin down.

Throughout the year **we were mindful of our operating expenses**, which in 2019/20 increased by 10.2% YoY. The rise was, however, lower by 3 percentage points than the growth of our sales revenue, which allowed us to record an operating profit. Unfortunately, the Polish currency's decreased value as compared to its foreign counterparts last year did us no favours, translating into considerable exchange differences and worse YoY result from the Group's financing activities.

All in all, however, we managed to end last year with **a sizeable net profit of PLN 421,039,000**. The result is nearly 5% lower than in the previous reporting period, yet the YoY decrease is the consequence of the application of MSSF16. Nevertheless, we consider 2019/20 to have been a good year.

Last year abounded in challenges as well as successes. We are particularly pleased with **the effective implementation of RFID at Reserved stores**, which makes it possible for us to control our stock better than before and increases the availability of our flagship brand's garments to our customers. For the first time in the LPP Group's history, **our foreign sales exceeded our sales in Poland**. It is a great step forward on our way to transform LPP into a global company. Finally, **we achieved an increase in LFL sales**, even in such difficult markets as Germany and the UK. Combined with a very good reception of our collections on the demanding Finnish market, this is a signal for us that Polish aesthetics and Polish fashion have potential for further growth - not only in Central and Eastern Europe but also on the challenging, sophisticated Western European market.

Last year showed us that our strategy focused on strengthening our position on such markets as Russia, Ukraine and Romania and continued efforts to increase the recognisability of our brands in the other countries where Reserved, Cropp, House, Mohito and Sinsay collections are available, is the right way to go. **It is complemented with a dynamic development of omnichannel**, which will provide our clients with a better, more effective and faster access to our offerings in the following years.



Grand Opening in Finland

BACKSTAGE: HOW THIS REPORT WAS PREPARED



6.1. APPROACH TO REPORTING

SCOPE OF REPORTING

This LPP integrated report includes financial and non-financial disclosures of LPP SA and the LPP Group **for a reporting year beginning on 1 January 2019 and ending on 31 January 2020**, unusually includes data for 13 months of our operations. Changing our reporting period from the calendar year to a reporting year ending on the last day of January, makes the report more useful as it corresponds with the seasonal nature of our business. Please, have that in mind when comparing the data included in this report and those provided in the report for 2018, especially as regards energy consumption, CO₂ emissions and employee turnover.

Our previous integrated report for 2018 was published on 11 April 2019. No corrections have been introduced since. We have also not changed the scope of reporting or calculation methods, except for the approach to calculating the accident incidence rate.

We keep our pledge to publish our integrated reports annually. Previous reports covering the period of 1 Jan.-31 Dec. 2017 and 1 Jan.-31 Dec. 2018 and available on our website at www.lppsa.com/en/sustainable-development/reports. The following report will cover 12 months of the LPP Group's activity from 1 Feb. 2020 to 31 Jan. 2021.

REPORT PREPARATION

The non-financial information presented in the report concern the operations of the parent company LPP SA, LPP Retail Sp. z o.o. and foreign subsidiaries of the LPP Group in 2019 and January 2020.

The consolidated financial statement of the LPP Group for 1 January 2019–31 January 2020 concerns LPP SA, its foreign subsidiaries and two Polish subsidiaries (LPP Retail Sp. z o.o. operating the retail network in Poland and Printable Sp. z o.o. that sells promotional clothing). The two remaining Polish subsidiaries (which lease store spaces in Poland) were omitted in the statement as irrelevant.

The financial disclosures presented in the report constitute the consolidated financial statement of the LPP Group and were made based on the financial statements of all the relevant subsidiaries, which used the same methods, valuations and accounting standards as the parent company LPP SA.

We work hard for the report to provide reliable and competently processed information about the goals, impacts and achievements of the LPP Group as regards environmental, economic and social issues. We strive to present the data to the LPP Group's stakeholders in a transparent and useful manner. To this end, we use the Global Reporting Initiative Standards at the subsequent stages of assessing the relevance of the reporting topics.

The report was prepared in accordance with the GRI Sustainability Reporting Standards at Core level. This means that:

- when working on the report we followed clear recommendations as regards the credibility, transparency and comparability of the presented content.

- the topics of non-financial disclosure were identified in accordance with the standard, following consultations with our employees, executives as well as representatives of many circles, including industry experts and our social and business partners, which was particularly important to us.

In line with the GRI standard, we meticulously identified topics of special importance, significant both for our organisation and its social and business environment. To determine the importance of the topics, we reviewed and updated the reporting topics discussed in the 2018 integrated report, then prioritised them.

When selecting the reporting topics and deciding on the scope of reporting, we took into account the views of the participants of

a stakeholder panel held in September 2019 in Warsaw in accordance with the AA1000 Stakeholder Engagement Standard. We are grateful to all the participants for taking part in the meeting.

We also analysed the company's internal documents as well as sustainable development practices and trends observed in the garment industry. The final decisions on the relevance of different reporting topics and the scope of this document were made with the involvement of the Management Board.

Throughout the months-long process of developing the report, we selected 13 non-financial topics to be disclosed by the LPP Group for the period between 1 Jan. 2019 and 31 Jan. 2020.

TABLE. REVIEWED KEY REPORTING TOPICS

KEY REPORTING TOPICS JAN. 2019–JAN. 2020	KEY REPORTING TOPICS 2018	KEY REPORTING TOPICS 2017
Legality of operations (p. 24)	Legality of operations	Legality of operations
Investments in advanced technologies (p. 71, 78)	Investments in advanced technologies	Tax practices
Customer satisfaction (p. 74-75, 81)	Customer satisfaction	Customer satisfaction
The company's business strategy and future plans (p. 21-22)	The company's business strategy and future plans	The company's business strategy and future plans
Product safety (p. 66)	Product safety	Product quality
Product quality (p. 58-59, 66)	Product quality	Garment production in Poland
Conditions of work at LPP (p. 86-97)	Conditions of work at LPP	Product safety
Employee satisfaction (p. 96-97)	Garment production in Poland	Conditions of work
Assessment of suppliers' workplace conditions (p. 63-65)	Recruitment	Employee satisfaction
Employee development (p. 100-105)	Employee satisfaction	Recruitment
Conditions of work at points of sale (LPP Retail) (p. 86-97)	Promotion of fashion occupations	Promotion of fashion occupations
Sustainable fashion (p. 48-58)	Assessment of suppliers' workplace conditions	Assessment of suppliers' workplace conditions
Development of the retail network (p. 67-69)	Employee development	Assessment of suppliers' compliance with occupational health and safety
-	-	Occupational health and safety at work

The report also includes:

- non-financial disclosures required by the Polish Accounting Act. For detailed information on the topic, please consult the table on p. 150),
- disclosures that we agreed to make when joining the UN Global Compact in 2019 – Communication on Progress (see table on p.151).

Throughout the process, we were assisted by an independent consulting firm, CSRinfo. To confirm the credibility of the report, just like last year, we used external assurance provided by Bureau Veritas.

The auditor was chosen mainly based on their expertise in auditing and controls.

6.2. INDICES AND TABLES

TABLE OF NON-FINANCIAL DISCLOSURES

Below is a list of non-financial disclosures required by the **Polish Accounting Act** with relevant page numbers.

TOPIC	PAGE NUMBER	
	LPP SA	LPP GROUP
1. LPP business model	18-23	18-23
2. Key performance measures	7-10	7-10
3. Politics, procedures, regulatory documents at LPP:		
• employee matters	98-99	98-99
• social matters	24, 110-127	24, 110-127
• environmental matters	29, 52	29, 52
• protection of human rights	61-63, 82-83	61-63, 82-83
• anti-corruption	14, 24-25	14, 24-25
4. Non-financial risks and their management	24-25	24-25

COMMUNICATION ON PROGRESS

Since 2019 LPP SA has been a part of the **UN Global Compact**. This means we are implementing The Ten Principles defined by the initiative and report our progress in that respect.

We are certain of the value of such an approach to the business and social role of each and every company. We pledge to continue to support the implementation of the UN Global Compact principles in our business practices and other activities.

The table below lists pages where you will find key information concerning The Ten Principles of the UN Global Compact and the Communication on Progress required by the UN Global Compact.

ISSUE	PAGE NUMBER
Expression of continued support for the UN Global Compact	2-3, 151
Human rights	
Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	25, 61-64, 82-83
Principle 2. Businesses should make sure that they are not complicit in human rights abuses.	25, 61-64, 82-83
Labour	
Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	LPP respects the freedom of association and the right to collective bargaining. In the reporting period, there were no trade unions or instances of collective bargaining at LPP. For more on LPP's organisational culture and employee relations, go to p. 84-109 of the report.
Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	25, 61-64, 82-83
Principle 5. Businesses should uphold the effective abolition of child labour.	The is a very important principle for LPP in the context of the organisation's co-operation with its suppliers and one we stand by unconditionally. Our requirements for suppliers state that explicitly. For more on this, go to p. 25, 61-64, 82-83.
Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	82-83, 88-89, 98-99, 130-132
Environment	
Principle 7. Businesses should support a precautionary approach to environmental challenges.	25, 26-27, 50-53, 130-132
Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.	26-27, 50-53, 60, 112, 130-132
Principle 9. Businesses should support the development and diffusion of environmentally friendly technologies.	26-27, 50-53, 112, 130-132
Anti-corruption	
Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	25-25

GRI CONTENT INDEX

THE LIST OF DISCLOSURES INCLUDED IN THE REPORT

DISCLOSURE NO.	GRI STANDARD TITLE	DISCLOSURE NAME	COMMENTS / REPORTED	PAGE NO.
GRI 101. FOUNDATION 2016 ESSENTIAL INFORMATION [IT DOES NOT INCLUDE ANY DISCLOSURES.]				
I. PROFILE DISCLOSURES [GENERAL DISCLOSURES 2016]				
GRI 102-1	GRI 102. General Disclosures 2016	Name of the organization.		6
GRI 102-2		Activities, brands, products, and services.		6
GRI 102-3		Location of headquarters.		6
GRI 102-4		Location of operations.		6-10, 62
GRI 102-5		Ownership and legal form.		14
GRI 102-6		Market served by the group and its brands.		8-9
GRI 102-7		Scale of the organization:		7-10, 19
Own measure	Not applicable	Retail space in sq. meters for the whole Group and the percentage increase YoY.		7
Own measure		Store count and YoY increase for the whole Group.		7
Own measure		E-commerce sales revenue as a percentage share in the Group's revenue and the percentage increase YoY.		77
Own measure		LFL sales in the reporting year.		7
GRI 102-8	GRI 102. General Disclosures 2016	Information on employees and other workers.		87-88
		Total employee count by gender and type of employment contract at LPP SA and the LPP Group.		87
		Total employee count by the form of employment (full-time vs. part-time) by gender at LPP SA and the LPP Group.		88
GRI 102-9		Description of the supply chain.		62, 66-70
Own measure	Not applicable	Foreign suppliers' percentage share in the overall procurement value by country.		62
GRI 102-10	GRI 102. General Disclosures 2016	Significant changes to the size, structure or ownership of the organization and its supply chain.		14, 62
GRI 102-11		Precautionary Principle or approach.		24, 50-53
GRI 102-12		External initiatives.		14, 30-31, 34
GRI 102-13		Membership of associations.		30-31, 34
GRI 102-14		Statement from senior decision-maker.		2-3
GRI 102-15		Key impacts, risks, and opportunities.		15-16, 20-21, 25, 130-132
GRI 102-16		Values, principles, standards, and norms of behavior.		18, 24, 60
GRI 102-18		Governance structure.		11
GRI 102-40		List of stakeholder groups.		33
GRI 102-41		Collective bargaining agreements.	<i>Not applicable. No such agreements in the organization.</i>	86
GRI 102-42		Identifying and selecting stakeholders.		32-33
GRI 102-43		Approach to stakeholder engagement.		32-35, 44, 148

[GRI 102-55]

GRI 102-44	GRI 102. General Disclosures 2016	Key topics and concerns raised.		148	
GRI 102-45		Entities included in the consolidated financial statements.		148	
GRI 102-46		Defining report content and topic Boundaries.		150	
GRI 102-47		List of material topics.		149-150	
GRI 102-48		Restatements of information.		148	
GRI 102-49		Changes in reporting.	<i>The reporting period: 1 January 2019 -31 January 2020. The previous report covered 12 months: 1 January 2018 - 31 December 2018.</i>		148
GRI 102-50		Reporting period.	<i>The reporting year: 1 January 2019 -31 January 2020.</i>		148
GRI 102-51		Date of the most recent report.	<i>April 2019.</i>		148
GRI 102-52		Reporting cycle.	<i>The annual cycle.</i>		148
GRI 102-53	Contact point for questions regarding the report.			164	
GRI 102-54	Claims of reporting in accordance with the GRI Standards.	<i>The report was prepared in accordance with the GRI Sustainability Reporting Standards at Core level.</i>		148	
GRI 102-55	GRI content index.			152	
GRI 102-56	External assurance.	<i>The report was subject to an external audit.</i>		148, 161	

II. SPECIFIC DISCLOSURES ON KEY REPORTING TOPICS

The reporting topic: The company's business strategy and future plans.

GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.		21-23, 29
GRI 103-2		The management approach and its components.		
GRI 103-3		Evaluation of the management approach.		

Own measure Not applicable Description of the company's strategy.

The reporting topic: Investments in advanced technologies.

GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.		57, 70-71, 78-81
GRI 103-2		The management approach and its components.		57, 70-71, 78-81
GRI 103-3		Evaluation of the management approach.		

Own measure Not applicable Description of the goals and scope of investments in advanced technologies.

The reporting topic: Legality of operations.

GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.		24
GRI 103-2		The management approach and its components.		
GRI 103-3		Evaluation of the management approach.		
GRI 205-2	GRI 205. Anti-corruption 2016	Communication and training about anti-corruption policies and procedures (partially disclosed).		24

The reporting topic: Development of the retail network.			
GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.	66-71
GRI 103-2		The management approach and its components.	
GRI 103-3		Evaluation of the management approach.	
Own measure	Not applicable	Average number of garments sent to stores daily.	68
		Percent share of different modes of transportation in the reporting year.	68
ENVIRONMENTAL TOPICS			
The reporting topic: Sustainable fashion			
GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.	48-53
GRI 103-2		The management approach and its components.	
GRI 103-3		Evaluation of the management approach.	
Own measure	Not applicable	LPP's major sustainable fashion goals - descriptive measure.	50-53
Own measure		Percent share of Eco Aware products in LPP collections.	59
Energy			
GRI 302-1	GRI 302. Energy 2016	Energy consumption within the organization.	56, 76, 137
Emissions			
GRI 305-1	GRI 305. Emissions 2016	Direct (Scope 1) GHG emissions.	54-55, 137
GRI 305-2		Energy indirect (Scope 2) GHG emissions.	
GRI 305-3		Other indirect (Scope 3) GHG emissions.	
Supplier Environmental Assessment			
GRI 308-2	GRI 308: Supplier Environmental Assessment 2016	Negative environmental impacts in the supply chain and actions taken (descriptive) [partially disclosed].	62,65, 68-69
Waste			
GRI 306-2	GRI 306. Effluents and Waste 2016	Waste by type and disposal method.	57, 137
SOCIAL TOPICS			
The reporting topic: Conditions of work at LPP			
GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.	86-89, 98-99
GRI 103-2		The management approach and its components.	
GRI 103-3		Evaluation of the management approach.	
Employment			
GRI 401-1	GRI 401. Employment 2016	New employee hires and employee turnover, incl.: Employees who left the organization by gender and age at LPP SA and LPP Retail. New employee hires by gender and age at LPP SA and LPP Retail.	93, 135
GRI 401-2		Benefits provided to full-time employees that are not provided to temporary or part-time employees.	99

Diversity			
GRI 405-1	GRI 405. Diversity and Equal Opportunity 2016	Diversity of governance bodies and employees.	88-89
Own measure	Not applicable	Percentage of employees with disabilities.	88-89, 136
Occupational health and safety			
GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.	106-107
GRI 103-2		The management approach and its components.	
GRI 103-3		Evaluation of the management approach.	
GRI 403-1	GRI 403. Occupational Health and Safety 2018	Occupational health and safety management system.	LPP applies the occupational health and safety management system in accordance with the Polish law regulations, set out i.e. in the Labour Code. 106, 155 Reported in the GRI table.
GRI 403-2		Hazard Identification, risk assessment, and incident investigation	LPP employees are encouraged to report any situations that may pose a health and safety risk to their superiors and dedicated OHS management services in the company. We have a notification box for employees. The company policy and the Polish law regulations do not allow any restrictions towards employees reporting such situations and comments. 106, 155 Reported in the GRI table.
GRI 403-3		Occupational health services.	The Labour Code and The LPP Code of Conduct do not allow breaking the confidentiality rule in the area of employee data protection, including health-related information. 108, 156 Reported in the GRI table.
GRI 403-4		Worker participation, consultation, and communication on occupational health and safety.	106
GRI 403-5		Worker training on occupational health and safety.	106-107
GRI 403-6		Promotion of worker health.	99
GRI 403-7		Prevention and mitigation of occupational health and safety impacts directly linked by business relationships.	Reference to The LPP Code of Conduct pages. 106
GRI 403-9		Work-related injuries.	108, 136
The reporting topic: Conditions of work at points of sale [LPP Retail]			
GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.	86-89, 98-99
GRI 103-2		The management approach and its components.	
GRI 103-3		Evaluation of the management approach.	
Own measure	Not applicable	Description of the conditions of work in points of sale - descriptive measure.	98-99

The reporting topic: Employee development			
Training and education			
GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.	100-105
GRI 103-2		The management approach and its components.	
GRI 103-3		Evaluation of the management approach.	
GRI 404-1	GRI 404. Training and Education 2016	Average hours of training per year per employee (partially disclosed).	100, 105, 136
GRI 404-2		Programs for upgrading employee skills and transition assistance programs. <i>Partially disclosed.</i>	101-103
The reporting topic: Employee satisfaction			
GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.	97
GRI 103-2		The management approach and its components.	
GRI 103-3		Evaluation of the management approach.	
Own measure	Not applicable	Employee satisfaction surveys carried out at LPP and their results - descriptive measure.	97
The reporting topic: Customer satisfaction			
GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.	74-81
GRI 103-2		The management approach and its components.	
GRI 103-3		Evaluation of the management approach.	
Own measure	Not applicable	The Group's net sales revenue in the reporting year and % increase YoY.	7
Own measure	Not applicable	Example methods of obtaining information about customer expectations.	44
Own measure	Not applicable	Social media followers by brand.	44
Own measure	Not applicable	Number of complaints lodged to Polish Committee of Advertising Ethics concerning LPP marketing communications that led to a negative outcome for LPP.	47
The reporting topic: Product quality			
GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.	58-59, 66
GRI 103-2		The management approach and its components.	
GRI 103-3		Evaluation of the management approach.	
Own measure	Not applicable	Number of quality inspections in factories and the Distribution Centre carried by LPP inspectors daily in the reporting year.	66
Own measure	Not applicable	Number of quality inspections carried by LPP inspectors daily.	
The reporting topic: Product safety			
GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.	66
GRI 103-2		The management approach and its components.	
GRI 103-3		Evaluation of the management approach.	

GRI 416-2	GRI 416. Customer Health and Safety 2016	Incidents of non-compliance concerning the health and safety impacts of products and services.	<i>No such incidents in the reporting year.</i>	157 Reported in the GRI table.
The reporting topic: Assessment of suppliers' workplace conditions				
GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.		62-66, 82-83
GRI 103-2		The management approach and its components.		
GRI 103-3		Evaluation of the management approach.		
GRI 414 -1	GRI 414. Supplier Social Assessment 2016	New suppliers that were screened using social criteria.		61-65
Own measure	Not applicable	Number of inspections concerning occupational health and safety, workplace conditions and human rights in the reporting Year.		
Local Communities				
GRI 413-1	GRI 413. Local Communities 2016	Operations with local community engagement, impact assessments, and development programs.		118
Own measure	Not applicable	Donations in the reporting year.		121
Own measure	Not applicable	Community service projects implemented/ supported by the LPP Foundation.		125
Own measure	Not applicable	Number of volunteers involved in community service projects in the reporting year.		126

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Leadership training at the LPP central headquarters in the 2019/20 reporting period year.	3	102

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Job-related injuries in LPP SA, LPP Retail and foreign subsidiaries in the 2019/20 reporting period.	3	108
Participant feedback on The First Fitting.	4	117

KEYWORDS

WORD/PHRASE	EXPLANATION	PAGE NUMBER
ACCORD	The Accord on Fire and Building Safety in Bangladesh.	27, 35, 64, 83
Bangladesh	One of the markets where LPP clothes are manufactured.	2, 27, 62-66, 83, 127
Business model	The content, structure and governance of transactions designed so as to create value through the exploitation of business opportunities (after R. Amit, C. Zott).	83, 106-108
China	One of the markets where LPP clothes are manufactured.	4, 30-31, 36, 84, 110
Client	A person who makes a purchase for their own use or in order to resell it.	62, 89
Clothes	For the purposes of this report, products sold by any of LPP brands.	27, 32, 34, 89
Dialogue	Exchange of views, ideas, opinions or arguments between people and organisations.	30, 48, 59, 61-63, 66, 83
Designing	Creating clothes and accessories designs.	3, 27, 29, 59, 65, 131
Diversity in the workplace	All attributes that make people (employees) different, e.g. diversity in terms of age, gender, views, ethnicity and culture.	24, 98-99
Eco Aware	LPP's environmental protection standard.	27, 32-34
Employee	A person who works for an organisation, a worker.	33
Ethics	For the purposes of this report, all norms of business behaviour considered as a benchmark by the society.	10, 22, 29, 36, 51, 57, 68-69
Environment	All elements of nature, including those transformed by human activity, in particular the surface of the earth, fossils, water, air, animals and plants, landscape and climate.	2, 18, 33, 83
Human rights	Fundamental, inalienable and universal rights inherent to every human being.	67, 70, 83
Investments	Assets owned for economic profit.	15, 27, 33, 118, 132
Investor	An individual or legal person that invests financial resources expecting a return.	18, 32
Local	Characteristic for a given area or community.	15, 23, 130
Logistics	The process of planning, implementation and supervision of the flow of materials and end-products along the value chain.	24-25, 30, 33, 60, 82-83, 86-109, 124-127

EXTERNAL ASSURANCE



Recruitment	The process of acquiring new employees.	82, 83
RFID	Radio-frequency identification used to identify and track tags attached to an object along the supply chain.	12, 27, 50-51, 58, 82-83
Safety	A situation when employees (including suppliers' employees) and their families are not facing any dangers, which gives them with a sense of individual and collective security and potential for development.	90-92
Sale	The transfer of ownership of a product between the seller and the buyer in exchange for an agreed sum of money.	6, 21-22, 71
Sewing	For the purposes of this report, the process of manufacturing LPP clothes.	27, 30, 86, 88, 97-98
Social involvement	A business's involvement in initiatives that benefit the community in the form of monetary contributions, in-kind support or employee volunteering.	6-8, 10, 20, 39-45, 52-53, 74-77, 83, 104-105, 107
Stakeholder	An entity that may influence the organisation or is influenced by the organisation's actions.	4, 6-10, 15, 20-23, 52053, 72-78, 83
Store	For the purposes of this report, a place where LPP products are sold.	6, 21-23, 26-29, 104, 131
Strategy	The direction and scope of activity chosen by a company and implemented over a long term to achieve competitive advantage.	2, 23, 39, 48, 50, 66, 112-114, 132
Supplier	An entity that provides goods or services.	27, 33, 71, 82-83, 100-105
Sustainable fashion	Creating fashion in line with the principles of sustainable development at every stage of the value chain: when designing collections, selecting materials, collaborating with suppliers, transporting and distributing products, implementing eco-friendly solutions at the stores, in on-line sales and offices, and building consumer engagement.	2
Taxes	Compulsory non-refundable monetary contributions to state revenue required by law and made without consideration.	6, 19, 23, 25, 29, 35, 38-39, 48-49, 52, 59, 62-63, 127
Technologies	For the purposes of this report, all processes as part of which LPP clothes are manufactured, in particular those making use of advanced solutions.	23, 25, 29-31, 53, 57, 59, 71-72, 76, 78
Training	For the purposes of this report, activities that enable the employees to gain knowledge or learn skills.	52-53, 67-68
Transport	For the purposes of this report, the movement of LPP employees, materials and products.	26-27, 41-42, 50-52, 62, 64-66, 68-69, 71
UN Sustainable Development Goals 2015-2030	17 goals of the 2030 Agenda for Sustainable Development adopted by all UN countries in September 2015.	18, 33, 86, 88, 95, 98
Values	For the purposes of this report, the norms and principles of behaviour governing LPP's operations.	82

INDEPENDENT LIMITED ASSURANCE STATEMENT

To: The Stakeholders of LPP Group

Introduction and objectives of work

BUREAU VERITAS Polska Sp. z o.o. (Bureau Veritas) has been engaged by LPP SA (LPP) to provide limited assurance of Selected information included in its "LPP integrated report 2019" (the Report). This Assurance Statement applies to the related information included within the scope of work described below.

Selected information

The scope of our work was limited to assurance over GRI Standards Disclosures, Core option, LPP's non-financial indicators required by The Accounting Act¹ and greenhouse gas (GHG) emissions included in the Report for the period 1 January 2019 to 31 January 2020

Excluded from the scope of our work is any assurance of other information included in the Report.

Reporting Criteria

The Selected Information needs to be read and understood together with the standards for sustainability reporting The GRI Standards 2016 and GRI 403: 2018 as set out at <https://www.globalreporting.org>, principles of developing LPP's non-financial indicators and GHG Protocol standards:

- The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard Revised Edition,
- GHG Protocol Scope 2 Guidance,
- Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Limitations and Exclusions

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period;
- Positional statements (expressions of opinion, belief, aim or future intention by LPP, and statements of future commitment.

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. The reliability of the reported data is dependent on the accuracy of metering and other production measurement arrangements employed at site level, not addressed as part of this assurance. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Responsibilities

This preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of LPP.

Bureau Veritas was not involved in the drafting of the Report or the Reporting Criteria. Our responsibilities were to:

- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria;
- form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- report our conclusions to the Directors of LPP.

Bureau Veritas was involved in the developing of the guidelines for collecting energy usage in Poland, waste, raw materials usage data and methodology for accounting GHG emissions from facilities in Poland, products transport from suppliers to distribution centres.

¹ Act of 29 September 1994 on the Accounting - Ustawa z dnia 29 września 1994 r. o rachunkowości



Assessment Standard

We performed our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after December 15, 2015), issued by the International Auditing and Assurance Standards Board and PN-ISO 14064-3:2008 Greenhouse gases -- Part 3: Specification with guidance for the verification and validation of greenhouse gas statements.

Summary of work performed

As part of our independent verification, our work included:

1. Assessing the appropriateness of the Reporting Criteria for the Selected Information;
2. Conducting interviews with relevant personnel of LPP;
3. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;
4. Reviewing documentary evidence provided by LPP;
5. Agreeing a selection of the Selected Information to the corresponding source documentation;
6. Reviewing LPP's systems for quantitative data aggregation and analysis;
7. Assessing the disclosure and presentation of the Selected Information to ensure consistency with assured information;
8. Audit of sample of data used by LPP to determine GHG emissions in Poland.

Conclusion

On the basis of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the Selected Information is not fairly stated in all material respects.

Evaluation against GRI Standards

Bureau Veritas Polska Sp. z o.o. undertook an evaluation of The Report against the GRI Standards. This included cross checking the GRI index table against all the reference documents to provide an opinion on the self-declared GRI application level.

Based on our work, it is our opinion that "LPP integrated report 2019" has been prepared in accordance with standards for sustainability reporting the GRI Standards, Core option.

Evaluation against GHG emissions

Boundaries of the LPP GHG emissions covered by the verification:

- Organizational boundaries: operational control
- LPP S.A., LPP Retail sp. z o.o., as well as companies operating in the countries: Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Germany, Hungary, Kazakhstan, Latvia, Lithuania, Romania, Russia, Serbia, Slovakia, Slovenia, Ukraine, United Kingdom;

Level of Assurance: Limited

Data and information supporting the Scope 1 and Scope 2 GHG emissions assertion were historical in nature. Data and information supporting the Scope 3 GHG emissions assertion were historical in nature and in some cases estimated (products transport, use phase of sold products).

There was no biogenic GHG emissions identified.



GHG Emissions	2019	January 2020
Scope 1 – tonnes of carbon dioxide equivalents (tCO ₂ e)	4 515	351
Scope 2 (Location-Based) - tCO ₂ e	140 508	8 604
Scope 3 – Total - tCO ₂ e	1 360 267	165 102
Scope 3 – Purchased goods and services - tCO ₂ e	960 629	118 891
Scope 3 – Fuel-and energy-related Activities (not included in scope 1 or scope 2) - tCO ₂ e	19 318	1 287
Scope 3 – Upstream transportation and distribution -tCO ₂ e	46 003	4 273
Scope 3 – Waste generated in operations - tCO ₂ e	532	46
Scope 3 – Business travels - tCO ₂ e	4 130	86
Scope 3 – Downstream transportation and distribution - tCO ₂ e	19 520	2 398
Scope 3 – Use of sold products - tCO ₂ e	310 135	38 122

Conclusion

Based on the process and procedures conducted, there is no evidence that the GHG emissions assertion:

- Is not materially correct and is a fair representation of the GHG emissions data and information, and
- Has not been prepared in accordance with GHG Protocol standards listed above.

Statement of Independence, Integrity and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 185 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified² Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA)³, across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities.

BUREAU VERITAS POLSKA Sp. z o.o.

Warsaw, May 2020

Witold Dżugan

Member of the Board

Michał Stalmach

Verifier

Joanna Waberska

GHG Verifier

² Certificate of Registration No. 44 100 160145 issued by TÜV NORD CERT GmbH

³ International Federation of Inspection Agencies – Compliance Code – Third Edition

LET'S STAY IN TOUCH

We are glad that we were able to present to you the effects of another year of LPP's operations, our business philosophy and approach to responsibility that covers all processes taking place in the company.

If, having read the report, you would like to share your reflections, comments or ideas with us, feel free to contact us. We care about what each and every one of you thinks.



We look forward to reading your e-mails.

Anna Miazga
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Monika Wszeborowska
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The LPP Integrated Report was printed on 100% recycled Nautilus Class paper, which has been bleached without any type of chlorine. This helped reduce the carbon footprint in the following way:



28 kilos of waste did not end up in a land fill,



greenhouse gas emissions were reduced by **4 kilos**,



the product's travel footprint shrank by **37 km** on average (medium-sized European car),



1076 litres of water were saved,



63 kWh of energy were saved,



44 kilos of wood were saved.

The carbon footprint was estimated by Labelia Conseil in accordance with the Bilan Carbone® methodology. The calculations are based on a comparison of recycled paper and wood pulp paper provided in the most recent BREFs for wood pulp paper. Results based on technical information - may be restated.





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