

# **L P P**

## **MODERN SLAVERY STATEMENT 2018**

This statement concerns all companies belonging to the LPP Group, further referred to as LPP.

# INTRODUCTION

We tune in to the needs of the world around us and the challenges we all face today. Human rights and environment protection concern every single one of us. We cannot and are not indifferent. It is our duty to limit the environmental impacts of our operations to a minimum.

- Marek Piechocki - Founder, CEO

## The world of LPP in numbers and actions

LPP Group: a Polish company with global aspirations

We are a Polish company listed on the Warsaw Stock Exchange that designs, manufactures and sells clothing. Our retail network covers Poland, Central, Eastern and Western Europe, the Balkans and the Middle East. To the millions of customers who visit our stores and shop for our products online we offer clothing, accessories and shoes from five popular brands: Reserved, House, Cropp, Mohito and Sinsay.

**25+ years** of experience in the industry

- **Over 25,000 jobs**
- **210 million** items of clothing sold each year
- **1.091 million m<sup>2</sup>** – the total area of all the stores of the LPP Group
- **+ 1,700 stores** in 23 countries on 3 continents

Openness, diversity, responsibility for our shared development and mutual respect create our company's unique culture. Yet, the most important foundation of our work is freedom.

**We fully, completely and unconditionally oppose any form of forced labour.**

This objection is made known along with the company's values and is an intrinsic part of our DNA. In this document, you will find information on actions we take to counteract modern slavery.

# Risk management at LPP

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:

- identified risks 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 Group. Our top managers play an important role in this respect, as they supervise their respective departments which includes identifying and assessing various operational risks (including social, product, employee and environmental risks; protection of human rights and corruption prevention). In 2018 we identified a new employee risk, namely the outflow of unqualified workers.

Non-financial issue	Risks identified in The Internal Control System and The Transfer Pricing Policy	
	LPP SA	LPP Group
Social risks	- legislative changes (shopping hours)	- legislative changes (tariffs and taxes)
Product risks	- product quality - market trends and sales risks - choosing the right pricing strategy - rising material costs - dependence on individual recipients - logistic risks	- choosing the right pricing strategy - dependence on individual recipients
External risks	- macroeconomic risks - increased competition - dependence on one market segment - vendors’ credibility - dependence on individual vendors of goods and services - reputation damage (copyright infringement)	- macroeconomic risks - increased competition - dependence on one market segment

Employee risks	<ul style="list-style-type: none"> <li>- risks associated with technical means, technologies and technological development</li> <li>- low performance quality</li> <li>- dependence on staff</li> <li>- lack of qualified workforce</li> </ul>	<ul style="list-style-type: none"> <li>- dependence on staff</li> <li>- low performance quality</li> <li>- lack of qualified workforce</li> <li>- risk of increasing labour costs (outflow of unqualified workers)</li> </ul>
Environmental risks	<ul style="list-style-type: none"> <li>- increased raw material costs</li> </ul>	<ul style="list-style-type: none"> <li>- n/a</li> </ul>
Protection of human rights	<ul style="list-style-type: none"> <li>- reputation damage due to outsourcing work to manufacturers in developing countries</li> </ul>	<ul style="list-style-type: none"> <li>- mobbing</li> </ul>
	<ul style="list-style-type: none"> <li>- mobbing</li> </ul>	
Corruption prevention	<ul style="list-style-type: none"> <li>- fraud</li> </ul>	<ul style="list-style-type: none"> <li>- fraud</li> </ul>

## Code of Conduct

LPP's Supplier Code of Conduct details the requirements that our vendors must meet as regards workplace conditions. The document is the basic tool by which we promote LPP's values and standards among the vendors. It restates the International Labour Organisation conventions and the Universal Declaration of Human Rights. A vendor must sign the Code of Conduct before they can start their collaboration with LPP.

The code covers social matters and occupational safety and health standards, requires vendors to protect the environment, in particular the factories that use chemical substances, e.g. in garment printing. We are in the process of translating the code into local languages, e.g. in Ukrainian. We also decided to share the code in Polish among Polish vendors.

**100% of our foreign suppliers are required to sign and comply with the Code of Conduct.** Making sure that that happens is the responsibility of the merchandiser. What is more, every factory in Bangladesh must undergo a social audit and a safety inspection before they can start their collaboration with LPP.

## **The ACCORD on Fire and Building Safety in Bangladesh**

We signed the ACCORD on Fire and Building Safety in Bangladesh in 2013 [GRI 102-13]. The signatories are global brands and retailers who wish to act to improve the working conditions in Bangladeshi garment factories and educate the workers on their rights and health and safety. We are the only Polish garment retailer to have joined the ACCORD. The original ACCORD was signed for 5 years. In 2018 we signed the Transition ACCORD to continue the work for the improvement of workplace conditions for three more years or until a national regulatory body demonstrated its ability to take over the work of the Accord.

**PLN 4.5 mln** — the amount invested by LPP to improve safety in vendors' factories in 2018

**PLN 20.5 mln** — the amount invested by LPP to improve safety in vendors' factories since 2013

## **SGS — an international auditing organisation**

We have been stepping up our vendor monitoring in Bangladesh since 2017. To that end, we conduct inspections ourselves and commission SGS, a multinational inspection, verification, testing and certification company, to assess our Bangladeshi vendors' compliance with the LPP Code of Conduct as regards workplace conditions, wages and environmental protection.

110 — the number of inspections conducted by SGS in Bangladesh in 2018

84% — the average compliance score in 2018

## **Awareness Day**

In June 2018 LPP vendors in Bangladesh were invited to a meeting at the SGS headquarters in Dhaka. The purpose of the Awareness Day was to reiterate the requirements that LPP's vendors must meet, discuss inspection methodology, assessment categories and conditions that must be met to ensure compliance with the LPP Code of Conduct. Representatives of 46 garment manufacturers took part in the meeting.

## Human rights at LPP

Human rights protection is the cornerstone of ethical and responsible business. Below is an overview of the actions we take and the policies we have in place to protect human rights across our business model. To us, human rights protection consist in actions that promote respect for our employees, vendors, customers and other stakeholders. The LPP More Sustainable Business Strategy for 2017-2019 analyses the issue on many levels of our operations.

### Design

All processes involved in product development

Key issues	Our actions	Our policies
<ul style="list-style-type: none"> <li>▪ Preventing corruption.</li> <li>▪ Good work climate in the spirit of diversity.</li> <li>▪ Raising health awareness among employees.</li> <li>▪ Social engagement.</li> <li>▪ Copyright protection.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Anti-corruption training for all employees.</li> <li>▪ Our ethics code, The LPP Principles. and whistleblowing system.</li> <li>▪ Project Diversity.</li> <li>▪ Cancer awareness workshops.</li> <li>▪ The sports project, The LPP Team.</li> <li>▪ Employee volunteering.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Principles of cooperation with the business patters.</li> <li>▪ Employee Conduct Policy and Anti-Mobbing Procedure.</li> <li>▪ Our ethics code, The LPP Principles.</li> <li>▪ Payroll Policy and Procedure.</li> <li>▪ Employee Support Fund Policy and Procedure.</li> <li>▪ Anti-Plagiarism Policy.</li> </ul>

### Production

Garment production outsourced to external entities

Key issues	Our actions	Our policies
<ul style="list-style-type: none"> <li>▪ Safety and good conditions of work.</li> <li>▪ Raising vendors' awareness about human rights.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Joining ACCORD.</li> <li>▪ Inspections of workplace safety and conditions carried out by LPP.</li> <li>▪ Social audits carried out by our social auditor in Bangladesh.</li> <li>▪ Workplace safety inspections carried out by an independent auditor, SGS.</li> <li>▪ Cooperation with and training for suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Code of Conduct for Suppliers.</li> <li>▪ Quality Guidebook (requirements concerning chemicals).</li> </ul>

## Logistics

The operations of our distribution and fulfilment centres.

Key issues	Our actions	Our policies
<ul style="list-style-type: none"><li>▪ Comfort and safety of LPP employees at our distribution and fulfilment centres.</li><li>▪ Employee diversity.</li></ul>	<ul style="list-style-type: none"><li>▪ Facilities at the distribution centre in Pruszcz Gdański (free meals for the night shift, break areas)</li><li>▪ Upgrades and comfort improvements at the fulfilment centre to facilitate employee diversity.</li></ul>	<ul style="list-style-type: none"><li>▪ Operating Procedure.</li><li>▪ Anti-Alcohol Policy.</li><li>▪ Employee Conduct Policy.</li><li>▪ Occupational Health and Safety Instructions.</li></ul>

## Sales

The operations in our stores. Communication with customers. Customer service.

Key issues	Our actions	Our policies
<ul style="list-style-type: none"><li>▪ Friendly conditions of work at our stores.</li><li>▪ Honest and coherent marketing communication.</li><li>▪ Respect for the customers, their needs and diversity.</li><li>▪ Customers' right to be informed.</li></ul>	<ul style="list-style-type: none"><li>▪ Ongoing work on an ethical code for the stores.</li><li>▪ Multichannel communication with customers.</li><li>▪ Marketing communication adjusted to different groups of customers (such as communication that promotes diversity).</li><li>▪ Friendly and respectful customer service.</li><li>▪ Information on raw materials and the origins of products.</li></ul>	<ul style="list-style-type: none"><li>▪ Employee Conduct Policy.</li><li>▪ Payroll Policy and Procedure.</li><li>▪ Customer Service Procedures for each brand.</li><li>▪ Returns Policy and Complaints Policy.</li><li>▪ Crisis Management.</li></ul>

## BOARD APPROVAL

This slavery and human trafficking statement for the financial year ending 2018 has been approved by the board of directors of LPP SA on behalf of LPP SA and all members of the LPP Group, in accordance with section 54 of the Modern Slavery Act 2015.

PRZEMYSŁAW LUTKIEWICZ VICE-PRESIDENT OF THE MANAGEMENT BOARD