



LPP
INTEGRATED REPORT
FOR 2020/21

Responsible decisions in a new reality

RESERVED

CROPP

 **house**

MOHITO

sinsay

2020

February

LPP sales hit a new all-time high: the company's 2019 sales reach PLN 9bn, while its contribution to the Polish government budget exceeds PLN 1bn.

The extension of the Distribution Centre in Pruszcz Gdański is completed.

March

Lockdown caused by the pandemic. Restrictions on operations and closures of almost all LPP physical stores in Poland and abroad.

The Union of Polish Retail and Services Employers (ZPPHiU) is founded with the aim to save Polish firms during the pandemic crisis.

The largest charity campaign in the company's history, #LPPhelps, is launched to support the medical services fighting with the COVID-19 pandemic.



Reserved debuts its new collection Joyful #EcoAware made entirely of organic and recycled materials.

April

The beginning of an effort that will result in the production of 750 thousand face masks by Polish sewing plants collaborating with LPP. The masks will be donated by LPP to the Industrial Development Agency which will distribute them to those who needed them most.

LPP's ultra modern office building for Mohito and House designer teams in Cracow is completed.

May

Publication of the Integrated Report for 2019/20.

End of the spring lockdown. Gradual reopening of psychical stores in different markets.

June

LPP is awarded the Silver CSR Leaf by the editorial board of *Polityka* magazine.

Reserved, Mohito and Cropp donate over PLN 240,000 from the sales of their Eco Aware and Joyful collections to hospitals in the Tricity and Cracow to help purchase the necessary equipment. Conclusion of the first edition of #LPPhelps. Total assistance provided reaches PLN 5.7m. The campaign has benefited 300 entities.

July

LPP's new fulfillment centre opens in Slovakia to cover the region of Central Europe.

Successful implementation of the PayPo service that allows customers to postpone payment for their online purchases.

August

LPP joins the global initiative Zero Discharge of Hazardous Chemicals.

September

The company becomes a member of the Polish Plastics Pact.

LPP is named a Climate Aware Company in the 2nd edition of a study carried out by the Stock Exchange Issuers Association, Reporting Standards Foundation and Bureau Veritas Polska.

The LPP Foundation wins the title of Benefactor of the Year awarded by the Academy for the Development of Philanthropy in Poland.

October

The Semper Simul Foundation acquires the majority stake in LPP which guarantees stability at the company's helm and the implementation of its strategy.

Start of the construction of the Distribution Centre in Brześć Kujawski is confirmed.

Presentation of the benefits of investing in the development of the omnichannel model at LPP during the 5th edition of the Made in Poland conference.

LPP's Integrated Report wins the main prize in the Social Reports 2020 competition.

Reserved opens a 1,400 m² store in Dubai's largest shopping centre, Dubai Mall.

November

LPP wins the *Rzeczpospolita* daily's Eagle of Innovation award in the Corporate category for the implementation of the RFID technology by Reserved.

The company is awarded the Green Eagle (the first prize in the Corporate category) by the editorial board of the *Rzeczpospolita* daily as part of their Walka o Klimat (The Climate Fight) project.



December

Summary of the first year of the new sustainable development strategy's implementation.

Relaunch of the #LPPhelps campaign: hospitals in Pomerania and Cracow receive in-kind and monetary assistance worth PLN 1.2m.

2021

January

The first new building of the expanded LPP Fashion Lab complex opens. The office space of LPP's central headquarters in Gdańsk doubles in size.

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RESPONSIBLE DECISIONS IN A NEW REALITY

Last year, unexpectedly, we have found ourselves in a new reality in which we gave voice to the word “social sensitivity” more often than ever before. The pandemic triggered in us the need to become more responsible in many aspects of our everyday work: more responsible for our company in order to ensure its safety and stability, more responsible for our workers in order to protect their jobs, and more responsible for our business partners who were struggling to survive in the face of the pandemic.

During those first, tremendously dangerous months of lockdown, I kept asking myself: where in all this is social responsibility which many businesses simply could not afford. Can you remain a responsible and sustainable business while you are fighting to survive? This difficult year was a true test for people and companies. That is why, in what is our fourth integrated report we decided to talk how much we value social sensitivity in unpredictable times and how responsible our last year's decisions had to be.

For years we have talked about LPP values being supported by 4 pillars: **energy and inner fire** which fuels us to act (fire-fuelled), **ambition** that drives us to become better and better (ambition-driven), **responsibility** for ourselves and our environment (socially-responsible) and **team spirit** (team-oriented). None of us could have imagined that all of these values would be confronted with such a gruelling test last year. Today, I can proudly say that we passed it despite all the unknowns.

In the face of the pandemic which froze physical sales – the pillar of LPP's operations – for a part of the year, our teams put up a tough and responsible fight to save our company. We secured the effectiveness and elasticity of the e-commerce channel which absorbed most of our clients while our physical stores were closed. This required a significant transformation in terms of organisation, processes, logistics, technologies and sales. We decided to speed up **LPP's shift into a fully omnichannel organisation** which prioritises creating positive buying experiences regardless of the sales chan-

nel. And what are positive buying experiences if not satisfaction with the product, its availability, alignment with customer expectations or speed of service. We could make it all happen thanks to the innovativeness, talent and experience of our employees whose ambition and fire did not falter for a moment through that difficult time.

Our teams fought simultaneously on a few fronts. The logistic team focused on adjusting our distribution network to the modified sales model. Practically overnight, they adapted our physical sales distribution centre to service online shopping. At the same time, our IT specialists worked to increase the capacity of our Internet platforms which were experiencing an embarrassment of riches when our stores remained closed. Here, technology came to our aid. We moved our platforms into a cloud to achieve better flexibility and scalability. We bolstered up our customer service by implementing a chatbot which was able to quickly handle all inquiries. We fitted our warehouses with AI solutions to achieve make the fulfilment of online orders as fast as possible.

On a different front, our sales and design teams analysed how the pandemic affected the preferences of our customers who modified their lifestyle and, consequently, their manner of dress overnight.

Each day was bringing new information and the reality was surprising us constantly. We knew one thing – we had to survive and save as many jobs as possible. As the Management Board, we were faced with the extremely difficult decision of reducing the salaries of our employees who were so bravely fighting for the company. Me and other members of the Board, we gave up our salaries altogether. What is more, for the first time in 10 years we did not pay dividend to our shareholders: could you have made a different decision when our survival was at stake?

This was not the last of the dilemmas we faced, though. All this time, we were aware that only a few months before, we had adopted new, ambitious targets as part of our latest sustain-

able development strategy. In the midst of a struggle for survival, prolonging store closures and general uncertainty and instability, many would probably decide to give up on them. We chose to stand up to the difficult challenge. As a consequence, 2020 brought us many reasons to be proud: despite the crisis we managed to fulfil some of the targets to a greater degree than we originally planned.

Throughout the last years **we gradually increased the proportion of eco-friendly collections in the our brands' portfolio**. Currently almost 19 % of the garments they offer have the Eco Aware label; in the case of Reserved as many as one in three items are made in a sustainable manner.

We did not falter in our enthusiasm to limit the use of plastics in our retail and distribution networks. Mohito and Reserved completely eliminated plastics from their online orders packaging. The other brands used recycled plastic film only. This way, in the course of 12 months we saved another 300 tonnes of single-use plastics. This doubled our 2019 record and amounts to as many as 570 tonnes of plastic saved in our logistic processes during the last 4 years.

This difficult time also saw us **join international and national initiatives for closed-loop economy and chemical safety**. We were the first Polish company to become a part of Zero Discharge of Hazardous Chemicals, an international initiative aiming to reduce the negative impact of the global clothing industry on the natural environment and ridding it of hazardous substances. A month later we joined the Polish Plastics Pact, a multisectoral platform of collaboration between companies and organisations acting to change the current model of plastics use in packaging in the Polish market and moving towards a closedloop cycle.

Our efforts were noticed. We were proud to be named the second most climatically aware company in Poland in September 2020. This shows that our actions are seen, and that they are needed and appreciated. We know that it is just the beginning of our long way to achieve the next targets in our strategy but fighting for the society and our planet are becoming an important element of our strategy today.

Despite the difficult test we were put to by fate, never did we forget about the world around us. Our struggle to save our company was unfolding in the shadow of a ranging pandemic. Healthcare workers were fighting to save our lives, nongovernmental organisations were battling to save the people in their care, children's homes were finding it impossible to obtain enough tools for remote learning, hospitals

started running low on equipment, PPE and spare clothing for the personnel. We received more requests for assistance each day. Could we have stayed indifferent in the face of this tragedy? We were under no illusion that a fight for what is most important to us was unfolding before our eyes. Without a moment's hesitation, we launched the biggest social campaign in our history, #LPPpomaga (#LPPhelps). In total, we provided assistance to as many as 300 facilities across Poland thanks to the largest employee volunteering effort in our history. We distributed PPE among hospitals and non-medical facilities, while the hearts of our staff glowed with the will to help those in need. They sewed scrubs and face masks. Each day, new shipments were sent to those who needed them most. We made donations to help buy the most vital equipment needed to fight the consequences of the pandemic. Overall, the assistance we provided amounted to a few million Polish zloty.

Today I know and can proudly state that we did the almost impossible. Our energy, ambition and the strength of our teams bore fruit. We managed to save our company and almost all jobs. **We completed projects that make our business even more sustainable, while helping hundreds of institutions fight what took control of our world – the pandemic**. This is a completely new reality which none of us could have expected. How responsible were our actions and could we have acted differently? You can find that out in our report “Responsible decisions in a new reality”. I am certain that it will provoke a lot of thought in every reader and, most of all, show you a new perspective of looking at the world around, at us and at our wonderful teams, which I can unashamedly call the heroes of the previous year. Thank you for all you achieved.

Marek Piechocki

1

LPP PROFILE AND BUSINESS MODEL

UN Sustainable Development Goals:



In this chapter you will find out:

- how we operate in Poland and abroad,
- how we changed our business model and transformed into a fully omnichannel organisation,
- what is our business strategy and how we fulfil the Sustainable Development Goals,
- what was our economic and social impact in the face of the COVID-19 pandemic.



1.1. ABOUT THE COMPANY



1.1.1. LPP: KEY FACTS

We are a **Polish family company** operating in the clothing industry which was set up 30 years ago in the region of Pomerania. Ever since its founding, the LPP has been growing dynamically, increasing its presence in more and more foreign markets and effectively implementing Polish creative ideas wherever we sew and sell the collections of our **five diverse fashion brands: Reserved, Cropp, House, Mohito and Sinsay**. Today we operate as the LPP SA Capital Group ("LPP Group") consisting of 31 companies. LPP products are available to our customers in **38 markets**, and more than a half of the **PLN 7,8 bn of our revenue** is generated by foreign sales. Yet, it is in Poland where we develop our brand concepts and make all the strategic decisions. Our main headquarters are located in Gdańsk and so are the design departments of Reserved, Cropp and Sinsay. Mohito and House collections are devised in LPP's offices in Cracow.

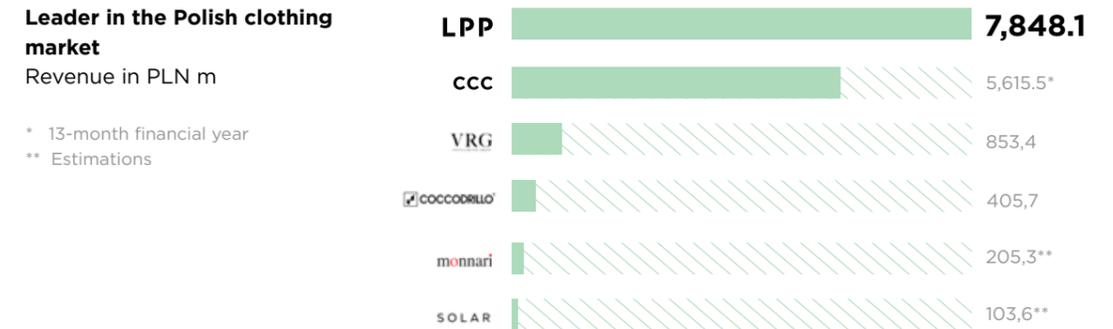
We are a stable employer and a reliable business partner. We employ **nearly 22,000 people** and cooperate with **1,108 suppliers**. We were one of the first clothing producers to make it



The speed and agility with which we work, short decision-making processes, openness to experimenting and a perspective of looking that goes beyond the upcoming quarter - all of these allowed us to shift our approach to business in a quick and effective manner. Today, it is a customer who decides where they want to spend their money, and we are determined to offer them products they need and the quality of service they expect regardless of the preferred channel they choose. Thanks to the full integration and harmonisation of our sales channels and the structures that support them, we were able to stand up to the challenges posed by the new reality, which at LPP we call the omnichannel.

Marek Piechocki,
president of LPP

LPP in the Polish market and vis a vis the top international clothing-retail companies



on the Worker Rights Consortium (WRC) list of companies that meet their obligations towards suppliers.

In the process of devising our collections, we would normally attend fashion weeks and follow street fashion in the world's fashion capitals: Paris, New York, Seoul, Tokyo. We were forced to modify this approach when the COVID-19 pandemic broke out and lockdown made it impossible for our experts to travel. Our designers still draw inspiration from runway shows, which nevertheless moved online, and explore the preferences of consumers by interacting with them on social media. As well as being active in the fields of fashion, art and beauty, we are a Fashion Tech company that possesses its own analytical resources and an information technology team the size of those seen in the largest IT companies in Poland. We have been **investing in new technologies** for years. Since 2016 we have spent **PLN 180m** for

this purpose. As a result, faced with the new retail reality that followed the outbreak of the pandemic, we were able to effectively react to the changing buying habits and fully integrate our sales channels and the structures that support them.

We consistently work to fulfil the objectives of our 2019 sustainable development strategy **"For People For Our Planet"**. We increase the proportion of eco-friendly collections, strive to achieve full chemical safety in production, eliminate non-recyclable plastic packaging and implement ecologically-sound solutions in the buildings of our central headquarters and the retail network.

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

1.1.2. KEY PERFORMANCE INDICATORS



1,856

stores across 25 countries on 3 continents (6% increase YoY).
Net increase in store openings (minus store closures).



21,977

employees all over the world (including 11,578 in Poland).

PLN 7,848m

the Group's net sales revenue in 2020/21 (-14,9% change YoY).

1,435,000 m²

combined retail space of the LPP Group (17% increase YoY).



28.4%

proportion of e-commerce sales in 2020/21.

PLN 2,229m

e-commerce revenue in 2020/21 (106,3% increase YoY).



233m

items of clothing sold annually.

PLN 826m

total investment in the 2020/21 reporting year (CAPEX).



Nearly **93m**

retail transactions in 2020/21.

1.1.3. THE LPP GROUP GLOBALLY

- Physical locations and online sales
- Physical locations only
- Online sales only

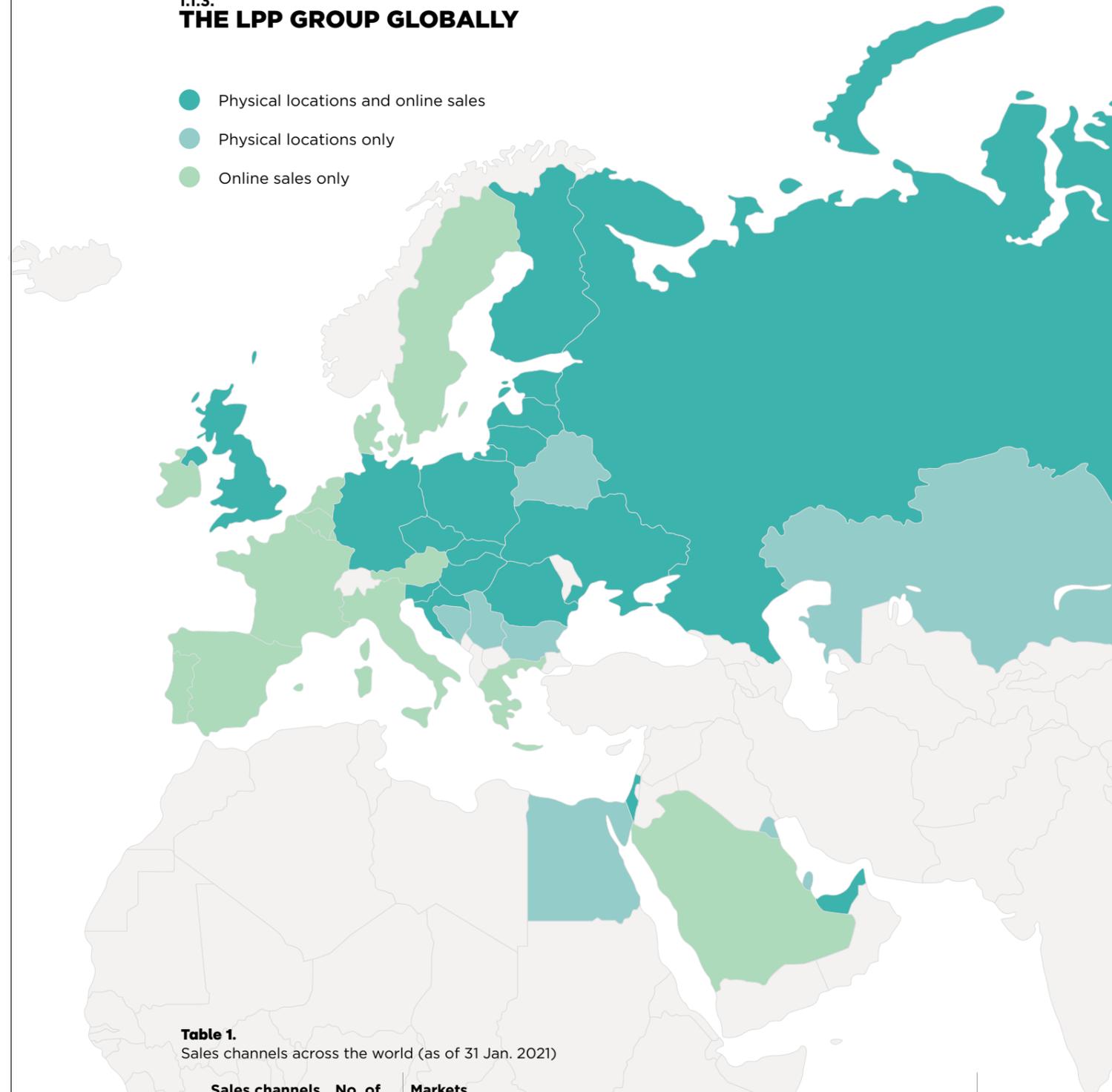


Table 1. Sales channels across the world (as of 31 Jan. 2021)

Sales channels	No. of markets	Markets
Physical locations and online sales	17	Poland, Czech Republic, Slovakia, Hungary, Lithuania, Latvia, Estonia, Russia, Ukraine, Romania, Croatia, Slovenia, Germany, UK, Finland, UAE, Israel
Physical locations only	8	Belarus, Kazakhstan, Bulgaria, Serbia, Bosnia and Hercegovina, Egypt, Kuwait, Qatar
Online sales only	13	Ireland, Denmark, Sweden, Austria, the Netherlands, Belgium, Luxembourg, Italy, France, Greece, Spain, Portugal, Saudi Arabia

[GRI 102-2], [GRI 102-6]

[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: Retail space in sq. meters for the whole Group and the percentage increase YoY]

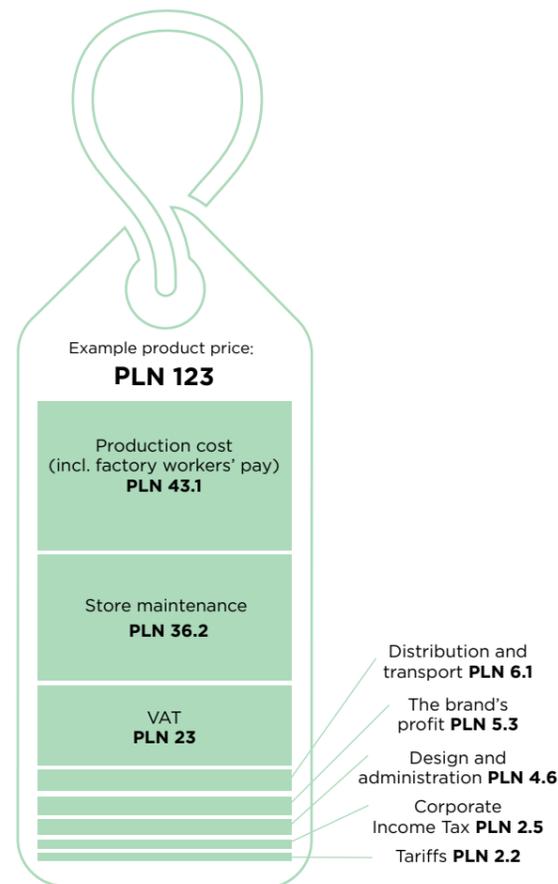
1.1.4. AN OMNICHANNEL ORGANISATION

The 2020/21 reporting year saw us becoming a fully omnichannel organisation that harmoniously combines its two sales channels: an international retail network and dynamically growing e-commerce. We managed to successfully implement original solutions for the optimisation of the processes of managing product availability and customer orders. Our brands are currently available in **38** markets in Europe, the Asian part of Russia and in the Middle East. Over **50% of our sales revenue** is generated outside of Poland.

Our physical retail network grows systematically. The COVID-19 pandemic delayed our debut in North Macedonia which will eventually take place in the 2021/22 reporting year. Yet, our combined retail space in the other markets increased by **17%** as compared year over year. As of the end of the reporting period, Reserved stores were present in 25 countries, including Belarus, where set up our own stores again.

In selected markets (in the Middle East and on a smaller scale in Poland) we use franchise agreements. In the Middle East this is due to local laws or restricted access to real properties in attractive locations. The franchise stores meet the same standard and follow the same procedures as LPP's own stores. In the franchise markets marketing activities are undertaken in line with the global recommendations of our brands, yet with respect for each nation's culture.

We continue to dynamically develop our e-commerce operations. In the reporting period, the revenue generated by the channel **doubled** as compared to the previous year and amounted to over **PLN 2bn**. Our customers may shop for our products online in 30 markets, including in Western Europe, where we do not have physical stores.



We are a driving force of Polish exports. In the reporting period they were worth **PLN 4.5m**. We invest systematically in the company's further growth. We spent PLN 826m on the development of our retail and office space, logistics (including the extension of the Distribution Centre in Pruszcz Gdański) and new technologies in the reporting cycle.

Table 2. LPP brands across the world (as of 31 Jan. 2021)

	Reserved	Cropp	House	Mohito	Sinsay
No. of countries: physical stores and online sales	38	18	18	19	19
Physical stores count	440	369	332	278	434
New stores count	17	25	24	11	116
Retail space in thousands m ²	675	166	147	115	330
Change in retail space as compared to 2019/20	1.5%	12.3%	15.2%	3.2%	90.3%

1.1.5. AT THE HELM OF LPP

Members of the Management Board and their scope of responsibilities in the organisation

Marek Piechocki PRESIDENT OF THE MANAGEMENT BOARD, CREATOR AND COFOUNDER OF LPP		
Supervision over the Management Board's operations	HR	Communications
Reserved, Cropp, House, Mohito, Sinsay – brand development, product development, omnichannel sales		Procurement and sustainable development Oversight and development of sales operations
		
Przemysław Lutkiewicz VICE-PRESIDENT OF THE MANAGEMENT BOARD	Jacek Kujawa VICE-PRESIDENT OF THE MANAGEMENT BOARD	Sławomir Łoboda VICE-PRESIDENT OF THE MANAGEMENT BOARD
Reporting and taxes Operational controlling Financial controlling Shared Services Centre Management of foreign subsidiaries Internal audit Investor relations Office of business travel	IT Logistics Administration Investment Data science Customer Service Centre Cyber security	Lease and expansion Legal matters Market analyses

LPP Supervisory Board

Miłosz Wiśniewski INDEPENDENT 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

The composition of the Supervisory Board changed early in 2021. Jerzy Lubianiec was the president of the Supervisory Board until 30 December 2020.

1.1.6. LPP SUBSIDIARY COMPANIES

The LPP Group is formed by 31 companies: the parent company, LPP SA; 5 Polish subsidiaries and 25 foreign subsidiaries. LPP SA is in charge of the design and distribution of clothing in Poland as well as Central, Eastern and Western

Europe, the Balkans and the Middle East. Foreign subsidiaries are mostly companied responsible for the distribution of Reserved, Cropp, House, Mohito and Sinsay products outside of Poland.

The reporting period saw one change in our group's organisation, that is the incorporation in Poland of LPP Logistics Sp. z o.o. to manage the logistics for our integrated sales channels.

Table 3.
LPP subsidiaries

Name	Registered offices	Stock owned
1 LPP Retail Sp. z o.o.	Gdańsk, Poland	100%
2 DP&SL Sp. z o.o.	Gdańsk, Poland	100%
3 IL&DL Sp. z o.o.	Gdańsk, Poland	100%
4 LPP Printable Sp. z o.o.	Gdańsk, Poland	100%
5 LPP Logistics Sp. z o.o.	Gdańsk, Poland	100%
6 LPP Estonia OU	Tallin, Estonia	100%
7 LPP Czech Republic s.r.o.	Prague, Czech Republic	100%
8 LPP Hungary KFT	Budapest, Hungary	100%
9 LPP Latvia Ltd	Riga, Latvia	100%
10 LPP Lithuania UAB	Vilnius, Lithuania	100%
11 LPP Ukraina AT	Peremyshliany, Ukraine	100%
12 LPP Romania Fashion SRL	Bucharest, Romania	100%
13 LPP Bulgaria EOOD	Sofia, Bulgaria	100%
14 LPP Fashion Bulgaria EOOD	Sofia, Bulgaria	100%
15 LPP Slovakia s.r.o.	Bratislava, Slovakia	100%
16 RE TRADING OOO	Moscow, Russia	100%
17 Gothals LTD	Nicosia, Cyprus	100%
18 LPP Croatia DOO	Zagreb, Croatia	100%
19 LPP Deutschland GmbH	Hamburg, Germany	100%
20 IPMS Management Services FZE	Ras Al Khaimah, UAE	100%
21 LPP Reserved UK LIMITED	Altrincham, UK	100%
22 LLC Re Development	Moscow, Russia	100%
23 LPP Reserved DOO Beograd	Belgrade, Serbia	100%
24 P&L Marketing&Advertising Agency SAL	Beirut, Lebanon	97,3%
25 LPP BH DOO	Banja Luka, Bosnia and Hercegovina	100%
26 LPP Kazakhstan	Almaty, Kazakhstan	100%
27 Reserved Fashion, Modne Znamke DOO	Ljubljana, Slovenia	100%
28 LPP Finland OY	Helsinki, Finland	100%
29 OOO LPP BLR	Minsk, Belarus	100%
30 LPP Macedonia DOOEL	Skopje, North Macedonia	100%



Anna Betlej,
international
business director

We operate on foreign markets through local companies headed by Country Managers. This way we are closer to our customers and employees in the country in question.



1.1.7. CORPORATE GOVERNANCE

LPP SA, the parent company in the LPP Group, is listed on the **Warsaw Stock Exchange (WSE)**. The company is included in the WIG, WIG20, WIG30, WIG-odzież, WIG-ESG and WIG-Poland indices, as well as MSCI Poland, CECE Composite EUR and FTSE Russell, which are important for international investors.

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".

We apply due diligence to make our operations transparent and communicate with the all the players on the capital market in a clear and open manner. In the 2020/21 reporting year LPP SA followed the **rules of corporate governance** attached to the Resolution of the Board of the Warsaw Stock Exchange No. 26/1413/2015 of 13 October 2016 titled "2016 Code of Best Practice for WSE Listed Companies" (COBP,

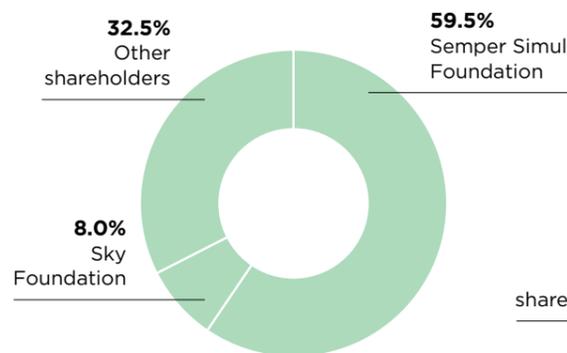
Principles of Corporate Governance). You may find out more about the recommendations and detailed principles we follow as well as exclusions in the "Consolidated Annual Report of the LPP SA Corporate Group for 2020/21" available on www.lppsa.com in the "Investor Relations" section.

1.1.8. SHAREHOLDER STRUCTURE

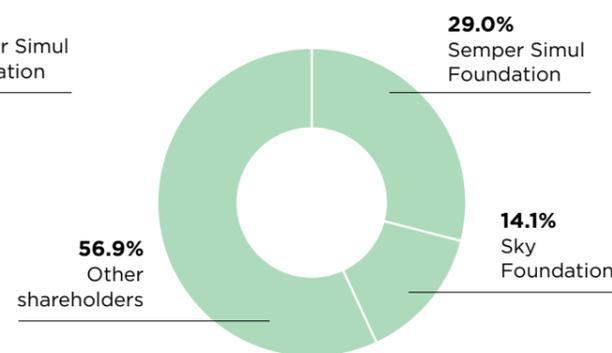
LPP is a **Polish family company** which, as provided for by its founders, will never be divided or sold. The controlling interest is owned by two foundations: the Semper Simul (Always Together) Foundation, which is closely linked to Marek Piechocki¹, and the Sky Foundation, which is closely linked to Jerzy Lubianiec². Based on a conditional contract between the shareholders made in October 2020, Semper Simul transferred a block of ordinary shares to the Sky Foundation and acquired a block of preferred registered shares, becoming the majority shareholder in LPP. The operation proves the firmness of LPP's the long-term business intentions and facilitates better conditions for its development in the years to come.

Shareholder structure

Voting share at the General Shareholder Meeting



Stock ownership



¹ Article 3(1)(26)(d) of the Market Abuse Regulation.

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

1.1.9. AWARDS AND RANKINGS

LPP's good practices and initiatives for responsible business win numerous competition awards and score high on ranking lists. We take these distinctions and accolades as a recognition for our efforts and motivation to continue to implement the highest standards of sustainable development in our organisation and value chain. We are proud to present LPP's 2020/21 competition and high ranking achievements.

Just as in the previous years, our sustainable development practices were featured in a report of the Responsible Business Forum, "Responsible Business in Poland 2020: Good Practices".



Awards in the reporting year

→ for LPP

WNP Awards 2020

(WNP/PTWP)

"For creating a Polish global brand and actively working for the benefit of the natural environment."

Eagle of Innovation

(Rzeczpospolita)

"Company"

Rzeczpospolita's Green Eagle

(Rzeczpospolita)

"Firm"

Shopping Center Forum 2020 Exhibition Awards

(Shopping Center Forum / Evigo)

"Retailer of the Year"

Social Reports

(Responsible Business Forum and Deloitte)

"Integrated report"

Digital Excellence Awards

(CIONET Polska and Digital Excellence)

"Digital Capabilities"

Polityka Magazine's CSR Leaves

(Polityka)

"Silver CSR Leaf"

→ for the LPP Foundation Benefactor of the Year

(Academy for the Development of Philanthropy in Poland)

"Corporate foundation"

→ for the Reserved brand KTR Competition 2020

(Ad Creators' Club, KTR)

"Best of Craft"



Rankings in the reporting year

1st place / Survey of Investor Relations in WIG 30 Companies

(Polish Chamber of Brokerage Houses)

"Best investor relations among WIG30 companies according to institutional investors"

6th place / Corporate Register Reporting Awards 2020

(Corporate Register)

"Best Integrated Report"

2nd place and the title of Climate Aware Company / Corporate Climate Awareness Study

(Stock Exchange Issuers Association, Reporting Standards Foundation, and Bureau Veritas Polska)

"Company ranking"

8th place / Listed Company of the Year

(Puls Biznesu)

"Main ranking and investor relations"

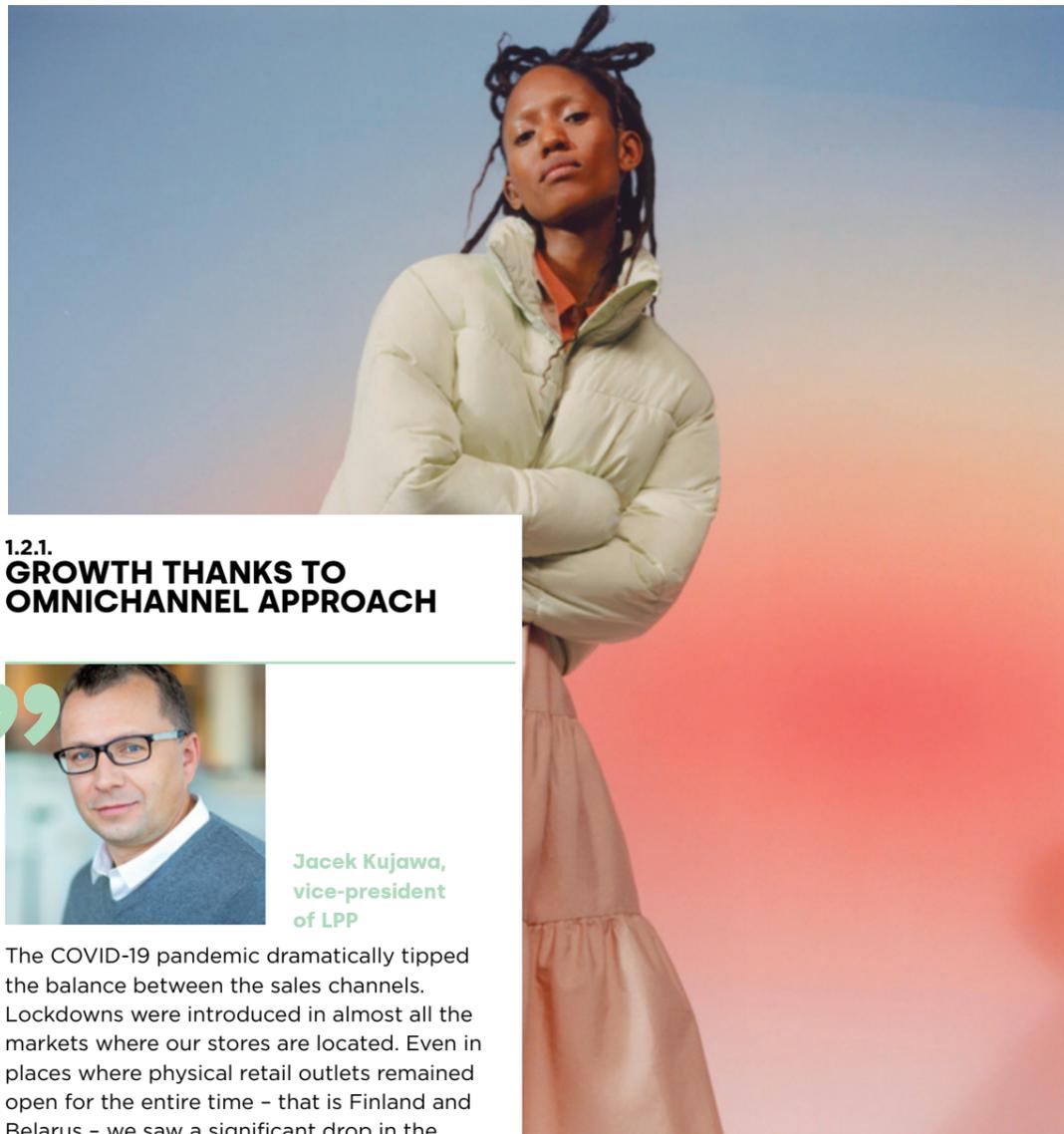
Score B overall and A as regards: Scope 3 emissions, environmental management and initiatives for carbon footprint reduction / CDP Climate Change 2020

(Carbon Disclosure Project)

"Survey of climate awareness among companies, cities, and regions: on a scale of A (highest score) to F (lowest score)"

LPP was named a **Climate Aware Company** in a Corporate Climate Awareness Study carried out for the second time in Poland by the Stock Exchange Issuers Association, Reporting Standards Foundation and Bureau Veritas Polska. The ranking is based on a study of 151 reports of large and middle-sized companies as regards transparent disclosure of information on an organisation's climate change impacts and incorporation of these issues into the management processes. LPP **ranked second on the list** which proves how important a role conscious climate policies play in the company's business strategy and how transparent our communications regarding our proenvironmental projects are.

1.2. OUR BUSINESS MODEL



1.2.1. GROWTH THANKS TO OMNICHANNEL APPROACH



Jacek Kujawa,
vice-president
of LPP

The COVID-19 pandemic dramatically tipped the balance between the sales channels. Lockdowns were introduced in almost all the markets where our stores are located. Even in places where physical retail outlets remained open for the entire time – that is Finland and Belarus – we saw a significant drop in the

number of customers walking through our door. People were switching to online shopping out of necessity or fear for their safety. In the first months of the pandemic, we recorded three-digit growth rates in e-commerce sales, which sometimes were fivefold higher than at the same time last year.

The new reality gave us an impulse to implement a range of innovations and greatly sped up changes we had been intending to introduce in our company. **In the course of three weeks we effectuated a transformation planned to unfold in... three years. As a result, we became a fully omnichannel organisation that brings together physical sales and e-commerce, while offering its customers a unique buying experience.**

Our first response to the unprecedented growth in online orders was to remodel the Distribution Centre in Pruszcz Gdański which to date had handled bulk deliveries to our stores into a facility fulfilling individual orders from online customers. The adaptation, which took just three weeks to complete, included, among others, the integration of two WMS platforms and modification of our stock allocation systems. The adjustments allowed us to dispatch

up to **100,000 items of clothing daily, while the capacity of LPP's logistics increased by 300% at the time.**

In parallel, we launched the implementation of strategic Mustang (Multichannel Stock Management) software and its key element, the Defrost project, which makes it possible to free up store stock for regular online sales. We want the clients who order online choosing to collect their purchases in store to know that the products are ready for pick-up before they shut down their computer. Thanks to Defrost, we can make better use of the stores when it comes to filling online orders, drive our last mile delivery costs down at the last mile and attract more people to the stores.

We would not have been able to adjust our business model to the new COVID-19 retail reality in such a smooth and swift manner if we had not been a Fashion Tech company. For years now, LPP has been consistently investing in advanced technologies and building its inhouse IT team, which now compares in size to Poland's biggest information technology companies. We have developed our own tailor-made solutions that we know inside out.

Since 2016 we have spent **over PLN 180m** on IT projects and solutions that support the key areas of our operations: we implemented the RFID technology in Reserved, cloud solutions in online stores and an original logistic platform that integrates the different systems used by independent shipping companies. This way, we built solid foundations for our successful transformation into an omnichannel organisation. We intend to continue to invest in advanced technologies and innovations: by 2023 we will have spent another PLN 600m for this purpose.

3 weeks - the implementation time of the transformation

300% - the growth of our logistic capacity

Over **PLN 180m** - our investments in IT projects and solutions since 2016

PLN 600m - further investments in advanced technologies and innovations by 2023

Our results:

PLN 7,848m

the Group's net sales revenue in the 2020/21 reporting year

PLN 3,068m

equity in the 2020/21 reporting year

PLN 7,285m

set aside for long-term and short-term reserves and liabilities in the 2020/21 reporting year

Our business model

Our business model is defined by 4 steps:



STEP 1: DESIGN

3 design offices in Poland (Gdansk, Cracow, Warsaw)

Nearly **300** designers

5 diverse brands

Our designers follow the latest shows in international fashion capitals (held online during the pandemic) and they watch the developments in streetwear on a continuous basis. 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: PRODUCTION

Over **1,100** suppliers from Asia and Europe

2 representative offices in Asia (Shanghai and Dhaka) that support the manufacturing process

Ca. **9%** of our brands' garments are manufactured in our close neighbourhood, while 91% are produced in Asia

We do not own manufacturing plants.

Our collections are sewn by external partners. 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 audited and receive human and employee rights training. We pay attention to our suppliers' environmental impacts. In Asia we operate through our representative offices.



STEP 3: DISPATCH AND LOGISTICS

253,000 m² of combined warehouse space

Distribution centres in Poland and abroad (Russia, Romania, Slovakia)

23m online orders fulfilled in the reporting year

Apart from appealing collections, customers these days pay significant attention to the quality of logistic service. That is why, we systematically develop our distribution network. 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 Stryków in central Poland, Gdańsk, Brześć Kujawski (under construction), and abroad, in Russia, Romania and Slovakia. We also invest in advanced technologies that facilitate the process of distributing our products to our stores and online customers.



STEP 4: SALES

Our collections are available (at physical stores and online)

in **38** countries on 3 continents

1,856 stores with the combined space of 1,435,000 m² across 25 countries

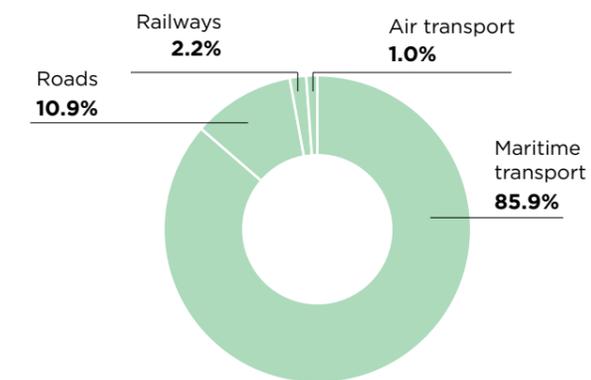
Online sales in **30** countries

Almost **233m** items of clothing sold annually

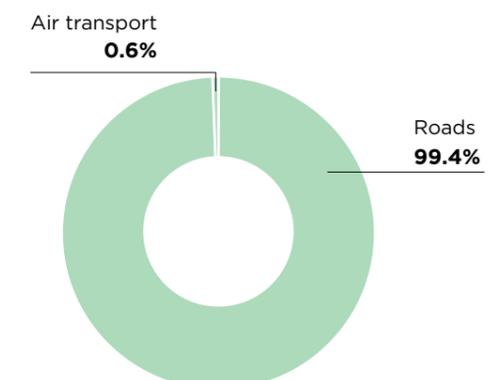
Seeing as we are a shift in consumer preferences and behaviours, as well as universal digitisation and transformation of retail, we are opting for omnichannel. We take a holistic approach to both of our sales channels, physical sales and e-commerce, and offer our products through a constantly growing retail network and online shops. We strive for the highest quality of service and introduce advanced fashion tech solutions to provide it.

Different modes of transport used in the 2020/21 reporting year:

Imports



Exports (shipments to stores and online customers)





1.2.2. OUR VALUES

LPP is a Polish family company which has been creating and selling unique fashion collections for 30 years now. We are present in **38 markets** in Europe and the Middle East. Our portfolio consists of five brands, each dedicated for a different group of customers: **Reserved, Cropp, House, Mohito and Sinsay**. Our business operations rest on lasting values which help us continuously grow and respond to our stakeholders' needs.

Mission

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

Vision

Passion drives us forward, making our company the best fashion retailer in the world.

Our values

<p>F</p> <p>FIRE-FUELLED</p> <p>We are full of energy. We are passionate about our business, our brands and our customers. We are proud to be part of LPP.</p>	<p>A</p> <p>AMBITION-DRIVEN</p> <p>We seek new challenges every day and strive to be the best. We dare for more. We expect the unexpected.</p>	<p>S</p> <p>SOCIALLY-RESPONSIBLE</p> <p>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.</p>	<p>T</p> <p>TEAM-ORIENTED</p> <p>The opinion of each team member is equally important. We treat everyone the way we would like to be treated ourselves. Our actions are guided by honesty, respect, fairness and tolerance.</p>
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1.2.3. OUR BUSINESS STRATEGY

In 2020/21 we sold 98,5% of the collections we marketed. The 2020/21 reporting year was marred by considerable market uncertainty caused by the COVID-19 pandemic. The world economy, markets and supply chains ground to a halt. Thanks to flexible actions, valiant decisions and financial reserves, the LPP Group successfully managed to adapt to the new reality.

In the course of three weeks we effectuated a technological, logistic and retail transformation planned to unfold in three years! We gave a **new focus to our business strategy** for after the pandemic. Despite the challenges of the pandemic, we continued to meet subsequent targets of our sustainable development strategy "For People For Our Planet". Sustainable development in line with the principles of corporate social responsibility remains a priority of LPP's business operations.

LPP's paths of development in 2020–2023



Our advantages:

- **Effective organisational culture:** speed and agility of operations, short decision-making-processes, opens for experimenting and taking risks.
- **Omnichannel organisation:** full integration of the sales channels and the structures that support them.
- **Long-standing investments into the development and implementation of advanced technologies:** over PLN 180m invested since 2016, an IT team of more than 400 professionals who devise innovative solutions for our online and physical stores.
- An **in-house team of designers and production technology specialists and effective analytical resources:** excellent ability to spot megatrends and respond to customer needs.
- Optimisation of many areas of the company's operations and financial reserves that result in a **sense of security**.

Challenges:

- Economic changes and shifts in customer buying power as a result of the COVID-19 pandemic.
- New, post-COVID, model of consumer behaviour.
- High rates of USD and EUR, and low rates of RUB.
- Incorporation of ESG elements into the company's business strategy.

Plans for the 2021/22 reporting year:

- **Double-digit growth** in retail space.
- RFID implementation by other brands: **Cropp, House, Mohito**.
- Dynamic **rise in online sales**.
- Further investments: CAPEX **estimated at PLN 1,100m**.
- Remaining in a **secure financial position**.

→ You will read more about our brands and sales channels in Chapter 2: "Creation, production and sales of our collections".

1.2.4. CREATING VALUE MODEL

ASSETS



Natural capital

including raw materials used to produce fabrics and natural resources, such as energy and water.



Financial capital

namely equity and liabilities.



Human and intellectual capital

meaning the contribution of our employees and suppliers into the creation, development and production of our collections, their distribution and sales.



Social and relational capital

in other words the inspirations and growth which we owe to our relations with investors, business and social partners, customers and other stakeholders.



Manufactured capital

that is products, their distribution and sales.

LPP VALUES
Fire-fuelled Ambition-driven Socially-responsible Team-oriented

←

BUSINESS STRATEGY

→

SUSTAINABLE DEVELOPMENT STRATEGY

For People  **For Our Planet** 



Eco Aware – product, production, sales



Chemical safety in production



Packaging Aware – plastics under control



Sustainable development in the buildings of the central headquarters and retail network

STEP 1: DESIGNING **STEP 2: SEWING** **STEP 3: SHIPPING** **STEP 4: SELLING**

INTERNAL RISKS

- Business model risks
- Reputation damage risks
- Employee risks
- Collection risks
- Product quality risks
- Supplier reliability risks and dependence on a single supplier
- Corruption risks
- Ineffective logistics risks
- Inaccurate pricing policy risks
- Concentration on one market segment risks
- Wrong store location risks
- Customer migration from traditional outlets to online stores risks

EXTERNAL RISKS

- Macroeconomic risks
- Epidemic and pandemic risks
- Technological progress and innovation risks
- Climate risks
- Weather risks
- Environmental risks
- Rising costs of products risks
- Increased competition risks
- Currency risks
- Regulatory change risks

Our results in the 2020/21 reporting year

		STAKEHOLDER VALUE
 <p>911,560 GJ of energy used</p> <p>1,295,340 TCO₂E of carbon dioxide emitted</p>	<p>16 factories covered by the Eco Aware Production scheme</p>	<p>Reduction of negative environmental impacts.</p> <p>A step towards delaying climate change.</p> <p>Support offered to suppliers with regards to managing their environmental impacts and increasing their competitive advantage.</p>
 <p>PLN 3,068M equity</p>	<p>PLN 7,285M set aside for long-term and short-term reserves and liabilities in the 2020/21 reporting year</p>	<p>More innovation and better access to advanced technologies in the fashion industry.</p> <p>Assistance for local communities and the society at large.</p>
 <p>21,977 employees of the LPP Group</p>	<p>1,108 suppliers on three continents</p>	<p>Opportunities for employees to develop professionally and improve their skills.</p> <p>Help offered to suppliers with regard to working conditions and human rights protection.</p>
 <p>2 partnerships for sustainable development goals joined: Zero Discharge of Hazardous Chemicals (ZDHC) and Polish Plastics Pact</p>	<p>Involvement in the establishment of 1 industry initiative: Union of Polish Retail and Services Employers (ZPPHiU)</p>	<p>Elimination of harmful chemical substances and plastics from the environment.</p> <p>Support for the industry in the fight with the consequences of the pandemic.</p>
 <p>233M items of clothing sold annually</p> <p>18.6% proportion of Eco Aware products in our brands' collections</p>	<p>1,435,000 M² of combined retail space</p> <p>490,833: the highest number of garments in online orders fulfilled in a day</p>	<p>Product availability matching current customer needs regardless of the sales channel.</p> <p>Wider choice of products that are less harmful to the natural environment to facilitate more ecologically-sound consumer decisions.</p>

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1.2.5. SUSTAINABLE DEVELOPMENT STRATEGY FOR 2020–2025

Sustainable development is an important factor in our planning and decision-making processes. We always try to act fairly, guided by the standards of corporate social and environmental responsibility. We rise up to the global climate challenges and strive to reduce our environmental impacts. Despite the COVID-19 pandemic affecting the operations of our company, we consistently work to fulfil the objectives of our 2019 sustainable development strategy “For People For Our Planet” as regards ecologically-sound production, chemical safety in manufacturing, elimination of open-loop packaging and eco-friendly solutions in the buildings of the central headquarters and the retail network.

For People  For Our Planet

Pillar of the strategy Targets met in the 2020/21 reporting year Long-term goals to be reached by 2025

ECO AWARE – PRODUCT, PRODUCTION, SALES



- ✔ We began the implementation of the Eco Aware Production scheme in the field of water management and energy supply. Because of the COVID-19 pandemic the programme was redesigned for the purposes of remote audits.
 - ✔ 18.6% of the products offered by LPP brands and 32.4% Reserved products are Eco Aware collections.
 - ✔ We launched a series of consultations with 40 suppliers from Southeast Asia to bring their operations into conformity with the Eco Aware Production standard. As a result, already 16 factories produce collections in this standard, and more are preparing for it.
 - ✔ We reduced our CO₂ emissions by 14%.
- 2021: 25% of all clothes produced by LPP are Eco Aware
 - 2021: 30% factories in Asia are part of the Eco Aware Production scheme.
 - 2023: 100% denim factories are part of the Eco Aware Production scheme.
 - 2023: Collection of used clothes in 100% stores.
 - 2023: PLN 1m invested in new technologies of recycling textile waste.
 - 2025: 50% of all Reserved garments are Eco Aware.
 - 2025: Our carbon footprint is reduced by 15%.

Pillar of the strategy Targets met in the 2020/21 reporting year Long-term goals to be reached by 2025

CHEMICAL SAFETY IN PRODUCTION



- ✔ We joined Zero Discharge of Hazardous Chemicals (ZDHC), an initiative that strives for the elimination of hazardous chemical substances from the supply chain in the clothing industry.
 - ✔ We got involved in the adoption of ZDHC Manufacturing Restricted Substances List (ZDHC MRSL), a regularly updated list of banned substances.
 - ✔ We began the process of sharing our knowledge with our partners. 23 factories in Pakistan and 42 in Bangladesh produced our collections in line with the ZDHC standards.
- 2021: 100% products containing wool or down with RDS or RWS certification.
 - By 2025 we will have reached full conformity with ZDHC standards.

PACKAGING AWARE – PLASTICS UNDER CONTROL



- ✔ Complete removal of plastic from the packaging of Reserved and Mohito online orders, which resulted in the elimination of another 300 tonnes of the material.
 - ✔ We used recycled plastic film in 100% of House, Cropp and Sinsay orders.
 - ✔ Reduction of plastic packaging used to ship samples by 50% – another 5 tonnes of plastic saved.
 - ✔ We joined the Polish Plastics Pact, a national initiative for closing the loop for plastic waste.
- 2021: 100% plastic-free price tags.
 - 100% cardboard boxes with FSC certification or recycled.
 - 2023: 100% recycled packaging at the stores.
 - 2025: 100% of the plastic packaging can be reused, recycled or composted.

SUSTAINABLE DEVELOPMENT IN THE BUILDINGS OF THE CENTRAL HEADQUARTERS AND RETAIL NETWORK



- ✔ We began the implementation of the Eco Aware Stores programme at our stores, as part of which we will, for example optimise the operations of the HVAC systems and replace all lights with energy-saving LED lamps.
 - ✔ Whenever we were in the position to choose the energy provider, over 25% of the energy consumed by our stores came from renewable sources (mostly wind and water).
 - ✔ In selected stores, we started testing telemetry systems for the monitoring and management of electricity use.
 - ✔ Some of our outlets were fitted with the SolarCool technology that uses solar energy to cool the air-conditioning system.
 - ✔ 88 of our stores are located in shopping centres with BREEAM certification; one in a shopping centre with LEED certification.
- 2021: All our servers and online shops will excessively use renewable energy.
 - 2023: All new buildings with eco certification (BREEAM or LEED).
 - 2025: 100% of stores covered by the Eco Aware Stores programme.

1.2.6. UN SUSTAINABLE DEVELOPMENT GOALS 2015–2030

As LPP, we contribute to the achievement of selected goals of the 2030 Agenda for Sustainable Development adopted by the UN General Assembly in 2015. We identify areas of our impact and take actions that are consistent with our business activity and our approach to social involvement.



- Our employees are offered numerous development programs and training opportunities.
- Working in collaboration with colleges and universities, we support the education of young designers and make it possible for them to gain work experience.
- We help to improve the quality of education provided to children and young people in the areas where we invest.

OUTCOMES IN 2020/21:

- Nearly **71,000** hours of training provided to the LPP Group employees
- Constant collaboration with **8** colleges



- LPP is one of the largest taxpayers in Poland and the largest private taxpayer on the Polish coast of the Baltic. We support the development of local businesses.
- Nearly 22,000 people is on our payroll in Poland and abroad.
- We implement good practices in the supply chain, promoting human rights, employee rights and improved safety in our Asian suppliers' factories.

OUTCOMES IN 2020/21:

- **197** audits focusing on occupational health and safety, working conditions and human right in our suppliers' manufacturing plants



- LPP is a fully omnichannel organization that successfully integrates the physical and e-commerce channel.
- Since 2016 we have invested PLN 180m into fashion tech, including the introduction of RFID hard tags.
- We are developing an advanced and diverse logistic capacity that includes a network of Distribution Centres and Fulfillment Centres in strategic locations in Poland and abroad.

OUTCOMES IN 2020/21:

- **98.9%** online orders delivered on time
- **23m** online orders filled
- **259m** items of clothing distributed annually



- Diversity is a priority in our company.
- Over a half of all managerial positions in our company are filled by women.
- We employ people with disabilities and offer them professional development opportunities.
- We support employee volunteering.
- Our suppliers are required to protect human rights, employee rights and safety standards.
- Through the LPP Foundation, we support people facing social exclusion.

OUTCOMES IN 2020/21:

- Over **60%** of women in managerial and executive positions at the LPP central headquarters and over **93%** in LPP Retail, hold managerial and director positions
- **235** employees with disabilities at the LPP Group
- The LPP Foundation donated more than **PLN 353,000** to support local communities and projects preventing social exclusion
- **5%** gender pay gap (compared to the 19.9% national average in Poland, according to state statistics)



- We work for the development of Gdańsk, Cracow, and the city districts where our offices are located.
- We respond to the needs of the communities where we operate.
- LPP is an active participant in the life of Brześć Kujawski, focusing on supporting the education of the youngest residents of the commune.

OUTCOMES IN 2020/21:

- **PLN 6.9m** in assistance provided as part of the #LPPhelps campaign
- **43** organizations supported by the LPP Foundation
- **115** LPP employees sewing face masks and **59** employees involved in other volunteering projects



- The share of more ecologically-sound fabrics in our collections grows constantly.
- We implement the Eco Aware Production programme in the field of water management and energy supply. We carry out quality checks along the supply chain.
- Having joined the Zero Discharge of Hazardous Chemicals (ZDHC), we became involved in the adopting of a list of hazardous substances that are banned in clothing manufacturing.
- In Poland we collect used garments and give a second life to them by donating them to people in need.

OUTCOMES IN 2020/21:

- **18.6%** - the share of Eco Aware products in all LPP collections
- **17,977** all quality checks (including remote ones) carried out by LPP in factories and the distribution centre
- **5.3 tonnes** of clothes collected and donated since 2018



- We work to achieve the ambitious goals of our sustainable development strategy "For People For the Planet", which include increasing the share of more ecologically-sound collections (Eco Aware), limiting our use of plastics or reducing our carbon footprint.
- We completely ended the use of non-recycled poly mailers in e-commerce packages.

OUTCOMES IN 2020/21:

- Reduction of total GHG emissions per item sold for the LPP Group by **2.2%**
- Reserved and Mohito online orders **100%** free from single-use plastics
- **300 tonnes** of plastic saved



- LPP is a member of the United Nations Global Compact, the world's largest initiative that bright together companies working towards sustainable development.
- We joined the Zero Discharge of Hazardous Chemicals (ZDHC) aimed to eliminate hazardous chemical substances from the clothing industry value chain.
- We signed the Polish Plastics Pact that work towards closing the loop for plastics.

OUTCOMES IN 2020/21:

- **23** factories in Pakistan and **42** in Bangladesh where our collections are manufactured are now part of the ZDHC.

1.2.7. RESPECTING THE LAW

The dominant entity in the LPP Group, LPP SA is a public company supervised by a number of regulatory authorities, first and foremost the Polish Financial Supervision Authority (KNF). Making sure that the company always acts within the law are LPP SA's different internal units, in particular the departments responsible for legal matters, licenses, intellectual property and trademarks, internal audit, investor relations, communication and sustainable development.

The departments work together with relevant regulatory authorities and external consultants to ensure that our operations around the world are fully legal. The company implemented a range of procedures to achieve conformity with relevant Polish and EU regulations, in particular:

- procedures of personal data protection,
- procedures of tax scheme identification,
- procedures of sharing confidential information,
- anti-corruption procedures,
- the Management Board and Supervisory Board's remuneration policy.

Two important elements of ensuring the legality of the company's operations are the Supervisory Board and the audit committee, which, among other things, monitor and assess transactions with associated entities, financial reporting processes and their quality evaluation.

1.2.8. PREVENTING CORRUPTION

100% of employees of the Head Office and showrooms have been informed about the principles of counteracting corruption.

LPP identifies areas where the risk of corruption is the highest and formulates principles to prevent it. Acting to prevent corruption in our company follows directly from the internal regulations and procedures set out in these documents:

- "LPP Principles" (code of conduct) in force in the central headquarters of the parent company, LPP SA and the central offices of foreign subsidiaries,
- "Principles of Cooperation with Business Partners" in force in the central headquarters of LPP SA,
- "LPP Principles for Store Personnel" in force on the Polish market.



[Reporting topic: Legality of operations] [GRI 103-1] [GRI 103-2] [GRI 103-3] [GRI 205-2] [GRI 205-3]

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new employees participated in meetings on preventing corruption.

The documents set out principles that are binding in our company and desired employee behaviours. By formulating clear-cut rules we build our workers' awareness and stress the importance of transparency in their actions.

LPP SA internal units are regularly audited to evaluate potential conflicts of interest. What is more, all new employees get to know the relevant procedures during the onboarding programme devised by the HR department. A document that confirms a worker's familiarity with the "Principles of Cooperation with Business Partners" is included in their personnel file. Moreover, in the autumn of 2020 we sent

100%

of our top executives (10 people) were informed about the anti-corruption policies and procedures in force in the organisation in the reporting year.

out special bulletin to all the employees of LPP SA central headquarters to remind them about the anti-corruption principles in place, as we do every year.

To prevent corruption along the supply chain, we make sure that our procurement process is transparent and inform our suppliers

about the relevant procedures.

We provide our employees with the option to anonymously report any infringements of the existing laws or internal regulations, including anti-corruption ones. Whistleblowers may report

100%

of suppliers were informed about LPP's anti-corruption policies and procedures.

misconduct by e-mail to a dedicated address. Employees can also get into direct contact with the ethics officer, their supervisors, and – from 2020 – selected Management Board members or – in some circumstances – members of the Supervisory Board.

No cases of corruption were confirmed in the 2020/21 reporting year.

1.2.9. 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 the risks identified within the organization, ways to prevent them and control procedures.

We carry out regular assessments of the financial and non-financial risks faced by the Group. Members of the Management Board and top executives play an important role as regards identifying risks and reacting to them. Our managers are responsible for supervising their respective departments for operational risks. We also place strong emphasis on identifying and assessing risks concerning reliable, trustworthy and lawful financial and non-financial reporting processes. In addition to that we take into consideration relevant ESG issues from the wider perspective of our business strategy.

Table 4. Risks identified in LPP SA and the LPP Group

Identified non-financial risks	Risk description	Risk management	LPP SA	LPP Group	Risk impact on issues indicated in the Act*
Internal risk factors					
 Business model risk	Our business model is based on outsourcing production which is associated with the risk of wrong selection of suppliers and political and economic situation in their countries of business.	<ul style="list-style-type: none"> • We place strong emphasis on diversification of suppliers and countries of production. • Our selection of suppliers is based not only on their prices but also the scope of their offer, equipment owned and ethical treatment of workers. • We carry out regular audits along the supply chain. 	✓	✓	<ul style="list-style-type: none"> • Relations with the environment, including business partners. • Natural environment. • Protection of human rights

[GRI 102-15]

Identified non-financial risks	Risk description	Risk management	LPP SA	LPP Group	Risk impact on issues indicated in the Act*
Collections risk 	As a leading clothing company, we perfectly understand fashion trends and quickly react to changing customer expectations. We do, however, face the potential risk of our collections not meeting the tastes of our customers and shifts in lifestyle that cause different needs in terms of clothing.	<ul style="list-style-type: none"> Each LPP brand has a large design team which reduces the risk of a collection being shaped by one person. Before the pandemic, our designers regularly took part in fashion weeks. They follow street fashion trends in the world's fashion capitals and draw inspiration from the Internet and social media. 	✓	✓	• Social issues.
Product quality risk 	We are a leader on the competitive apparel market and cannot let the quality of our products fall beneath the expected high standard.	<ul style="list-style-type: none"> We collaborate with well-tested suppliers. Before placing an order, our merchants ask suppliers to provide material and product samples to assess the quality of fabrics and workmanship. Our product quality unit runs checks of products before they are offered to customers. 	✓		<ul style="list-style-type: none"> Social issues. Relations with the environment, including business partners.
Supplier reliability risks and dependence on a single supplier 	We strive to maintain high quality and continuity of supplies. To achieve more diversity, we procure goods and services from a larger number of suppliers.	<ul style="list-style-type: none"> We collaborate with suppliers from different countries. We assess and rank suppliers in order to eliminate unreliable partners. Well-tested suppliers become our long-lasting partners. 	✓		• Relations with the environment, including business partners.
Flawed pricing policy 	The competitiveness of the fashion industry makes accurate pricing of products a priority.	<ul style="list-style-type: none"> We set the prices of our products at a moderate price level of clothing companies and the Affordable Fashion Retail segment. During season sales, we sell the latest season's collections at discounted prices. 	✓	✓	• Social issues.
Concentration on one market segment 	The risk of overconcentration refers both to excessive concentration on selected geographic markets and sales channels.	<ul style="list-style-type: none"> We are present in 38 markets in Europe and the Middle East. Our brands continually expand to new markets. We are an omnichannel organisation which offers customers the opportunity to shop in-store and online. 	✓	✓	• Social issues.
Wrong store location 	We constantly develop our physical retail network. Opening outlets in new places is associated with the risk of making the wrong location decision.	<ul style="list-style-type: none"> We analyse the potential of every new location carefully. We optimise the retail network, closing locations that generate unsatisfactory sales and expand stores in profitable locations. 	✓	✓	• Social issues.

Identified non-financial risks	Risk description	Risk management	LPP SA	LPP Group	Risk impact on issues indicated in the Act*
Ineffective logistics 	For online customers, it is important to be able to shop at any time and place; they also pay attention to the speed, with which the order is filled. This requires logistics of high quality.	<ul style="list-style-type: none"> Our logistic infrastructure in Poland and abroad is advanced and diverse. We implement original software and advanced IT technologies to facilitate the processed of order fulfilment and distribution. 	✓		• Social issues.
Customer migration from traditional outlets to online stores 	The COVID-19 pandemic sped up the global tendency for customers to migrate from brick-and-mortar outlets to online stores. The challenge is to offer them unique shopping experiences, managing product availability and the speed of delivery.	<ul style="list-style-type: none"> We managed to successfully integrate the physical and online sales channels. Our brands have advanced stores online. We constantly make our online sales more available: currently, you can buy our products online in 30 markets. Our investments in logistics allow us to work effectively. During lockdown, when online sales soared, we were one of few companies which filled its products efficiently and on time. 	✓	✓	• Social issues.
Employee risks 	The risk is associated with the loss of persons with unique qualifications, excessive employee turnover and difficulties with recruiting new workers.	<ul style="list-style-type: none"> We implemented motivational schemes for key managers based on employee share ownership. Our employees are offered clear career paths and a variety of training programmes. We work to constantly improve our employer image. To minimise difficulties with recruiting some workers, we invest in robotisation and AI, among other things. 	✓	✓	<ul style="list-style-type: none"> Employee issues. Protection of human rights.
Reputation damage 	Reputation crises may have a negative impact on a company's revenue and value. They may result from the company's operations (e.g. the quality of products, environmental and social standards along the supply chain, or copyright infringements), or circumstances beyond the company's control (attacks by rival companies, uncontrollable events)	<ul style="list-style-type: none"> All our brands develop more sustainable Eco Aware collections. We ended the use of angora wool, natural furs and mohair. In 2021 we will introduce collections with recycled cashmere. In 2020 we placed an order for garments with certified down to be used in subsequent seasons. This year we also began efforts to source certified wool for our collections. Human rights, occupational health and safety, and quality standards along the supply chain are important for us as a business. We follow internal procedures as regards the purchase of photos and graphic licences, and provide our designers with copyright training. 	✓	✓	<ul style="list-style-type: none"> Social issues. Employee issues. Natural environment. Protection of human rights. Relations with the environment, including business partners.

Identified non-financial risks	Risk description	Risk management	LPP SA	LPP Group	Risk impact on issues indicated in the Act*
Corruption 	We collaborate with many suppliers and recipients. Our procurement process is centralised which makes us more prone to fraud or entering into disadvantageous contracts.	<ul style="list-style-type: none"> We identify areas where the risk is the highest and set out principles that aim to prevent corruption our by-laws. An internal audit system is in place in our company. We promote ethical behaviours among our employees through a range of activities and initiatives. Our suppliers are informed about the relevant procedures. 	✓	✓	<ul style="list-style-type: none"> Preventing corruption.
External risk factors					
Macro-economic risk 	The countries where our suppliers' factories are based and those where we sell our products face the risk of changing macroeconomic circumstances and other unexpected events, such as pandemics or military conflicts. In consequence, these may involve a decline in demand or failure to fill orders on the suppliers' part.	<ul style="list-style-type: none"> Being present in 38 markets, which differ in terms of their respective situations, we diversify our macroeconomic risks. Our five diverse brands are tailored to customers' different needs. We develop our sales channels (physical and online outlets). Our suppliers are based in different countries. 	✓	✓	<ul style="list-style-type: none"> Social issues. Relations with the environment, including business partners.
Pandemic and epidemic risk 	An epidemic or pandemic might cause an economic slow-down in the affected countries or even around the globe. A spreading epidemic in the countries where our suppliers' are based may disrupt our supplies. An epidemic outbreak in the markets where we sell our products may reduce demand. At the same time, as was the case with COVID-19, governments may introduce regulations significantly affecting the retail and services sectors, such as the closure of physical stores.	<ul style="list-style-type: none"> Being present in 38 markets, which differ in terms of their respective situations, we diversify our pandemic risk. Our brands operate in the mid-market segment and Affordable Fashion Retail segment, which makes them more affordable for customers. We develop our e-commerce to make it possible for customers to shop online should brick-and-mortar outlets be closed. When necessary, as was the case with COVID-19, we efficiently make decisions to maintain our accounting liquidity. 	✓	✓	<ul style="list-style-type: none"> Social issues. Relations with the environment, including business partners.



Identified non-financial risks	Risk description	Risk management	LPP SA	LPP Group	Risk impact on issues indicated in the Act*
Rising costs of products 	An increase in the cost of products may be caused by a hike in production costs at our suppliers. Another important risk factor are changing USD to PLN exchange rates, as the great majority of our translations with suppliers is settled in US dollars.	<ul style="list-style-type: none"> We place larger orders with reliable, long-term suppliers to drive the cost per item down. We outsource production in different markets, depending on local suppliers' capabilities, specialisation and standards. Having products delivered throughout the year reduces the risk of buying at an unfavourable exchange rate. 	✓		<ul style="list-style-type: none"> Social issues. Relations with the environment, including business partners.
Currency risk 	Unfavourable shifts in currently exchange rates are a considerable risk for our company, because 50% of LPP annual revenue is denominated in foreign currencies.	<ul style="list-style-type: none"> To manage USD to PLN exchange rate differences, we use forward contracts for transactions in US dollars with our suppliers. 	✓	✓	<ul style="list-style-type: none"> Social issues.
Regulatory change 	Changes in tax, regulations, tariffs or local legislation in the countries where we operate may cause extra costs for us or reduce our earnings.	<ul style="list-style-type: none"> Our main offices and the great majority of our stores are located in the European Union, which has stable tariff policies. In the event of significant legislative change, the LPP Management Board will work to minimise their influence on the company's financial results. 	✓	✓	<ul style="list-style-type: none"> Social issues.
Increased competition 	The barriers of entry into the apparel market are small, as a result of which there are many players and the competition is strong. The market is also highly competitive as a result of the development of the development of online sales, which increase product availability.	<ul style="list-style-type: none"> Our products reflect fashion trends and meet our customers' needs at acceptable prices. We invest in advanced technologies and solutions to increase customer satisfaction. We monitor the situation in the industry, including our rivals' financial results, the development of their retail networks, the products they offer and their pricing. 	✓	✓	<ul style="list-style-type: none"> Social issues.

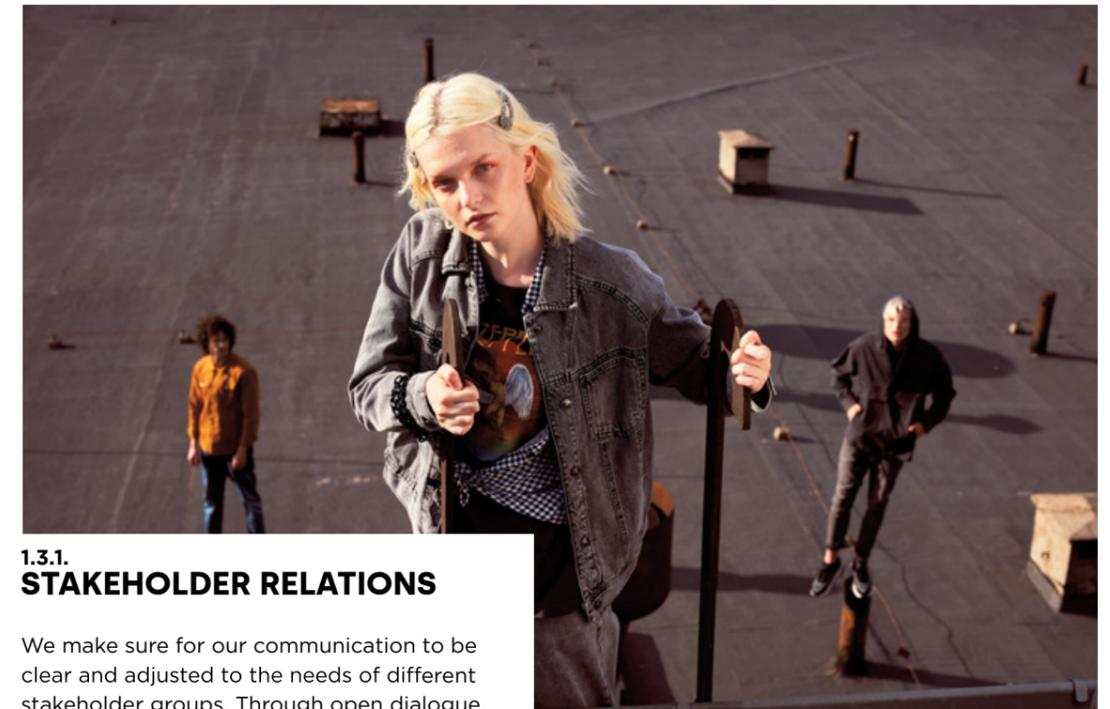
Identified non-financial risks	Risk description	Risk management	LPP SA	LPP Group	Risk impact on issues indicated in the Act*
Technological progress and innovation 	Advanced technologies have tremendous influence on the apparel industry: they make it possible to enhance digital customer experience, establish personalised communication or significantly more effective logistic and supply chain management. Implementation of advanced technologies impacts the company's competitiveness and consequently its financial results.	<ul style="list-style-type: none"> We operate in the area of fashion, the arts and beauty, and at the same time we are a technology company. Since 2016 we have been investing in Fashion Tech, including RFID hard tags which was our key project. Our 400-person IT team is on a par with the largest information technology firms in Poland. We implement original technological solutions that match our needs. We rely on agile teams experienced in fast design and implementation of technological solutions 	✓	✓	• Social issues.
Weather risk 	More unpredictable weather and blurred seasons may influence sales dynamics and achieved margins.	<ul style="list-style-type: none"> We monitor sales and margins in individual markets. Our structure and decision-making flexibility makes it possible for us to quickly react to unfavourable weather changes in the course of a season. We develop a multiple seasonal model: our collections are becoming more and more suitable for all seasons, thanks to the choice of fabrics, among other things. 	✓	✓	• Natural environment
Climate risk 	Climate change that causes abrupt occurrences such as fires, droughts, floods, global warming, are becoming a major challenge for any company, regardless of the industry and markets where it operates.	<ul style="list-style-type: none"> By implementing our 2019 sustainable development strategy "For People For Our Planet", we limit our environmental impacts. We set ambitious, measurable targets for ourselves that will achieve by 2025, including, among others, the implementation of a scheme of collaboration with factories as regards water management and energy supply (Eco Aware Production) or the carbon footprint. 	✓	✓	• Natural environment
Environmental risk 	The apparel market may have negative impacts on the natural environment and overuse natural resources.	<ul style="list-style-type: none"> We took it upon ourselves to end the use of single-use, non-recyclable or non-compostable plastics. We strive to achieve chemical safety in manufacturing. In collaboration with our suppliers, we implement the Eco Aware Production scheme to limit their use of water, among other things. 	✓	✓	• Natural environment

* Polish Accounting Act.

→ You will read more about our risk management in the "Consolidated Annual Report of the LPP SA Corporate Group for the 2020/21 reporting year" available on www.lppsa.com in the 'Investor Relations' section.

1.3.

THE ORGANISATION'S EXTERNAL ENVIRONMENT



1.3.1. STAKEHOLDER RELATIONS

We make sure for our communication to be clear and adjusted to the needs of different stakeholder groups. Through open dialogue, we try to get to know their expectations and respond to them as best we can. From 2017 to 2019 we organised round tables in accordance with the AA1000SES standard held by independent moderators who ensured everyone's anonymity. The meetings discussed fair fashion, customer needs and corporate social responsibility. In the 2020/21 reporting year, due to the COVID-19 pandemic, we did not organise face-to-face meetings. Instead, we held on one-on-one video conferences with our business and social partners, and industry experts, focusing on **transparency and the scope of disclosure in non-financial reporting**. The

conclusions and recommendations from the conferences were taken into consideration in the process of preparing this report. Our interlocutors indicated the following issues as the ones that should be given more attention:

- the company's approach to water management – see p. 59, 69, 75,
- the environmental impacts along the supply chain – see p. 69-77,
- human rights protection – see p. 114-115,
- diversity in the workplace – see p. 112-113,
- LPP's economic and social impacts in the time of the COVID-19 pandemic – see p. 40-45.

[GRI 102-42] [GRI 102-43] [GRI 102-44]

LPP's stakeholder groups



Investors and related stakeholders

- Investors
- The most relevant 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 (KNF)

SELECTED COMMUNICATION CHANNELS:

- Bilingual corporate website
- E-mail lists
- Business media
- Annual 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



Customers

- In-store customers
- E-commerce customers

SELECTED COMMUNICATION CHANNELS:

- the Internet
- Customer Service Centre
- Social media
- Newsletter
- Store spaces
- Mass media



Business environment

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

SELECTED COMMUNICATION CHANNELS:

- E-mail lists
- Corporate website
- Direct meetings
- Special events and publications
- Dedicated events, e.g. stakeholder panels
- Dedicated channels of communication for members of the Union of Polish Retail and Services Employers: website, WhatsApp, e-mail lists, membership meetings via MS Teams
- Surveys and opinion polls
- MS Teams



Employees

- Employees of the LPP central headquarters
- Employees of 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)
- Direct meetings
- Special events
- Training sessions
- Surveys and opinion polls
- MS Teams
- Time management app



Social environment

- Industry organizations
- Consumer organizations
- Community service organizations supported by LPP
- Colleges and universities collaborating with LPP
- Local authorities
- Influencers

SELECTED COMMUNICATION CHANNELS:

- E-mail lists
- Social media
- Mass media
- Direct meetings
- Dedicated events, e.g. stakeholder panels
- Projects carried out with the support of local authorities
- Projects carried out in collaboration with partners
- Surveys and opinion polls
- MS Teams

1.3.2. PARTNERSHIPS AND MEMBERSHIPS

2013

We joined 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. We are the only Polish member of the organisation to date.

2016

We signed an agreement with **Otwarte Klatki (Open Cages)** and joined the international **Fur Free Retailer Programme**. It is an expression of our lasting commitment not to use natural fur to produce our clothes and accessories.

2017

We joined the **Family Business Network Poland**.

2019

We joined the **New Plastics Economy Global Commitment**, a global initiative for a circular economy for plastics. We joined the **United Nations Global Compact**, the world's largest UN initiative for corporate social responsibility and sustainable development.

2018

We became a partner of the **FIR Grant Fund** (UP Foundation), a local fund established to support 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 and oldest employer organisation in the Pomerania Province. It exists to promote the interests of employers to state authorities and regulatory institutions.

2020

18 March

We became the founding member of the **Union of Polish Retail and Services Employers (ZPPHIU)**, an industry organisation set up in the face of the crisis caused by the COVID-19 pandemic and the (resultant) economic shutdown and reorganisation of the operations of shopping centres. The primary goal of ZPPHIU's actions is to save jobs in the retail and services sector. The organisation supports dialogue between tenants and property managers to work out solutions adapted to the new reality and adjust rents to the situation currently seen in shopping centres.

5 August

In line with one of the goals of our sustainable development strategy "For People For Our Planet", we became the first Polish company to join the **Zero Discharge of Hazardous Chemicals (ZDHC) Programme**. ZDHC works to reduce the negative impacts of the clothing industry on the natural environment by formulating and implementing standards of chemical safety and eliminating hazardous substances in the supply chain. Our company became involved in the adaptation of Manufacturing Restricted Substances List (ZDHC MRSL), a regularly updated list of prohibited substances.

10 September

We became a part of the **Polish Plastics Pact**, a multi-sectoral platform of collaboration between companies, industry organisations and NGOs bringing together the participants of the plastic packaging value chain. As a signatory of the pact we took it upon ourselves to manage plastics rationally, moving towards a closed-loop cycle. The Polish Plastics Pact collaborates with the Ellen MacArthur Foundation as part of the global Plastics Pact network.

LPP is also a member of the **Responsible Business Forum**, an expert organisation promoting sustainable development and social responsibility among businesses.

1.4. LPP IN THE FACE OF THE COVID-19 PANDEMIC



1.4.1. HOW THE PANDEMIC AFFECTED LPP

In the 2020/21 reporting year we were forced to face the economic and social consequences of the COVID-19 pandemic. The lockdowns introduced in almost all countries where we have physical stores and changed consumer behaviour were affected our sales numbers. At the same time, we saw a significant increase in e-commerce revenue, achieving the record PLN 2,2bn in total sales in that period. The growing share of e-commerce revenue, which reached 28% of the Group's total earnings, did not make up for the declining sales in general, but allowed us to maintain a stable financial situation. Owing to faster than originally planned change of our business model and a quick and efficient transformation of our organisational structure, our business processes went on without disruption, while our financial situation remained stable. We made a considerable contribution to the development of the economy, creating and saving jobs. We also carried out important social projects.

LPP in the face of the COVID-19 pandemic in the 2020/21 reporting year

Creating and saving jobs



- We created jobs - we employed almost **22,000** people globally.
- The cost of creating and maintaining jobs was **PLN 82.6m** - for this purpose we used **PLN 54.8m** of wage subsidies received as part of the government's state aid relief package for companies affected by the shutdown of retail (incl. **PLN 32.9m** in Poland).

Corporate governance

- The Management Board and Supervisory Board gave up their salaries during the 3 months of lockdown.
- The General Shareholder Meeting decided not to pay dividend on profits earned in the 2019/20 reporting year.

Economic impact in Poland

- We were the driving force of Polish exports: they were worth **PLN 4.5bn**.
- Our contribution to the Polish budget amounted to **PLN 703m**.

The supply chain

- We cooperated with **1,108** suppliers by placing orders and allowing them to save jobs and maintain continuity of production.
- LPP was one of the first clothing manufacturers to be included on the Worker Rights Consortium's list of companies that honour their commitments towards suppliers.
- We considered the situation of each supplier on a case by case basis in order to help the manufacturers maintain accounting liquidity.
- We monitored the payment of wages to workers of the collaborating factories.

Investments

- We invested **PLN 753m** into the development of our retail network, distribution and implementation of new technological solutions.



- Our logistic network continued to grow: we proceeded with the expansion of the distribution centre in Pruszcz Gdański and the designing of our new facility in Brześć Kujawski committing towards these projects more than **PLN 72m**.

Social projects

- We supported over **300** healthcare facilities, children's care organisations and nursing homes.
- As part of the campaign #LPPhelps, we donated **PLN 6.9m** to buy PPE for healthcare facilities.



- LPP volunteers sewed **27,200** face masks and nearly **1,700** protective coats for hospitals and other institutions in need.
- Reserved, Mohito and Cropp donated **10%** of the sales revenues generated by the Joyful and Eco Aware collections to healthcare facilities.
- In the autumn, during the second wave of the pandemic, as part of what was internally called #LPPhelps2, we donated **PLN 400,000** to buy medical equipment and PPE to 9 hospitals in the Pomerania region and Cracow. We also provided 20,000 items of clothing (t-shirts, trousers, underwear) to the medical staff to wear under their coveralls.

[Reporting topic: economic and social impact of LPP in times of a pandemic] [GRI 103-1] [GRI 103-2] [GRI 103-3] [GRI 102-10] [GRI 102-15]

Table 5.
Taxes and other levies paid in Poland in 2016-2020/21 [in thousands of PLN].

	2016	2017	2018	01.2019- -01.2020	02.2020- -01.2021
Value Added Tax (VAT)	488,056	529,929	613,318	604,754	457,190
Corporate Income Tax (CIT)	5,692	41,703	149,611	107,893	40,458
Tariffs	143,259	157,869	131,232	239,961	115,953
Personal Income Tax (PIT)	14,256	18,994	20,275	24,459	19,656
Disability contributions	345	590	696	945	880
All social insurance contributions	45,209	60,373	70,570	88,925	64,267
Real property taxes	3,225	3,607	3,791	4,578	4,919
Vehicle taxes	3	3	3	4	2
TOTAL	700,045	813,068	989,496	1,071,519	703,325

Data for 2020 are estimates.
Data for 2018 and 2019 are revised based on the tax return submitted.

→ You will read more about social and economic impacts globally in the following chapters of this report. Our direct economic impact is discussed in Chapter 5, "Financial disclosures".

1.4.2. THE EMERGENCY COMMITTEE



Monika Wszektorowska,
head of the
Emergency
Committee

During the COVID-19 pandemic, **saving jobs and protecting our employees became the absolute priority of LPP.** On 13 March 2020, at the very beginning of our struggle with the social consequences of the coronavirus, the Management Board **decided to set up an emergency committee and task it with ensuring the safety of all employees in all locations.** We formulated and swiftly implemented safety procedures to be followed in our offices (central headquarters and branches), retail outlets and logistic network - the Distribution Centres and Fulfillment Centres.

Our responsibilities included following updates on COVID-19 regulations, adapting the safety measures in place on our premises and stores to the changing situation on the ground, crisis management, supporting teams in the event of confirmed coronavirus cases and mak-

ing sure that employees respect the safety rules. We also took additional preventive measures not required by the law: we had our offices disinfected weekly by specialist teams, each employee had their temperature taken daily before entering the building, while non-employees were forbidden from coming into our offices and warehouse spaces.

In particular, we made sure that our workers had access to all the necessary information on procedures round the clock. We set up special e-mail addresses to deal with this issue. We tried to provide maximum support in the event that a worker became infected, field all questions asked by our employees and manage any doubts they expressed.

The Emergency Committee in numbers:

- **11** months in action and counting.
- **38** procedures established and implemented.
- **27** releases sent out to employees.
- **24** hours a day **7** days a week: telephone support available for office employees.

1.4.3. GETTING INVOLVED IN SAVING JOBS IN THE INDUSTRY



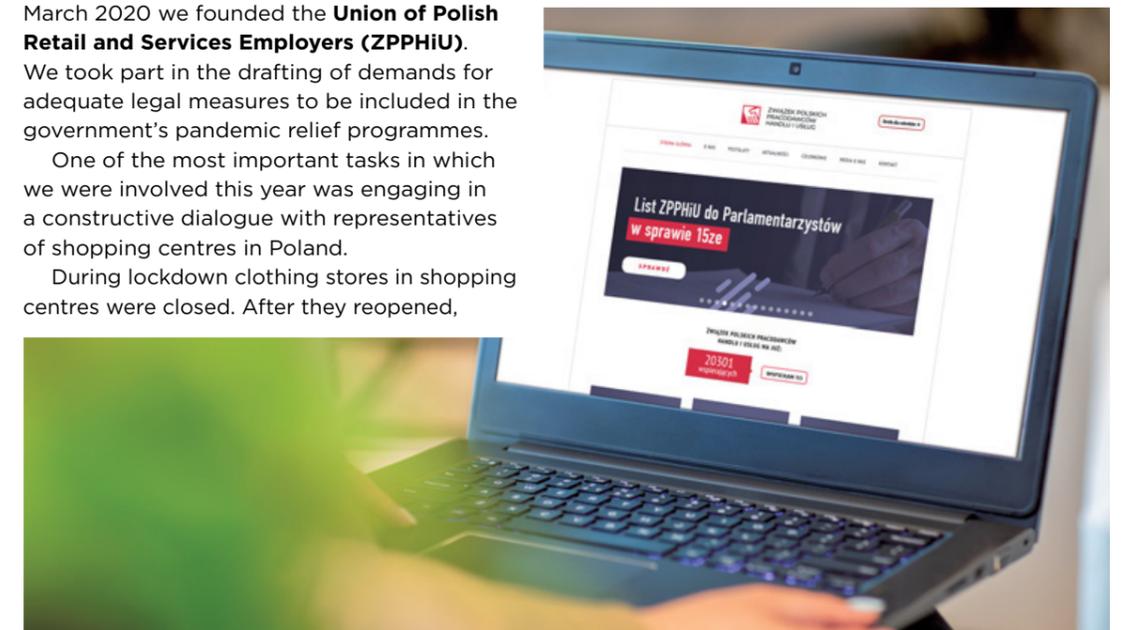
Sławomir Łoboda,
vice-president
of LPP

We were a witness to unprecedented and lasting changes in economic and social relations which made it necessary for everybody to make adjustments to the new reality. Here at LPP, we saw from the very beginning a need for concerted action on the part of the whole retail sector in order to limit the consequences of the economic crisis caused by the COVID-19 pandemic, work out solutions that would enable us to save hundreds of jobs and ensure the safety of domestic business. Together with a few dozens of Polish companies, in March 2020 we founded the **Union of Polish Retail and Services Employers (ZPPHiU).** We took part in the drafting of demands for adequate legal measures to be included in the government's pandemic relief programmes.

One of the most important tasks in which we were involved this year was engaging in a constructive dialogue with representatives of shopping centres in Poland.

During lockdown clothing stores in shopping centres were closed. After they reopened,

restrictions were put in place to ensure customer safety, such as limits on the number of people allowed to be in a store at a given time, mask mandates or obligatory hand sanitation. These facts influenced buyer psychology and made it impossible for shopping centres to be what they normally are: bustling meeting places where people spend their leisure time. In our view, charging prepandemic rent rates was completely unjustified, considering the limited scope of services that shopping centres could offer to tenants and customers in the face of the COVID-19 restrictions. Without rate adjustment to the actual situation on the ground would have made it necessary for many stores to shutter for good, laying their employees off - and this was something we wanted to avoid at all costs. As a result, we entered into **negotiations with the owners of shopping centres to review and revise the method of calculating rental costs.** In the great majority of cases we managed to work out fair solutions that were satisfactory both to us as tenants and our partners who represented the shopping centres.





1.4.4. COMMUNICATING WITH OUR ENVIRONMENT



**Stawomir
Ronkowski,**
director
of internal
communication
and CSR

When we were working on the premises of our social media strategy for 2020, none of us could have predicted this massive earthquake that soon shook up the market. Looking back today, I can safely say that, apart from a big dose of uncertainty and sense of chaos, lockdown paradoxically enabled us to make a better use of our own social media channels, both as a tool of communicating with our employees and a platform of exchanging important information with our environment.

The sudden shift of attention to the Internet and social media was happening all around the globe. Each and every one of us, including those who had previously rarely consumed this kind of content, checked their news online first. The fact that our professional life, education and training, as well as family and spiritual matters moved to the Internet, motivated our team to create even more reliable, genuine and fresh communications with a great deal of empathy. Many of the ideas emerged spontaneously, with our employees' participation. Authenticity was more important than minor technical hiccups. We created video tutorials, video reports and photo shoots.

Our heightened efforts in the first months of the pandemic were correlated with the launch of the national campaign #LPPhelps.



And here, the intrinsic nature of the social media came in handy. Our **internal LPP News channel on Yammer** helped us integrate better and engage new employees in supporting those in need. An important aspect of these communications was their emotional impact. The daily posts lifted the spirits of tens of our Colleagues who worked to help out healthcare workers, deliver hot meals to senior citizens or get computers ready for young people in children's homes in Gdańsk, who were now learning remotely.

In addition to a solid measure of daily news, the external channels acted as a vehicle for sharing information with our followers about the support provided as part of #LPPhelps. The face masks commissioned or sewn by LPP were a scarce commodity in the first months of the pandemic. Thanks to the power of the social media, our campaign gained incredible momentum after we first posted about it. The effect? The news of our efforts travelled well beyond the regions on which we traditionally focus our attention (Pomerania, Little Poland). That is how, during the spring edition of the campaign, we managed to reach tens of medical facilities across the country. The secondary result of a great numbers of requests for help we were receiving was a considerable hike in the popularity of @DiscoverLPP on Facebook (+33%). Throughout 2020, we published the average of 4.6 posts a week. This translated into **240 pieces of information** communicated to our followers annually, excluding weekends.

I must admit that 2020 was a turning point in the history of our social media engagement. Let us first focus on **internal communications**. During this difficult time, both the form and language played an important role. When creating our content, we made sure that the message was transparent, empathic and uplifting. This was not easy, considering the health anxiety, stress and even frustration or demotivation experienced by some of the staff. To bring employees together, we spent a lot of time showcasing the grass-roots initiatives of our Colleagues. This inspired pride and bolstered team spirit. Around the middle of the year, we started to place more focus on light-hearted content, featuring contests and educational themes. This way, we worked to increase our employees' engagement and get them into the habit of checking our communications regularly.

One more thing: the shock of prolonged closures of our stores in shopping centres and huge economic instability prompted employees to carefully follow any updates on the com-



pany's business decisions and financial results. We tried to provide them with the information as fast as we could, often backing it up with group e-mail. **By the end of the year, we had published over 300 posts.** That means more than one post a day, excluding weekends.

Last year also brought a revolution in our external communications. Practically overnight, we were forced to revise our plans regarding fairs or employer branding events at artistic and technical colleges. We dealt with these challenges swiftly and efficiently, launching new formats in the following months and organising expert webinars for job seekers. Today, with 2020 now over, I am proud that together with the team we managed to create compelling content mostly by our own means. How do I know that? From none other than our job candidates who come back to us with feedback on our CSR or volunteering reports, or admitted to following our podcasts and Instastories. This is the best proof that our social media efforts make sense.

2

UN Sustainable Development Goals:



CREATION, PRODUCTION AND SALES OF OUR COLLECTIONS

In this chapter you will find out:

- how our brands operate,
- how we achieve our ambitious agenda for reduced environmental impacts,
- how we collaborated with our suppliers during the COVID-19 pandemic,
- how the omnichannel model changed our logistics, sales and customer service.



21.

OUR BRANDS

RESERVED

We follow the latest trends. The brand's collections combine the beauty of classical tailoring and up to the minute trends. We derive inspiration from the multiculturalism of European and American metropolises, as well as the big city life of Tokyo and Seoul. The brand has women's, men's and children's wear lines. Our designers draw on various sources: fashion shows, global macro trends, outfits spotted on lifestyle websites, a colour shade or fabric quality, or even the most miniscule detail of clothing.

Reserved offers its customers diverse collections that reflect the latest trends, including ones that are minimalist in character and of premium quality. The brand's assortment also includes unisex items and maternity wear. In reaction to the trends associated with the social and economic situation caused by COVID-19, there was a shift in our collections towards functionality, utility and timelessness of design. In line with LPP sustainable development strategy, we continue to increase the share of Eco Aware clothes in our collections. In 2020/21 it increased, reaching **32%**.



RESERVED

Founded in	1998
Website address	www.reserved.com
Design studios based in	Gdańsk, Warsaw
Net revenues in 2020/21 in PLN	3,467m
Change in net revenues as compared to 2019/20	-20.7%
Average gross purchase value (physical stores) in PLN	122
Store count (as of 31 Jan. 2021)	440
New openings in the 2020/21 reporting year	17
Store space in thousands of m ²	675
Change in store space as compared to 2019/20	1.5%
No. of markets where the brand is present	38

Countries where Reserved stores operate
 Poland, Czech Republic, Slovakia, Hungary, Lithuania, Latvia, Estonia, Russia, Ukraine, Belarus, Kazakhstan, Bulgaria, Romania, Croatia, Serbia, Slovenia, Bosnia and Herzegovina, Germany, UK, Finland, Egypt, UAE, Kuwait, Qatar, Israel

Countries where you can buy Reserved collections online
 Poland, Czech Republic, Slovakia, Hungary, Lithuania, Latvia, Estonia, Russia, Ukraine, Romania, Croatia, Slovenia, Germany, UK, Finland, Portugal, Spain, Ireland, Netherlands, Belgium, Luxembourg, France, Greece, Italy, Austria, Sweden, Denmark, UAE, Saudi Arabia, Israel



Sho Kondo,
 creative director,
 Reserved

The year 2020, when we struggled with the consequences of the COVID-19 pandemic, had a significant influence on fashion trends. Housebound, our customers were increasingly looking for clothes that could be described as multifunctional, comfortable and relaxed. Thinking about active women working for months from their home offices and seeking to reintroduce balance and comfort into their lives, we launched our **Athleisure** collection. All of its elements (sweat-shirts, leggings, comfortable joggers and tops made of soft and warm knitted fabric) can be freely mixed and matched together and with other pieces of clothing: an elegant jacket or coat, cigarillos and statement jewellery. Athleisure comes in subdued colours and an understated style. The collection is complemented with fashionable accessories, such as beanies, baseball caps, dad sneakers, trekking-inspired boots, bags and backpacks. Made with the use of eco-friendly organic fabrics, the collection was largely manufactured by local Polish-based suppliers.

One of the most important trends of autumn and winter 2020 was minimalist unisex – practical clothes for everyone, regardless of gender. **Unisex Functional**, the first collection of this kind in Reserved's history, included soft and nice on the touch hoodies in different cuts, joggers, oversize jackets with large pockets, cargo pants made of a mixture of materials, bomber and windbreaker jackets, classic t-shirts and a denim set including a jacket and trousers fitting any figure. We offer our customers a universal colour palette based on different shades of white, beige, black and classic denim complemented with warm autumn hues of maroon and orange. The Unisex Functional collection was made of **75%** Eco Aware fabrics: organic cotton, recycled polyester and LENZING™ ECOVERO™ viscose produced in a closed-loop cycle from eucalyptus, beech and spruce wood fibres.



CROPP

Founded in	2004
Website address	www.cropp.com
Design studios based in	Gdańsk
Net revenues in 2020/21 in PLN	972m
Change in net revenues as compared to 2019/20	-24.5%
Average gross purchase value (physical stores) in PLN	105
Store count (as of 31 Jan. 2021)	369
New openings in the 2020/21 reporting year	25
Store space in thousands of m ²	166
Change in store space as compared to 2019/20	12.3%
No. of markets where the brand is present	18

Countries where Cropp stores operate
Poland, Czech Republic, Slovakia, Hungary, Lithuania, Latvia, Estonia, Russia, Ukraine, Kazakhstan, Bulgaria, Romania, Croatia, Serbia, Slovenia, Bosnia and Hercegovina, Finland

Countries where you can buy Cropp collections online
Poland, Czech Republic, Slovakia, Hungary, Lithuania, Latvia, Estonia, Russia, Ukraine, Romania, Croatia, Slovenia, Germany

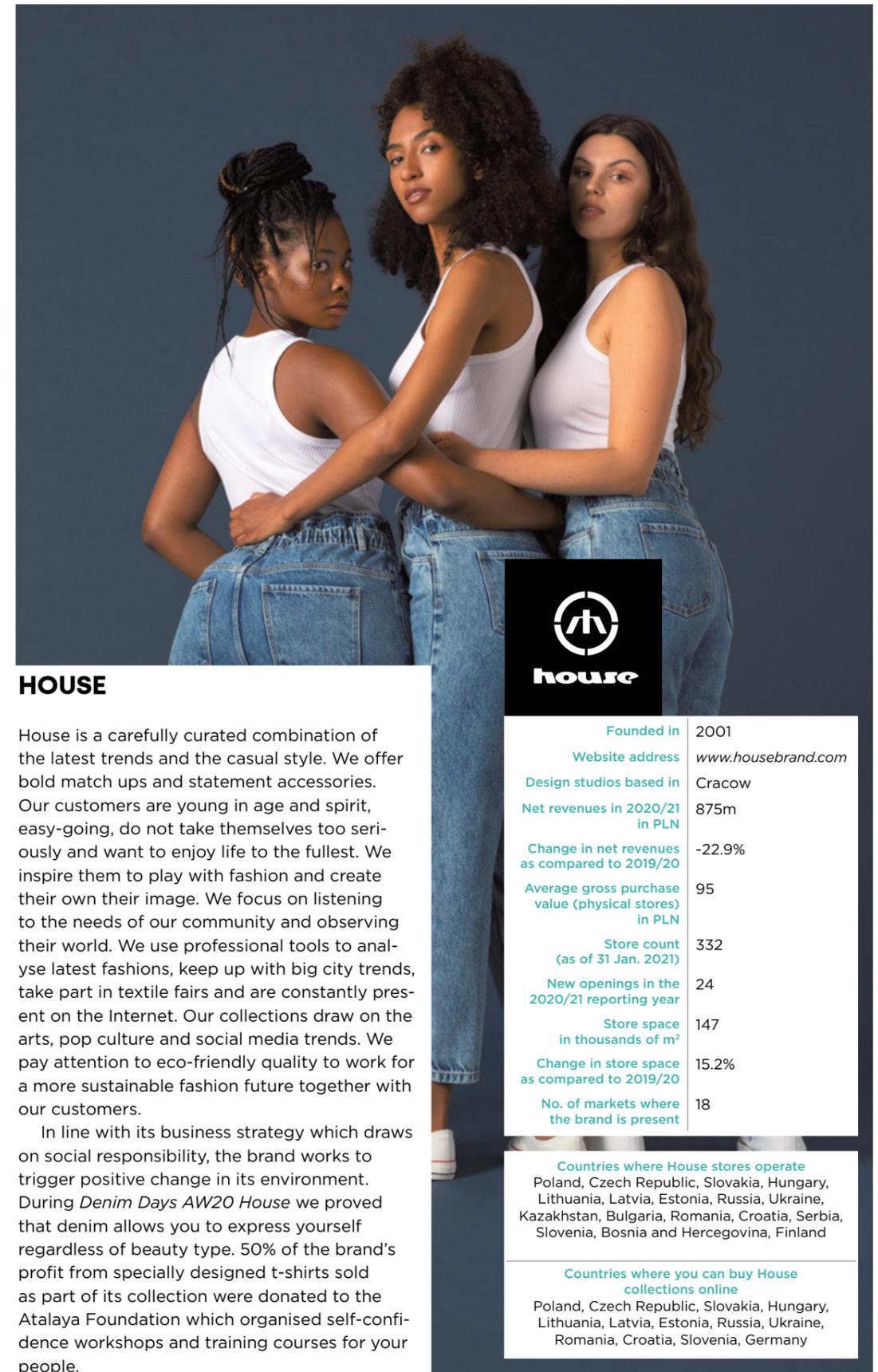
CROPP

We are a young squad. Always online, we take our smartphones everywhere we go. The Internet is our main source of inspiration and information. That is how we keep in touch with our friends. We communicate through memes, pictures, videos and music - we are both creators and recipients. We know what is happening here and now, and we want to get involved. We do not want to stand on the side-lines.

Our group is important, but we are all individualists. Each of us is different. We follow the trends, but do not want to blend in with the crowd. We like things that are unique, limited collections, customised clothes. We each have our thing to which we devote our time and energy.

We are slowly entering adulthood, but do not want to be fully adult. We feel eternally young. We are always in the loop - we live here and now.

We are now. #CroppNow





HOUSE

House is a carefully curated combination of the latest trends and the casual style. We offer 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. We focus on listening to the needs of our community and observing their world. We use professional tools to analyse latest fashions, keep up with big city trends, take part in textile fairs and are constantly present on the Internet. Our collections draw on the arts, pop culture and social media trends. We pay attention to eco-friendly quality to work for a more sustainable fashion future together with our customers.

In line with its business strategy which draws on social responsibility, the brand works to trigger positive change in its environment. During *Denim Days AW20 House* we proved that denim allows you to express yourself regardless of beauty type. 50% of the brand's profit from specially designed t-shirts sold as part of its collection were donated to the Atalaya Foundation which organised self-confidence workshops and training courses for your people.

Founded in	2001
Website address	www.housebrand.com
Design studios based in	Cracow
Net revenues in 2020/21 in PLN	875m
Change in net revenues as compared to 2019/20	-22.9%
Average gross purchase value (physical stores) in PLN	95
Store count (as of 31 Jan. 2021)	332
New openings in the 2020/21 reporting year	24
Store space in thousands of m ²	147
Change in store space as compared to 2019/20	15.2%
No. of markets where the brand is present	18

Countries where House stores operate
Poland, Czech Republic, Slovakia, Hungary, Lithuania, Latvia, Estonia, Russia, Ukraine, Kazakhstan, Bulgaria, Romania, Croatia, Serbia, Slovenia, Bosnia and Hercegovina, Finland

Countries where you can buy House collections online
Poland, Czech Republic, Slovakia, Hungary, Lithuania, Latvia, Estonia, Russia, Ukraine, Romania, Croatia, Slovenia, Germany



M O H I T O

Founded in	2008
Website address	www.mohito.com
Design studios based in	Cracow
Net revenues in 2020/21 in PLN	708m
Change in net revenues as compared to 2019/20	-28.3%
Average gross purchase value (physical stores) in PLN	115
Store count (as of 31 Jan. 2021)	278
New openings in the 2020/21 reporting year	11
Store space in thousands of m ²	115
Change in store space as compared to 2019/20	3.2%
No. of markets where the brand is present	19

Countries where Mohito stores operate
Poland, Czech Republic, Slovakia, Hungary, Lithuania, Latvia, Estonia, Russia, Ukraine, Kazakhstan, Belarus, Bulgaria, Romania, Croatia, Serbia, Slovenia, Bosnia and Hercegovina, Finland

Countries where you can buy Mohito collections online
Poland, Czech Republic, Slovakia, Hungary, Lithuania, Latvia, Estonia, Russia, Ukraine, Romania, Croatia, Slovenia, Germany

MOHITO

Mohito always gives femininity the pride of place, regardless of the occasion (if it is going out to party or staying in to work from your home office, the sign of the times). We carefully follow global trends and seek a balance between fashion inspirations and comfort and functionality that is in such a high demand in this day and age. We derive inspiration from various sources: from fashion shows, to websites and the social media, to outfits worn by people around us. We offer affordable clothes that are created ethically and make every woman feel naturally beautiful.

In 2020 we launched, among others, a practical knitwear collection called Home Hub that seamlessly brought together the casual style and feminine design of #MohitoWomen. We also debuted our first ever bridal collection, BRIDAL Stories which was available exclusively online and embraced bridal gowns, bridesmaid dresses and original hen night t-shirts.



sinsay

Founded in	2013
Website address	www.sinsay.com
Design studios based in	Gdańsk
Net revenues in 2020/21 in PLN	1,738m
Change in net revenues as compared to 2019/20	35.5%
Average gross purchase value (physical stores) in PLN	60
Store count (as of 31 Jan. 2021)	434
New openings in the 2020/21 reporting year	116
Store space in thousands of m ²	330
Change in store space as compared to 2019/20	90.3%
No. of markets where the brand is present	19

Countries where Sinsay stores operate
Poland, Czech Republic, Slovakia, Hungary, Lithuania, Latvia, Estonia, Russia, Ukraine, Kazakhstan, Belarus, Bulgaria, Romania, Croatia, Serbia, Slovenia, Bosnia and Hercegovina, Finland

Countries where you can buy Sinsay collections online
Poland, Czech Republic, Slovakia, Hungary, Lithuania, Latvia, Estonia, Russia, Ukraine, Romania, Croatia, Slovenia, Germany

SINSAY

Sinsay is a brand that caters to the needs of teenage girls, as well as young women, parents and their children. Our portfolio includes lines such as Lady, Teen, Man, Kids, ACC accessories, Home and Beauty products. This way we can accommodate customers needs in all age groups. The designing our collections, we draw inspiration from a variety of sources. During the COVID-19 pandemic, it was important for us to be mindful of what was happening around us. We appreciated the fact that our customers' homes became the centre of their universe and Sinsay clothes and accessories offering the best value for money should provide them with maximum comfort and freedom. The top trend for us right now is 'from home to the street'.

When designing our 2020 autumn/winter collections, we focused on combining style and comfort and ease. Our clothes can be mixed and matched depending on the situation. They are multitasking, just like our homes which work as offices, classrooms, play areas, as well as living spaces. We used materials that are pleasant to touch, snug designs and an innovative palette of subtle colours. The diversity of cuts allows wearers to put together impressive layered outfits. After all, looking good makes you feel good, and that is our motto.

2.1.1. CUSTOMER COMMUNICATIONS

LPP's new, omnichannel business model specifically focuses on creating positive customer experience regardless of the channel they use to access our products. Each of our brands has a visual communications unit charged with the combined tasks of marketing, visual merchandising and content creation. This way, the customers of each brand receive one coherent message on the website, in traditional and social media campaigns, as well as physical stores.



Agata Sawicka,
 director of visual
 communications,
 Reserved

During the COVID-19 we gave priority to dialogue and interaction with the customers. We try to get to know and better understand their needs when it comes to fashion as well as their changing lifestyle. Our communication is based on community building, responsibility, development, self-improvement and discovering one's abilities, optimism and hope.

In August 2020 we started our first ambassador programme that brought together 13 wonderful, inspiring women: stylists, a photographer, a singer, Instagram stars and television personalities of all ages, different beauty types, with different life experiences and interests. The ambassadors bring other women, our clients, into the world of Reserved, sharing their individual perspective on style and fashion.

Table 6.
 Social media followers by brand (as of 31 Jan. 2021)

	LPP	Reserved	House	Cropp	Mohito	Sinsay
Facebook	69,996	3,400,000	1,760,000	1,562,634	1,364,032	1,600,000
Instagram	7,030	1,300,000	283,000	467,899	490,500	971,000
YouTube	569	12,700	2,450	14,208	552	-
Tik-Tok	-	-	-	-	-	19,600
LinkedIn	39,910	-	-	-	-	-

How do we communicate with customers?

Face to face meetings

- Stores
- Fairs and industry events

Internet

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

Media

- Advertisements
- Public relations activities
- Collaboration with influencers

Direct interactions (Customer Service)

- Online contact form
- Helpline

It is also important for us to bring our environmental efforts to public attention. Today, as many as **32%** of all items in Reserved collections are more ecologically-sound Eco Aware products. They are designed and manufactured in a sustainable manner and tagged with a label which makes them easy to spot. Our customers may get to know about our Eco Aware production processes and the eco-friendly materials we use. In addition to that, we work together with opinion leaders and bloggers to present our holistic approach to sustainable development at Reserved.

New communication formats during the COVID-19 pandemic

- We created **CroppTV** – a series of short videos with suggestions of inspiring activities to do without leaving the house. Our viewers could learn a choreography, sew a face mask or workout with us. We also gave them tips on how to put together interesting outfits using Cropp clothes.
- Mohito began its collaboration with Instagram influencers. We held a series of live broadcasts **#MOHITOCARES SESSIONS**. Our customers could join into free fashion tutorials, a beauty course and music concerts directly from their homes.
- Sinsay also held regular live broadcasts on Instagram featuring fashion experts, make-up artists and stylists. The brand launched a campaign called **#ZOSTANWDOMUZSINSAY** (**#STAYHOMEWITHSINSAY**) as part of which a group of influencers encouraged people to stay home and take advantage of the domestic pleasures.
- Sinsay was the first Polish brand to start communication with its customers on **TikTok**.

2.1.2. MARKETING CAMPAIGNS

Reserved

The debut of the Athleisure collection

The face of Athleisure was **Kasia Struss**, world-famous model named one of Vogue's Top 30 Models of the Decade. The collection's launch included a series of open-air and online events featuring Reserved ambassadors and drawing on slow living. Our clients could take part in *Slow Sunday* relaxation workshops, yoga classes and a panel discussion hosted by a well-known television journalist, Magda Mołek which were all streamed on our social media channels.

Reserved awarded

In 2020 the Kendall Jenner x Reserved advertising campaign received the Best of Jury award in the **Best of Craft** category in the Ad Creators' Club (KTR). It also won golden awards in the following subcategories: "Production Excellence", "Casting", "Color Correction", and a bronze award for "Online Video". The brand was also successful in the "Photography" category: it won gold for the Re.Design campaign photographed by Bartek Wiczorek, silver for the Reserved feat. Hoffland which supported the Hoffland exhibition at the Museum of the City of Gdynia and was photographed by Zuza Krajewska, and bronze for the digital session Twin Room.





Re.Design through the lens of Bartek Wieczorek

The motto of the next edition of Re.Design, a limited collection that embraces the most important trends in fashion at a given moment in time, was *Togetherness*. In the 2020 autumn/winter season we devised one campaign for both women's and men's wear – after all, fashion is universal. The communication was based on timeless values that became even more important in the course of the last year: community, sensitivity towards the environment and other human beings, and tenderness. The photographs were taken by Bartek Wieczorek, an artist who creates unique images that fuse human portraiture and fashion.

House

Our 2020 promotional activities focused, among others, on denim collections. The photographs for **Denim Days 2020**, the spring/summer offerings of our brand, were shot in a studio by Agnieszka Kulesza and Łukasz Pik. The creative duo showcased the House denim collection as both sensual and universal. Dynamic frames alternated with static ones, stressing the freedom that denim outfits offer the wearer. The video was filmed by Wojtek Affek. For the autumn/winter collection our designers created special t-shirts to support the Atalaya Foundation: 50% of profit were used to organise workshops and courses helping young people enter adult life with confidence.



Cropp

One of Cropp's major campaigns was **#YouDecide**, a project highlighting our everyday choices, be they big or small. It corresponded with the concept of Cropp collections which provide customers with varied choices to match their individual style.

Shot in Gdańsk, the **Denim District** campaign focused on denim's universal character which makes it a perfect choice for relaxing at home and for an outing with friends.

We also became involved in **#Wspieramy-PolskieMarki** (**#WeSupportPolishBrands**). As part of the initiative, we raised awareness of the fact that Cropp is a Polish brand and encouraged customers to support it through online shopping. The campaign brought together influencers such as Joanna Biernacka (AshPlumPlum) or Kuba Szmajkowski, a member of the band 4Dreamers.

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



Sinsay

We promoted an expanded Sinsay portfolio – men's and kid's wear, home decor and makeup products and accessories. To make the launch of our **Fox and Bunny** children's collection we sent out specially designed ready to assemble wooden bee houses to parenting influencers. Apart from promoting the collection, the initiative aimed to encourage the public to build insect hotels. We also carried out special projects on **TikTok** in collaboration with @Dobrafaza, @Matisowy, @Pawelofficial and @Pannaflorentyna.

Mohito

The autumn of 2020 saw the launch of our Internet campaign **We are Mohito Women** that highlighted positive relationships and bonds between very special women: stars and influencers together with persons who are important to them. Edyta Herbuś chose a friend, while Kamila Szczawińska and Harel invited their mothers. The pictures were taken by a well-known fashion photographer, Aldona Kaczmarczyk. We also continued our collaborations with Visa and Mastercard issuers.



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.

2.2. SUSTAINABLE FASHION PRIORITIES

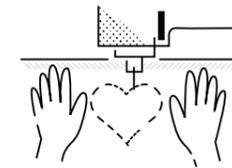


2.2.1. ACHIEVEMENT OF ENVIRONMENTAL GOALS

“Last year posed a tremendous challenge for us. On one hand, we were fighting to maintain our accounting liquidity and on the other we consistently worked to meet the goals we established for ourselves in our sustainable development strategy “For People For Our Planet”. Despite the difficulties and the crisis we were facing, it was important to us to keep our word and not to fall short of our customers’ expectations as regards the commitments we had made to them. We are proud to have **followed through and achieved all the targets we had set for 2020** but are aware that there are many serious challenges ahead of us on our way to sustainable development.

Marek Piechocki,
 president of LPP

Our path to sustainable development in the 2020/21 reporting year



PRODUCT

- **18.6% of the products offered by LPP brands and 32.4%** Reserved products are **Eco Aware**.
- When designing new collections, we chose more eco-friendly fabrics, such as organic cotton produced from wood cellulose in a closed-loop cycle or recycled polyester.
- We devised and began the implementation of the **Eco Aware Production** scheme at the factories of selected suppliers to save water and energy in the manufacturing processes.

2025 TARGETS:

- 2021: **100%** products containing wool or down with RDS or RWS certification.
- 2021: **100%** plastic-free price tags.
- 2021: **30%** factories in Asia will be part of the Eco Aware Production scheme.
- 2021: **25%** of pieces produced by LPP are Eco Aware collections.
- 2023: **100%** denim factories are part of the Eco Aware Production scheme.
- By 2023: PLN 1m invested in new technologies of recycling textile waste.
- 2025: **50%** of all Reserved garments are Eco Aware.
- By 2025: Full conformity with **ZDHC** standards.

→ You will find out more about design and production on p. 69-82.



LOGISTICS

- Complete removal of plastic from the packaging of Reserved and Mohito online orders which resulted in the **elimination of another 300 tonnes** of the material.
- We used recycled plastic film in **all** of House, Cropp and Sinsay orders.
- Almost **100%** cardboard boxes used in our Filfillment Centres and **20%** of those used in our Distribution Centres were reclaimed for further use.
- We opened new warehouse facilities to drive our last mile delivery costs down and **reduce CO₂ emissions and pollutants**.
- We introduced solutions for **load optimisation** and are testing the use of maritime transport which generates less emissions.

2025 TARGETS:

- 2023: **100%** cardboard boxes with FSC certification or recycled.
- 2025: **100%** of our plastic packaging can be reused, recycled or composted.

→ More about ecologically-sound solutions in logistics on p. 83-90



SALES

- As part of the **Eco Aware Stores** programme we will optimise the operations of the HVAC systems and replace all lights with energy-saving LED lamps in our stores.
- **88** of our stores are located in shopping centres with BREEAM certification; one in a shopping centre with LEED certification.
- After the spring lockdown, we resumed **used clothes collections** in Reserved, House and Mohito stores.

2025 TARGETS:

- 2021: All our servers and online shops will excessively use **green energy**.
- 2023: **100%** recycled packaging in the stores.
- 2023: **used clothes collections** in all stores.
- By 2025: **100%** of stores covered by the Eco Aware Stores programme.

→ You will find out more about Eco Aware Stores on p. 75.



Dorota Jankowska-Tomków,
director of
procurement
and sustainable
development

In 2020 we joined two important initiatives aimed at reducing negative environmental impact along the supply chain. We were the first Polish company to **join the Zero Discharge of Hazardous Chemicals (ZDHC)** programme working for chemical safety in clothing production. Achieving full conformity with the guidelines on the use of chemical substances in our industry is a multistage process. Today, there are hardly any factories that sew for one client only, and that is why it will take a concerted effort of many companies to work out standards that would be binding for all producers. We systematically fulfil subsequent stipulations of the programme and encourage our suppliers to join ZDHC. We also support their efforts to use as little chemical substances as possible. To date, already 23 factories that sew our collections in Pakistan and 42 in Bangladesh are part of the initiative.

We also became a member of the **Polish Plastic Pact**, the first initiative working towards a closed-loop cycle for plastics in Poland. As a signatory of the pact we took it upon ourselves to manage plastics rationally. Thanks to the changes we made when designing, distribution and selling our products, we were able to significantly reduce the plastic waste. We also set ambitious goals for ourselves: by 2025 100% of the plastic used in our packaging will be reusable, recyclable or compostable.

→ For more about the fulfilment of our sustainable development strategy goals, go to Chapter 1, "LPP Profile and Business Model".

2.2.2. MANAGING OUR ENVIRONMENTAL IMPACT

Our environmental impact is mainly regulated in the following documents:

- Sustainable development strategy "For People For Our Planet" for 2020–2025,
 - The LPP Code of Conduct,
 - The ECOoffice Principles.
- At the LPP Group there is a clear distinction of roles and responsibilities as regards the company's environmental impacts:
- Marek Piechocki, the **president of the Management Board** (the highest position in the LPP Group), is charged with setting directions for action and climatic goals, approving projects and initiatives aiming to reduce greenhouse gases emissions and defining the tasks of the sustainable development unit. The president is responsible for the implementation of the company's business strategy, which is closely linked with its sustainable development strategy, whose measurable goals are, for instance, reducing our carbon footprint by 15% by 2025 or systematic increase of the share of Eco Aware products in our brand's collections.
 - Przemysław Lutkiewicz, the **vice-president of the Management Board** in charge of finance, controlling, accounting and internal audit is responsible, among others, for risk assessment, climate risks included.
 - Dorota Jankowska-Tomków, **director for procurement and sustainable development**, leads the relevant department of the company. The key task of her unit is to ensure that the LPP brands and supply chain develop in a sustainable manner. The team focuses on the implementation of the Eco Aware standard: expanding the use of organic and recycled materials, evaluating suppliers' energy efficiency and water use, and working together with factories to eliminate hazardous chemical substances. The director for procurement and sustainable development is also responsible for reporting on the progress in the implementation of the sustainable development strategy to the Management Board.
 - Sławomir Ronkowski, **internal communications and CSR director**, is responsible for stakeholder dialogue and assessing the relevance of the reported issues, collecting internal data and informing NGOs, rating agencies and journal-



or greenhouse gas (GHG) emissions, since 2018. Back then, we focused on the emissions from our operations in Poland and at foreign subsidiaries.

From the 2019/20 reporting year onwards, we collect much more precise data on energy consumption from foreign subsidiaries, including all retail outlets outside of Poland (excluding franchise store in the Middle East), and data on the number of kilometres travelled by our employees with the use of different modes of transport during business trips. These calculations take into account GHG emissions generated during the transport of our products from the suppliers to the distribution centres and retail outlets in Poland and abroad. We left out emissions associated with the transport of our e-commerce parcels due to their low estimated share in total GHG emissions (approx. 0.3%). The approximation was made based on the emissions estimate made for 2018 and the facts that the number of shipments had increased threefold since that year. To make more precise calculations in this scope, we will need to cooperate with shipment companies. This cooperation has already produced positive results, with one of our main partners, DPDgroup, neutralising its emissions. We also took into account emissions associated with the sourcing of raw materials, the different stages of clothing and packaging production, as well as in the use of the garments, and the disposal of the packaging materials and waste. The carbon footprint calculations were carried out in accordance with the international GHG Protocol Corporate Accounting and Reporting Standard.

ists about the progress in reducing greenhouse emissions and other waste elimination efforts.

- Magdalena Kopaczewska, **head of investor relations**, is in charge of the company's dialogue with the capital market, including on ESG (environment, social and governance) issues.

1. OUR CARBON FOOTPRINT

Like any organisation, the LPP Group influences the climate through greenhouse gas emissions generated directly, for instance fuel combustion on its premises or in vehicles, the use of electricity in offices, retail outlets, distribution centres and – above all – throughout the life cycle of our products: the sourcing of raw materials, manufacture of garments, their transport and use. To measure the climate impact of our operations, we have been calculating our carbon footprint,

GHG emissions of the LPP Group by scope in 2020, in t CO₂e

Scope 1 and 2



Scope 3



Our target is to reduce our GHG emissions by 15% by 2025 as compared to the 2019 levels with regard to Scope 1, 2. **In 2020, we saw a reduction of 14%** but this was mainly the result of the closures of our stores due to the COVID-19 pandemic.

We chose 2019 as our base year, the reference point for comparing annual emissions.

The emission factors for electricity consumed by foreign subsidiaries were derived from the data published by the European Environment Agency and the International Energy Agency (for countries outside of the European Union). GHG emissions associated with the production of materials for our clothing and accessories, and the manufacture of the products themselves came from sources indicated in the Higg MSI Material Sustainability Index (in the case of indicators taken from the GaBi database and different versions of the Ecoinvent database, Ecoinvent 3.5 indicators were used). Scope 3 energy emissions factors (emissions related to energy and fuel not included in Scope 1 and 2, e.g. from fuel production), business travel, transport, packaging materials, waste manage-

ment were derived from the database of the UK's Department for Environment, Food and Rural Affairs (DEFRA). Biogenic greenhouse gas emissions were not identified. The greenhouse gas used to calculate the emission factors for fuels, electricity and heat in Poland is CO₂. Other indicators refer to CO₂, CH₄ and N₂O emissions. Fuel and energy consumption was determined mainly on the basis of invoices. Energy consumption in retail outlets in Poland was determined based on the energy consumption indicators per m² of retail space by brand, according to data for 2015 and 2016. The indicators will be revised following an energy audit planned in 2021. The consumption of materials, packaging materials marketed, waste collected, data on transport, business travel, methods of washing and ironing garments were determined on the basis of internal records.

Table 7. Greenhouse gas (GHG) emissions in t CO₂e^{1,2}

	2018	2019	Jan. 2020	Feb. 2020- -Jan. 2021
Scope 1: direct GHG emissions	3,247	4,515	351	3,721
Poland	2,454	2,614	351	3,020
Other countries	793	1,901*		701
Scope 2: indirect GHG emissions (location-based method)	137,761	140,508	8,604	120,977
Poland	75,417	75,112	5,718	57,932
Other countries	62,344	65,395	2,886	63,045
Scope 3: other indirect GHG emissions in total	1,072,661	1,360,267	165,102	1,170,642
Scope 1+2 (location-based method) +3	1,213,669	1,505,289	174,057	1,295,340

* Data for 2019 and Jan. 2020.

¹ The previous report covered data for 13 months due to a shift in the reporting period.

² When calculating GHG emissions related to fuels, electricity and heating, we used emission indicators and data provided by the Polish National Centre for Emissions Management (KOBIZE).



Scope 3 GHG emissions produced by the LPP Group by source



Our achievements

9,876 t CO₂e

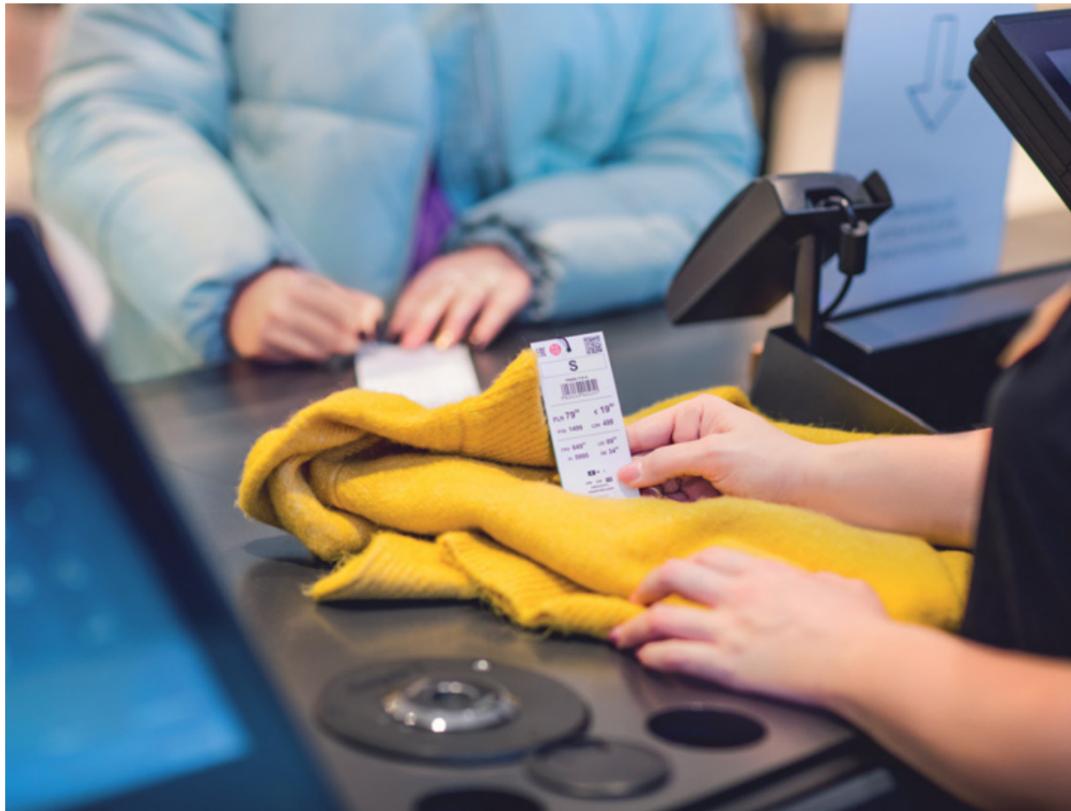
YoY reduction in emissions following the replacement of traditional materials with more eco-friendly substitutes

2%

less emissions YoY per item sold as a result of better efficiency in many areas

57%

less tonne-kilometres of plane travel associated with product shipments to the Distribution Centre YoY



At the Group level, Scope 1 GHG emissions decreased by approximately 17.5% YoY. In Poland, Scope 1 emissions increased by 15.5% as a result of higher natural gas consumption for heating due to a colder winter. Abroad, Scope 1 emissions decreased by 63% as a result of significant reductions in fuel use.

Scope 2 GHG emissions fell by about 14% YoY: by about 23% in Poland and ca. 3.5% abroad. At the same time, our retail space (excluding franchises) increased by 7% in Poland and 24% abroad. **Electricity consumption accounts for approximately 86% of Scope 2 emissions.** As a result of lockdown, electricity consumption in our physical stores fell by approximately 20% in Poland and 6.5% abroad. Besides the retail outlets, the electricity consumption in Poland (offices and Distribution Centre in Pruszczy Gdański), decreased by ca. 3.5% and almost doubled abroad, yet its share is relatively small as compared to the consumption in retail outlets. Scope 2 emissions for stores in Poland were 49,368 t CO₂e (down by 25%) and 62,402 t CO₂e (down by 22%) for stores abroad which is 92.4% in total. The reductions in emissions are due to smaller energy consumption and the use of lower, more up-to-date sources of emission indicators for EU countries.

The largest proportion of our Scope 3 emissions (71%) were associated with the manufacturing processes and the use of raw materials for the production of clothing and accessories. **Emissions associated with the manufacturing processes fell by almost 10% and those related to the raw materials purchased by around 18%** which is due to the less products being purchased and the replacement of traditional materials with more environmentally friendly ones. In 2019, recycled materials accounted for 0.82% by weight, rising to 2.34% in 2020. This helped save a total of 9,876 t CO₂e which would not have been the case if these materials had come from traditional sources.

The use of clothes, i.e. washing and ironing, among other things, accounts for 22% of our Scope 3 emissions. Based on a review of the relevant literature, we estimated that a product is washed between 10 and 62 during its life, 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. **The emissions associated with the use of the clothes we sell dropped by about 19%**, due to a decrease in sales and a bigger share of foreign sales as compared to sales in Poland (a lower emission factor for electricity was used for sales abroad).

The remaining 7% of Scope 3 emissions are related to the transport of products from the suppliers which is carried out mainly by ship, as well as by rail, road and air, road transport from distribution centres to retail outlets, as well as emissions connected with the production of fuels, transmission and distribution of electricity, business trips of LPP Group employees, and the production of packaging materials and waste disposal. Emissions generated by the transport of our products from the suppliers decreased by approximately 33%, mainly as a result of less use of air transport and a more accurate way of calculating emissions related to road transport (optimisation of vehicle size depending on the shipment). Emissions associated with transporting products from distribution centres to retail

outlets fell by around 14%.³ Emissions produced by business travel fell by around 54% compared to 2020 which is another impact of the pandemic. **In total, Scope 3 emissions fell by approximately 14%.**

The LPP Group's total GHG emissions per number of items sold decreased by approximately 2% YoY, while the number of garments sold fell too (265m in 2019 vs 233m in 2020).

Total GHG emissions produced by the LPP Group by per item sold in kg CO₂e/item



Table 8.

Total energy consumption in GJ at the LPP Group in the 2020/21 reporting year by energy source



	LPP SA and retail outlets in Poland	Foreign subsidiaries (offices and retail outlets)	LPP Group
Electricity	303,066	370,274	673,341
Heating	8,939	169,716	178,654
Fuels⁴:	48,871	10,693	59,564
Natural gas	31,218	3,906	35,125
Diesel fuel	13,992	2,977	16,969
Petrol (gasoline)	3,661	3,809	7,470
Total	360,876	550,684	911,560

2021 target:
100% of the energy used by our servers and online shops will come from renewable sources.

Implementation of the Eco Aware Stores scheme:
15% less energy used following the installation of LED lights in our stores.

³ Estimates based on the change in the quantity of products as compared with the previous year's numbers for different countries.

⁴ The consumption of fuels was converted into GJ using the conversion factors published by the Polish National Centre for Emissions Management (KOBIZE).

[GRI 302-1] [GRI 302-1]

2. PACKAGING

Table 9.
Total packaging out on the market in the 2020/21 reporting year



Type	Weight [kg]	
	LPP SA	LPP Group
Cardboard	14,746,473.5	19,707,329.0
Plastic film	1,884,912.7	2,105,243.0
Wood	12,500.0	50,324.3

We eliminated **single-use plastic packaging** in Mohito and Reserved online orders.

100% plastic film in House, Cropp and Sinsay orders is recycled.

We no longer use **plastic void fillers**: bubble wrap and air pillows were replaced with repurposed paper.

3. WASTE

Table 10.
Total waste by type and management method in the 2020/21 reporting year



Type	Weight [kg]	
	LPP SA	LPP Group
Recycled cardboard	4,572,146.0	5,901,010.0
Recycled plastic film	63,665.0	82,302.0
Recycled wood	117,580.0	118,780.0

Almost **100%** cardboard boxes used in our Filfillment Centres and **20%** of those used in our Distribution Centres are reclaimed for further use.

94% of the hangers bought for our stores in 2020 were made of recycled granulate.

99% of the our hangers in our stores are recyclable.

2.2.3. AT THE OFFICE

At LPP, we introduce EOffice principles which underscore our sustainable approach to the workplace. In line with these:

- our employees use eco-friendly paper made from eucalyptus wood and procured as part of a scheme that supports farmers;
- double-sided, black-and-white printing is the default setting on our office computers (employees can change it if needed),
- used toner cartridges are recycled,
- we sort our waste.

We are also in the process of replacing bottled water dispensers with point-of-use water dispensers connected to the water supply.

MODERN AND ECO-FRIENDLY OFFICES IN CRACOW

In April 2020 the 400-person team of House and Mohito design offices moved in to a newly finished three-storey office building with the area of 9,000 m², situated in Barrow Street in Cracow. We wanted the space to be comfortable and energy efficient. The building is fitted with the following ecologically-sound solutions:

- A building management system (BMS) that controls the building's mechanical and electrical equipment and reduces energy consumption while keeping temperature inside at a comfortable level.
- A system of air recovery that makes it possible to recover heat in the exhaust gas, reducing energy demand. The system filters out pollutants and dust, leaving the air inside fresh and clean.
- Air handling units fitted with filters of the highest quality that block PM2.5 and PM10 particles.
- UV light disinfection chambers.
- Low-emissivity window panes and windows size and location that enables efficient use of daylight.
- Antiallergic carpets.

Thinking about our employees' comfort and wellbeing, we made sure the building had meeting spaces, including conference rooms and open spaces with bar stools, sound-absorbing telephone booths, a 300-metre cafeteria offering diverse dining options with a separate café section. Outside of the building, our employees may spend their leisure time chatting on benches, working out in a micro gym or a basketball court.

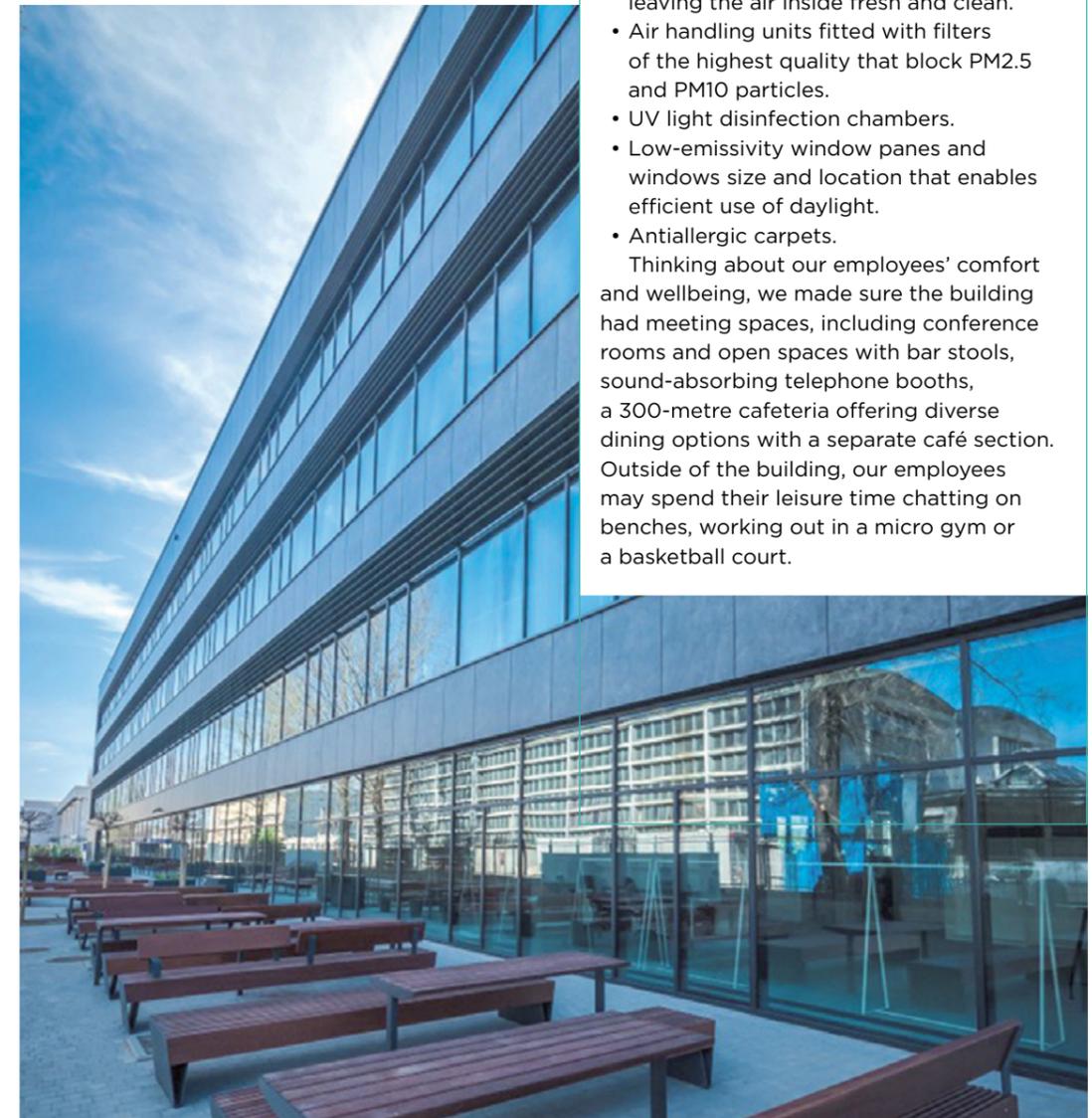


Table 11.
 Management of other types of waste at LPP SA and LPP Retail

 Used paper, plastic, used batteries, used electric equipment and toner cartridges	<ul style="list-style-type: none"> • We have special bins for ads 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • We sort waste at the LPP SA offices.



with systems for rainwater harvesting for toilet flushing as well as electric car charging stations.

- We launched a **CarSharing** system supported by a specially-designed app available to all the employees of the central headquarters. We made 20 vehicles available to them across Poland, including two electric cars.

In the 2020/21 reporting year:

- We completed our new office building in Gdańsk, a part of the LPP Fashion Lab complex, doubling the space of the central headquarters. The building uses:
 - ceiling cooling on three storeys instead of freon-based air-conditioning systems,
 - rainwater harvesting for toilet flushing,
 - air handling units located in the basement to reduce noise,
 - opening windows,
 - 8 electric car charging stations,
 - advanced BMS⁵ system,
 - landscaping featuring a wild flower meadow and bee hotels.
 We applied for a BREEAM certificate for the new building. We also plan to install bee hotels in the green space around the central headquarters.
 - **The new Distribution Centre in Brześć Kujawski, now under construction, will use renewable energy (solar panels) and be fitted**

2.2.4. RESPONSIBLE CONSUMPTION

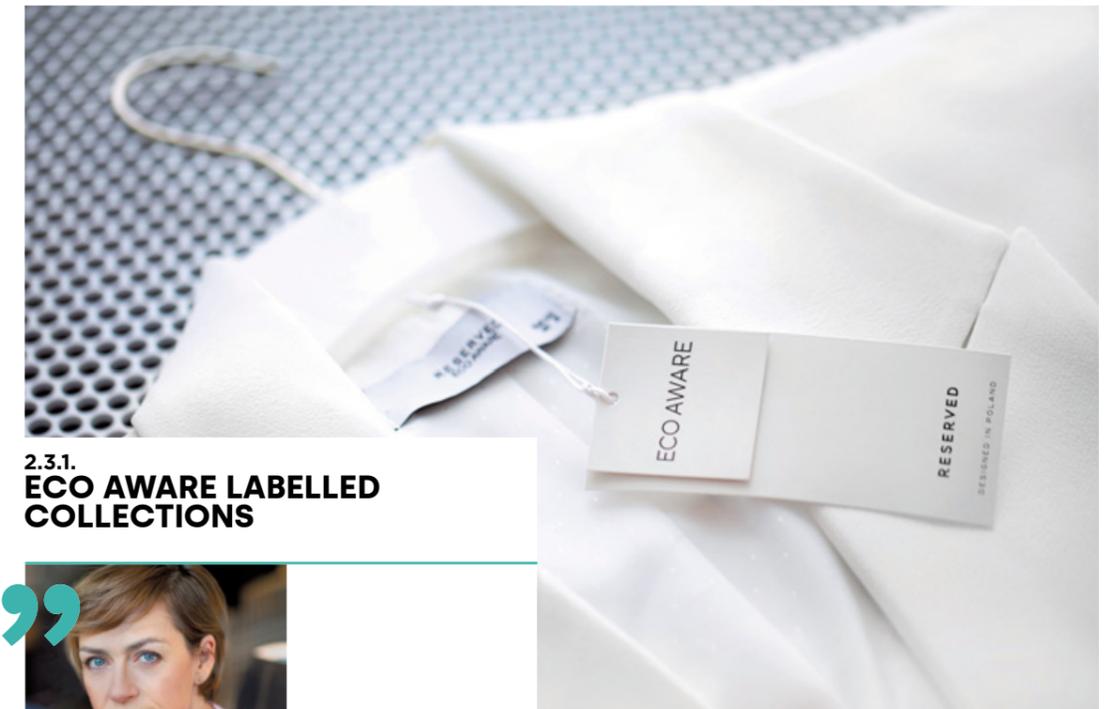
We carry out projects promoting responsible consumption, getting our customers involved in these efforts. In the 2020/21 reporting year we continued to collect used clothes which are given a second life. Containers for used clothes, regardless of brand, could be found in 50 Reserved, House and Mohito stores located in most of Poland's major cities. The clothes were donated to the Saint Albert Charity Association which runs shelters for homeless people.

5.3
 tonnes of clothing collected and donated since 2018

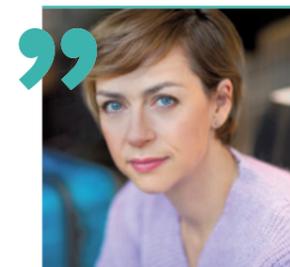
In line with the "For People For Our Planet" strategy, by 2023 the **all our stores will collect used clothing.**

⁵ Building management system

2.3. THE ECO AWARE STANDARD



2.3.1. ECO AWARE LABELLED COLLECTIONS



Justyna Weryk,
 sustainable development manager

LPP ambitions as regards reduction of its environmental impacts are reflected in the company's conformity to international norms and certification standards, and its own devised Eco Aware Production programme. We want some part of our collections to be manufactured in factories that follow certain rules, for instance as far as the monitoring and reduction of natural resources consumption is concerned.

In 2020 we supposed to develop a detailed procedure for limiting water and energy use in clothing production. Because of the pandemic, implementing this part of our strategy turned out to be extraordinary challenging. The collaboration established with the suppliers proved very important to us during that time. We were able to enact key stages of the Eco Aware Production programme thanks to the efforts we had taken speedily and in advance. In the end, the difficult period of the pandemic did not stop us from achieving our environmental targets.

[Reporting topic: Product quality], [GRI 103-1], [GRI 103-2], [GRI 103-3]

In October 2019, right after the announcement of the new sustainable development strategy, we initiated a series of meetings to discuss manufacturing processes. At the same time, we sought the advice of representatives of organisations that measure and analyse the impact of production processes on the natural environment. We evaluated the sale of our environmental impacts and looked for solutions that would be most beneficial once implemented.

This made it possible for us to work out and launch the **Eco Aware Production** programme right after the first travel restrictions were put into place. With the support of our colleagues at the Asian offices, we were able to continue our work remotely. Our target for 2021 is covering 30% of our South Asian suppliers by the scheme.

We carefully watch the raw material market and innovations. We work to incorporate eco-friendly fabrics into our portfolio. Universal availability of modern textiles is a step on the path to reducing the fashion industry's impact on the natural environment.

In 2020, thanks to the replacement of packaging in e-commerce, we have prevented the introduction for circulation **300 tons of plastic**. Thanks to modern paper packages, millions of goods ordered by our customers are safely packed and definitely more environmentally friendly.

Two other initiatives we got involved in were the **Zero Discharge of Hazardous Chemicals (ZDHC)** programme working to limit the chemical footprint of the clothing production and the **New Plastics Economy Global Commitment** aimed at complete elimination of open-loop plastic waste. The online sessions and webinars we participated in were a great opportunity to share experiences, knowledge and ideas with other global brands.

Despite the difficult situation in the world, significantly affecting our entire company, we are working to achieve the goals set in 2025 assumptions of our sustainable strategy development, scheduled for the years 2020-2025. There are many challenges in front of us but environmental issues will remain our priority.

SOME OF THE SOLUTIONS WE IMPLEMENTED

- Our online orders are packed using repurposed paper and recycled plastic film.
- We limited the amount of plastic film used to pack samples.
- We no longer use plastic-coated paper.
- The plastic string in our price tags is being repacked with biodegradable cotton string impregnated with beeswax.
- Customers of our physical stores are offered shopping bags entirely made of recycled paper with FSC certification.
- Wherever possible and safe for the product, we replaced plastic coated hang tags with oil coated ones.
- Some of our accessories now have paper packaging.
- All our brands offer Eco Aware products. Reserved was the leader in this respect, with 32.4% of Eco Aware items in its portfolio. Mohito (20.8%) came in second.
- Our offer of Eco Aware products keeps growing in each of our five brands.
- We try to draw the attention of the customers who more and more often choose to shop online to the eco-friendly features of our Eco Aware products.
- From autumn 2020, we systematically replace green label known to customers with its white counterpart. In the season spring-summer 2021 is to be a standard. In this way, we avoid dyeing labels, which is more environmentally friendly.

Table 12.
Eco Aware products by LPP brand in the 2020/21 reporting year

	Reserved	Cropp	House	Mohito	Sinsay
 % of Eco Aware products	32.4%	7.0%	13.6%	20.8%	8.9%

2021/22 targets:

25% of all LPP clothing labelled with the Eco Aware tag.

30% factories in South Asia covered by the Eco Production programme.



HOW TO INTERPRET THE ECO AWARE TAGS?

Some of the items in our collections are labelled with special tags: Eco Aware and Eco Aware Production.

The **Eco Aware tag** is put on products with more ecologically-sound composition in line with LPP's detailed criteria. Our standard defines required minimum proportion of eco-friendly fibre in our Eco Aware clothing. The tag confirms that a garment contains the required proportion of such fibres and has an appropriate certificate - depending on the type of fibres used and other elements of the product. The composition is detailed at the back of the tag.

The **Eco Aware Production tag** marks items produced in factories that were vetted by our audit unit and considered in conformity with rules and production methods requirements meant to limit environmental impact of clothing manufacture. Pictured at the back of the tag is a pictorial representation of a factory.

The tags are consistently used by all our brands. In the autumn of 2020 we started printing them on a white background, in a shift from the green background that had been used since 2017. The tags are made of post-consumer waste paper.

MATERIALS THAT COMPLY WITH ECO AWARE STANDARD:

- **Organic fibers** as commonly used organic cotton in our collections.
- **Biodegradable cellulose fibers** like Lenzing products.
- **Recycled fibers** are certified based on international standards like for example Recycled Claim Standard (RCS).
- **Other materials** designed to minimize the impact of our business activities on the environment like polyurethane collections water based.

Here is a list of more sustainably produced materials used to manufacture our Eco Aware collections and their required minimum proportion

ORGANIC FIBRES

used to make Eco Aware products have been certified by independent institutions in line with the leading international standards such as Organic Content Standard (OCS) and Global Organic Textile Standard (GOTS). Our employees verify each certificate and complete documentation that confirms that the material complies with our requirements. As compared with conventional agriculture, organic farming has a far smaller impact on the natural environment.

Organic cotton

3 categories of materials: (1) 100% organic cotton; (2) 95% organic cotton at the maximum⁶; (3) 50% organic cotton at the minimum

Grown with the use of natural plant protection products and fertilisers only; without genetically modified seeds or synthetic growth stimulation. Organic cotton farming helps maintain soil fertility and protect biodiversity.

Organic linen

50% organic linen at the minimum

Linen is a natural fibre characteristic for its high durability and tensile resilience which means clothes made of this material can last for many seasons. It is a perfect choice for hot days. Organic linen is sourced from plants grown with the use of natural plant protection products and fertilisers only, and without genetically modified seeds.

CELLULOSE FIBRES

are biodegradable and do not contaminate water with plastic particles, that is why they are an eco-friendly alternative to synthetic materials such as polyester.

**LENZING™ ECOVERO™
30% LENZING™ ECOVERO at the minimum**

Environmentally friendly viscose produced by Lenzing from certified wood cellulose sourced from sustainably managed forests that guarantee reforestation. The fibre is produced in a closed-loop cycle and makes it possible to generate up to 50% less CO₂ emissions. It also produces less water contamination as compared to conventional viscose. LENZING™ ECOVERO™ is certified by the international EU Ecolabel as compliant with strict environmental standards in its production processes, from the sourcing of raw materials to distribution and disposal.

**TENCEL™ Lyocell
30% TENCEL™ Lyocell at the minimum**

A biodegradable cellulose fibre, sourced mainly from eucalyptus wood from sustainably managed forests that guarantee reforestation. Its production is environmentally friendly thanks to the use of a closed-loop cycle in which more than 99% of the solvent used is recovered and returned to the system for reuse, thus reducing energy and water consumption. TENCEL™ Lyocell is internationally certified with the EU Ecolabel.

**TENCEL™ Modal
30% TENCEL™ Modal at the minimum**

Created by Lenzing, it is a cellulose fibre sourced from

beech wood from sustainably managed forests that guarantee reforestation. TENCEL™ Modal is produced in a closed-loop cycle in a sustainable fashion which means lower energy consumption, water contamination and CO₂ emissions. TENCEL™ Modal is certified with the international EU Ecolabel.

**Naia™ Eastman
30% Naia™ Eastman at the minimum**

A biodegradable cellulose fibre sourced from sustainably managed pine and eucalyptus forests (North America, Western Europe and Brazil). It is an eco-friendly alternative to conventional acetate. Naia™ is reproduced in a closed-loop where solvents are returned to the system for reuse, thereby reducing water consumption and CO₂ emissions. Naia™ is certified to confirm that its production is safe and free from hazardous chemicals.

**Eco Aware Viscose
30% Eco Aware Viscose at the minimum**

Eco-friendly viscose made from wood cellulose sourced from sustainably managed forests that guarantee reforestation. The fibre itself is produced in a closed-loop cycle. As compared to conventional viscose, the production of this type of viscose uses 33% less water, while generating less pollutants and CO₂ emissions. Cellulose fibres are biodegradable. They do not contaminate water with plastic particles which makes them an ecologically-sound alternative to synthetic materials such as polyester.

THE RECYCLED FIBRES

used in the manufacture of Eco Aware products are certified by independent bodies to leading standards such as the Recycled Claim Standard (RCS) and the Global Recycled Standard (GRS). LPP employees verify each certificate and complete documentation proving that the material complies with our guidelines. Thanks to recycling, used materials are given a second life and are able to make new garments using less water, energy and natural resources as compared to the conventional production processes. Choosing recycled fabrics over traditional ones helps reduce CO₂ emissions and environmental impacts.

**Recycled polyester
20% recycled polyester at the minimum**

Synthetic fibre produced from PET bottles and post-consumer waste. As part of the process, selected plastics are cleaned, shredded and transformed into new fabrics. Materials produced this way are of the same high quality as conventional ones.

**Recycled cotton
20% recycled cotton at the minimum**

Made from post-production waste or used clothing. As part of the process, selected textiles are shredded and processed into new fabrics. Recovered cotton can be mixed with virgin fibres to achieve the desired quality.

**Recycled wool
20% recycled wool at the minimum**

Made from post-production waste or used textile products. As part of the process, carefully selected textiles are shredded. To obtain high-quality materials, recovered wool is usually mixed with virgin fibres and processed into new fabrics.

**Recycled polyamide
20% recycled polyamide at the minimum**

Synthetic fibre produced from waste materials such as old fishing nets, damaged carpets, industrial waste and nylon clothing. As part of the process, carefully selected plastics are cleaned, shredded and processed into new fabrics.

We also use **OTHER MATERIALS** with a smaller environmental impact.

**REPREVE® Polyester
Denim wear: 20% REPREVE® Polyester at the minimum.
Non-denim wear:
30% REPREVE® Polyester at the minimum.**

This fibre is made from recycled PET bottles. Compared to conventional polyester, the production process uses 45% less electricity, 20% less water and over 30% less greenhouse gas emissions. Reusing post-consumer waste reduces the consumption of non-renewable resources such as crude oil and contributes to the reduction of waste.

**Water-based polyurethane
100% water-based polyurethane**

An alternative to artificial leather produced by conventional methods. The technology uses water instead of chemicals which makes the products far more sustainable. The process generates less environmentally unfriendly waste and helps conserve water as the material is not repeatedly rinsed. The method also consumes less energy compared to conventional methods. The water-based polyurethane used in our Eco Aware collections comes from carefully selected, verified sources. Each item we sell has an analytical test report showing that it is free from harmful solvents.

**SORONA® DUPONT
30% SORONA® DUPONT at the minimum**

A biodegradable polymer fibre derived from renewable sources, made from 37% corn sugar. An excellent substitute for synthetic fibres such as polyester or nylon. Sorona® production uses 30% less energy and 63% less greenhouse gas emissions. Sorona® fibre is certified to confirm that its production is safe and free from hazardous chemicals. It is one of the first 11 products approved under the United States Department of Agriculture's (USDA) certified bio-based product programme.

**REPREVE® Nylon
30% REPREVE® Nylon at the minimum**

A synthetic fibre produced from pre-consumer waste. The yarn is made from recycled carpets and textile offcuts after they have been processed to recover polyamide. This way, materials left over from textile production are given a second life.



⁶ This blend of organic cotton is the most often used in our collections.



2.3.2. ECO AWARE PRODUCTION AND ENVIRONMENTAL REQUIREMENTS FOR SUPPLIERS

Considering the environmental challenges faced by the fashion industry, the methods used to source materials and production processes based on the latest and more ecologically-sound technologies are issues of primary importance for clothing companies.

56.9% of our products contain cotton (100% cotton or cotton blend)

In 2019 we began working on the **Eco Aware Production (EAP)** programme defining requirements that must be fulfilled by factories as regards conservation of natural resources in their manufacturing processes. Every factory that joins the programme is subject to our vetting procedure. In the reporting period we focused on developing the scheme in collaboration with our suppliers, working on quality and environmental standards concerning water and energy conservation in clothing production. The efforts continued despite our inability to travel and meet with the suppliers in person.

We created a special form to check what solutions were used by the suppliers in line with the latest standards and practices. It focused on the use of:

- energy efficient devices and systems for energy conservation;
- energy recovery systems;
- technologically advanced dyeing and washing machinery for water conservation;
- closed-loop cycle for water;

- rainwater harvesting for manufacturing processes;
- measurement systems that make it possible to compare water and energy consumption before and after the implementation of new solutions.

In late 2019 we started consultations with 40 manufacturers in Southeast Asia with the eventual aim of ensuring their compliance with the **Eco Aware Production** requirements. Having analysed its operations, we provide each of the factories with a set of recommended ecologically-sound solutions. We establish the deadlines for implementation and monitor its progress together. The factories which achieve the best results are put on the list of producers compliant with the Eco Aware Production standards. The project is carried out and reviewed with the help of our Asian offices in Dhaka and Shanghai.

In 2021 we expect the programme to cover as many as 30% of all factories. By 2023 the scheme will have included 100% of the denim factories. A factory's compliance is verified by LPP procurement and sustainable development department.

Thanks to the programme we know which suppliers operate in a more sustainable fashion than others and these are the factories that are given preference by our merchants.

2.3.3. ECO AWARE STORES

In 2020 we began the implementation of the **Eco Aware Stores (EAS)** programme outlined in our sustainable development strategy. Thanks to the scheme, we are able to reduce the environmental impact of our sales, while offering our customers a high standard of comfort. By 2025 the programme will have covered 100% of our stores. Its main premise is energy conservation following the implementation of a new store concept based on a smart and energy efficient system integrating lighting, heating, ventilation and air-conditioning. We estimate that by switching to LED lamps we will be able to save 15% of energy, while energy efficient screens and video walls controlled by a smart system will reduce our energy use by 40% as compared to traditional solutions.

Whenever we have the option of choosing our provider, 25% of the energy used by our stores comes from renewable sources. Some of our outlets were fitted with the SolarCool technology that uses solar energy to cool the

air-conditioning system. In another important move, we started testing telemetry systems for analysing our energy consumption and deciding what steps we should take next to improve our energy efficiency.

Currently, 88 of our stores in Poland are located in shopping centres with BREEAM certification, while one – situated in Galeria Północna in Warsaw – has LEED certification. Selected stores in the Czech Republic, Slovakia and Latvia (one in each country) are also certified with the BREEAM label.

Selected stores are currently **testing a telemetry system** for monitoring and managing electricity use. The system makes it possible to read and analyse how much energy is used by different installations and circuits (lighting, HVAC, LED screens, etc.). Thanks to dedicated software, we can generate specialised reports for individual stores and provide them with recommendations for electricity conservations. This also allows us to eliminate the cases when the installations remain unnecessarily switched on and to optimise the operations of those circuits and devices that must be on during the stores' opening hours. Initial tests have shown that, thanks to the system, we can have real-time data about our use of electricity and manage it. Based on the analyses and conclusions, we are able to significantly reduce our energy consumption. In the next stage of testing, having selected specific technical solutions for implementation, we will introduce remote control of the stores' HVAC which will allow us to drive our energy consumption further down.

177 suppliers covered by the **EAP programme** in 2021.

2.4. DESIGN AND PRODUCTION

2.4.1. SUSTAINABLE DESIGNS AND SELECTION OF MATERIALS

While the production of our clothes is located in our suppliers' factories, the design process takes place entirely in Poland and involves 1,100 people employed in our product development departments. Reserved, Cropp and Sinsay have their design offices located in Gdańsk, while House and Mohito pieces are designed in Cracow. Warsaw is home to another Reserved design base where we also test the latest ecologically-sound solutions directly linked to our collections. When creating our portfolio, we react to the global developments and follow international fashion events and trends to be in the loop.

We make sure that the materials used to manufacture our clothes and accessories are of good quality, safe and compliant with the Eco Aware standards, whenever possible.

→ For information on the actions taken by each of our brands, see p. 69-74 in this chapter.

The animal products we use are sourced in a humane way.

Certification and biodiversity

We implement solutions that ensure animal wellbeing:

- **Angora** – renounced in 2014.
- **Natural fur** – renounced in 2016.
- **Mohair** – renounced in 2020.
- **Cashmere** – not used in the 2020/21 autumn/winter and the 2021 spring/summer collections. In 2021 we are planning to launch collections using recycled cashmere.
- **Down** – in 2020 we placed orders for clothing made using certified down for 2021.
- **Wool** – in 2020 we began the process of sourcing certified wool for our collections.



FCS certification - Forest Stewardship Council



The price tags for some of our brands, cardboard boxes and paper packaging used in e-commerce are made of **FSC certified paper**. The label confirms that the raw materials used to produce the paper were sourced in a way that preserves forests and their biodiversity. By 2023 100% of our cardboard boxes will be made of recycled or FSC certified paper.

2.4.2. PRODUCTION OF OUR COLLECTIONS

We outsource our production to carefully selected suppliers in Asia and Europe. Our collaboration is regulated by:

- **“The LPP Quality Guidebook”** which defines our product quality standards, and
- **“The LPP Code of Conduct”** which lists our requirements towards our suppliers with respect to conditions of work, social conditions and protection of human rights, and which the suppliers must sign.

PLN 3.8m
our spendings on improved factory safety in 2020/21

PLN 29.3m
our spendings on improved factory safety since 2013

Monitoring how our business operations impact the environment, in particular in the context of working conditions in developing countries, is integral to our activities. That is why, all our suppliers must ensure their compliance with the requirements formulated in the documents which we check with the use of regular audits carried out by our offices and independent auditors. In the course of the last 7 years, we undertook a range of initiatives mainly aimed at inspecting the sup-

ply chain, especially with respect to the working conditions and safety in factories located in developing countries.

→ You will find out more about our requirements for suppliers later in the chapter.

THESE ARE THE COUNTRIES WHERE OUR CLOTHES ARE MANUFACTURED

Because our production is mainly outsourced to manufacturers based in Asia, we have representative offices in **Dhaka and Shanghai** to help us manage our relationships with existing and new suppliers in the region, and oversee production quality. It is the employees on the ground who check the suppliers' compliance with “The LPP Code of Conduct”.

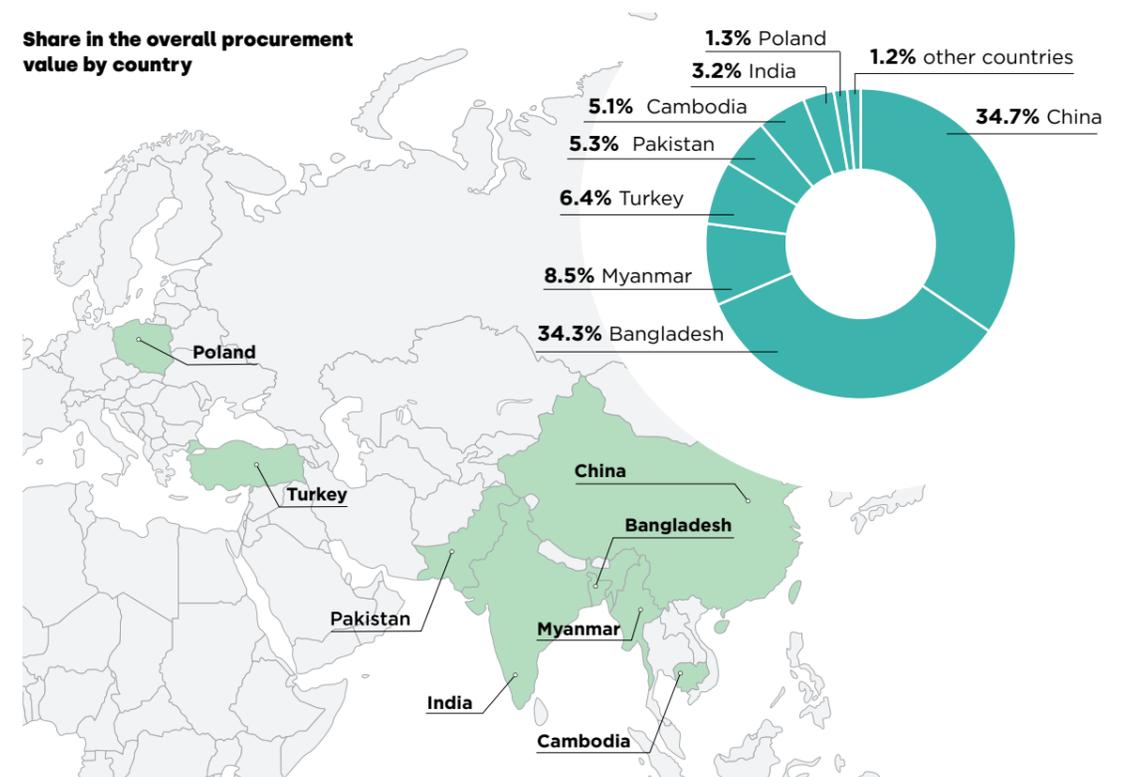
At the same time, some of our products are manufactured closer to our central headquarters, namely in the European market, for instance in Turkey, and in Morocco. In the reporting period their share in the total procurement value was:

- **8.7%** overall for all brands,
- **22.3%** for Reserved,
- **34.0%** for Mohito.

As a result, collections inspired by the latest trends can quickly arrive in our stores and online shops without the need to use air transport.

1,108
suppliers in 2020/21

Share in the overall procurement value by country



[GRI 414-1] [GRI 102-10] [Own measure: Suppliers' percentage share by country]

"THE LPP CODE OF CONDUCT"

The code of conduct drawn up by LPP defines the requirements that must be fulfilled unconditionally by all our suppliers, regardless of the country where they are based. Each of the producers must sign the document before the start of their collaboration with our company. They are also audited before they begin manufacturing for LPP.

In the last reporting year, 8 factories in Bangladesh were not approved following the audit.

The document takes account of the provisions of the the International Labour Organisation conventions and the Universal Declaration of Human Rights. It also requires suppliers to look after the natural environment.



The principles described in the Code:

- obligation to have a proper payroll policy and formal terms and conditions of work,
- unconditional prohibition of employing children,
- voluntariness of labour,
- freedom of association,
- equal treatment of all employees,
- occupational health and safety standards.

In 2020 the Code was updated and expanded to include additional requirements:

- rules of drafting contracts of employment in local languages,
- additional regulations concerning permissible overtime and overtime pay, leave entitlement and work breaks,
- rules of ensuring safety in connection with specific dangers,
- rules of electing employee representatives,
- additional environmental requirements to be fulfilled by the suppliers.

We continue our efforts to improve the quality of our collaboration with the suppliers and their compliance with our standards. One of the mechanisms that are helpful in this regard are audits conducted along the supply chain by the LPP sustainable development department and our representative offices in Shanghai and Dhaka. If a supplier is found in infringement of our requirements, they receive a Corrective

100%
 of the new suppliers have been committed to meet the criteria of „The LPP Code of Conduct“.

[Reporting topic: Assessment of suppliers' workplace conditions] [GRI 102-9] [GRI 103-1] [GRI 103-2] [GRI 103-3] [Own measure: Number of inspections concerning occupational health and safety, workplace conditions and human rights in the reporting Year]

Action Plan with an implementation deadline. As a result of the COVID-19 pandemic, the number of conducted audits decreased dramatically as compared to the year before. During this particularly difficult time, external audits were carried out between February and April 2020, following which audits of a very limited scope were conducted by the employees of our local office. The reason were the travel restriction in place.

In the reporting period, LPP auditors carried out **197 audits** with regard to occupational health and safety and human rights in **3 countries**.

ACCORD on Fire and Building Safety

As a signatory of the Bangladesh Accord on Fire and Building Safety (ACCORD) which unites clothing companies from around the world, we are involved in improving the working conditions in Bangladeshi factories and educating the factory workers on safety and their rights. We also support occupational health and safety training for the workers, as part of which they learn about a whistleblower system of reporting irregularities, among other things. **90% of our suppliers' employees complete the training.**

2.4.3. SUPPLIER RELATIONS DURING THE COVID-19 PANDEMIC

The pandemic was challenging for us, yet the consequences of the economic changes it triggered were also very acutely felt by our suppliers and other companies based in developing countries, such as Bangladesh. That is why, after outbreak of the pandemic, we took action to support the suppliers. We were settling our liabilities to the factories in a timely manner. Being as we were in an extremely difficult situation ourselves due to the outbreak of the pandemic in Poland and subsequent lockdown, we were forced to limit some of our orders. We considered the situation of each supplier on a case by case basis in order to help the manufacturers maintain accounting liquidity. In the spring, when the restrictions hit the economy hard, we were in constant contact with the suppliers, looking for solutions together.

We also monitored the payment of wages to workers of the factories. In April 2020, 99% of the Bangladeshi sewing plants collaborating with us paid the March wages and settled their liabilities over the subsequent months when production was on hold.

LPP was one of the first clothing manufacturers to be included on the Worker Rights Consortium's list of companies that honour their commitments towards suppliers.

OUR SUPPLIERS' PERSPECTIVE:



Integra Apparels Bangladesh Ltd

"At the end of March [2020], when COVID-19 started and spread worldwide, we were faced with great difficulties. Our customers withheld the orders and postponed the deliveries for a few months. We become helpless for a while. During that time, it was impossible for us to pay salaries to our workers. All the factories were closed for one and half months. Fortunately, the Bangladeshi govern-

ment come forward to support us and we received an immediate stimulus package (loan with minimum interest) to cover the salaries. Most importantly, however, LPP come forward at the end of May and started taking all the goods. They helped us a lot by placing an order with us. We understood LPP situation as well and them offered better cost/FOB. With the help of LPP we went back to normal and now are operating the same as before the pandemic. Big thanks to LPP offices in Dhaka and Poland for their huge assistance. We will never forget the support we got from LPP."



Pinaki Group

"We remain a very eager partner to further develop business volume with LPP brands. We have been supporting LPP businesses with fast developments, good quality and timely shipment. We really appreciate the support we have received from the LPP team both locally and in Poland. I am pleased to express my gratitude to LPP management for taking full responsibility of confirmed orders

[GRI 102-13].

and accepting shipments during the difficult times of the COVID-19 pandemic. It proves high ethical standards and commitment which LPP maintains with its supplier partners. I am finding it very encouraging to pursue further developments with LPP brands. I look forward to developing our cooperation in the future.”



Tosrifa Industries Ltd

“We are delighted to have LPP as our business partner. We are always keen to have long-term partnerships and that is how we consider LPP. At the beginning of the pandemic, we were upset as a few of our orders got cancelled, put on hold or pushed back. But we were in close touch with the LPP team and you always assured us that those orders will resume. Ultimately, they came back with added quantity. Some of those products had already shipped out. We are really grateful for this enormous support on your end. After the opening of the factory, we got a good flow of orders and our volume increased much more than in autumn/winter 2019 collection, which made our partnership stronger. During the pandemic, we were keen to have more orders so that we did not need to lay off any of our workers. We really appreciate the support of LPP Poland and the Dhaka office, and hope this will continue in the coming days. As the time progresses, we hope our partnership will strengthen further.”



Iris Design Limited

“Between the end of March and mid-April [2020], we stopped all our operations in line with the government’s restrictions intro-

duced to mitigate the spread of COVID-19. Yet, we had to paid full wages to all of our staff and workers, for which we were forced to take a bank loan. From mid-April some of our customers started slowly to accept shipments and we were leaving the bad times behind. Our responsible staff and workers resumed work following the necessary health instructions. We also rearranged the facilities to ensure worker safety. Day by day, we were making first steps on the path to recovering our business. LPP is one of our biggest customers who helped us a lot to get back on our feet. Thanks to them we could resume production after the break caused by the pandemic. LPP also helped by pushing back some styles which we stopped manufacturing at that time. Now we are getting more orders from LPP which will definitely help us to get our business back on track.”



Nassa Group

“During the COVID-19 situation, our factory production was closed for more than 1.5 months. What is more, most of our buyers’ shipments were withheld for 3 months. During the pandemic period, all Nassa Group workers received 100% of their salaries and 100% of a festival bonus. We paid all salaries on time and we invested in our human resources. We are very happy with having LPP as our customer and very keen to grow with LPP. Currently, we are seeing positive business growth and hopefully we will grow in a sustainable way together.”



Renaissance Group

“We would like to express our heartiest gratitude to you during the past few years and especially during this COVID period. LPP has been one of our key partners for many years now and we have had a significant growth in the number of brands we are engaging with as well as increase in volumes. In the past months, business has been challenging for Renaissance Group as it has been for all organisations and all industries. We have struggled operationally, there has been a business decline, and our expansion plans were put to a halt. With the help of our customers’ cooperation, our colleagues’ consideration and our government’s support, we are hoping to have left behind the past and moving forward to a better season. We would like to especially stress LPP’s support and cooperation throughout the past years and during the COVID-19 situation. We have always received your guidance, cooperation and hand-holding in all aspects of technical know-how, business growth and sustainability. And for this reason, LPP is now our second biggest customer and we expect on-going future business growth and partnership.”



Zaaastex Group

“At the beginning of the pandemic, we were very anxious and worried, having received many e-mails with requests for holding, reduction and cancellation of orders without prior discussion or taking responsibility for the produced yarn and goods. We were asking ourselves whether LPP would prove loyal to their supplier, whether they are a safe customer, whether they are a



financially-sound buyer, whether they are ready to protect supplier rights as a member of ACCORD, BSCI, etc. With time, we saw that LPP was ready to have a logical discussion with us and give us a helping hand. All LPP buyers, purchase managers and purchase directors were very positive and ready to weather the pandemic storm by logical discussion. We are especially grateful to all brand buyers for resolving the prevailing matters. Special thanks to LPP Dhaka office for bearing with us and providing us with mental support during the pandemic. Many thanks for sticking with us as a safe partner. We hope we can grow and achieve our business goals together.”

[GRI 102-13], [Reporting topic: product safety], [GRI 103-1], [GRI 103-2], [GRI 103-3], [GRI 301-1], [GRI 416-2]

2.4.4. QUALITY AND SAFETY OF OUR PRODUCTS

Our suppliers must meet standards concerning the physical and mechanical properties of the garments they manufacture collected in the regularly expanded “LPP Quality Guidebook”. The document includes requirements with regard to colorfastness, propensity to shrink or the tightness of the twist. It also includes a list of banned chemicals and permitted concentrations according to the EU-wide REACH regulation⁷.

Last May we updated the Restricted Substances List (RSL) for different product categories, taking into account new regulations coming into effect in November 2020. The revised list is more elaborate and detailed. We made sure to make it transparent and are confident that all our requirements had been clearly communicated to the suppliers.

The guidebook stipulates that the suppliers must use humidity detectors and – in the case of children’s products – metal detectors. They are also obligated to run basic quality tests of the materials used in their production process. The document also defines the Acceptance Quality Limits for all LPP brands.

The “LPP Quality Guidebook” also details an antimould procedure and product humidity limits. In 2020 we added Micro Pack to the list of recommended moisture absorber producers, while silica gel was removed. We also introduced a new standard of fabric elasticity.

Chemical safety

The requirements included in the LPP Quality Guidebook is just one way of making sure that our products are chemically safe. Our intention is also to trigger change in the functioning of the factories. For this reason, and in accordance with our prior declarations, we joined **Zero Discharge of Hazardous Chemicals (ZDHC)**, a global initiative whose mission is make it possible for the textile, leather and footwear industry to implement best practices in chemical safety along the supply chain.

By joining as the first Polish company to this association, we have informed about it our suppliers by presenting our plans for further implementation of the program assumptions. We connected with those of our suppliers in Ban-

⁷ REACH is a EU regulation that requires companies to identify and control risks connected with the use of substances they produce and market in the Community. The producers must prove that a substance is safe to use and inform users what precautions they should take to minimise the risks.

[Own measure: Number of quality inspections in factories and the Distribution Centre carried by LPP inspectors daily in the reporting year] [Own measure: Number of inspections carried out daily by LPP controllers]



gladesh and Pakistan who are also ZDHC members through the ZDHC Gateway platform which facilitates transparency along our supply chain. This way, we are also able to view the results of their post-production water tests and assess their adherence to ZDHC standards as regards the use of chemical substances. This allows us to evaluate the factories and identify problem areas where they need support in order to increase their compliance with ZDHC requirements. We also took part in trainings, webinars and conferences held by ZDHC, and encouraged factory representatives to do the same. Currently, as many as 23 of our partners in Pakistan and 42 in Bangladesh are associated with the scheme.

17,977 quality audits (including remote ones) were conducted by LPP in factories and the distribution centre in the reporting year.

COLLABORATION WITH SUPPLIERS

The pilot Quality Assurance System we launched in 2019 to improve production quality in Bangladeshi factories was not expanded in 2020 due to the COVID-19 pandemic. Currently, 12 suppliers in Bangladesh are covered by the scheme. Independently of this, we continued to target our efforts the suppliers. Our office in Dhaka supports the factories in Pakistan. We inspected

the antimould procedures in 2 factories in Pakistan and introduced laboratory testing of footwear in Chinese plants. We introduced more detailed norms and directives concerning children's clothing in line with European Union standards and upgraded the standards for zippers in kid's collections. What is more, the LPP Dhaka Office was equipped with a device for testing the fixed strength of buttons and zippers.

In 2020 we identified a zipper defect in 32 Sinsay Kids products. We immediately notified it to the Office of Competition and Consumer Protection in Warsaw and initiated the products' recall.

63 quality audits (including remote ones) were conducted by LPP inspectors daily.

In 2021/22 we will:

- continue to introduce the Quality Assurance System in Bangladeshi factories,
- implement direct contacts between the quality control unit and the producers,
- streamline the operations of the quality control team by means of further digitisation,
- continue to educate our suppliers and employees about quality and standards,
- analyse the reasons for product returns for quality defects.

This was the only situation when our products could have been considered as potentially detrimental to our customers' health.

2.5. OMNICHANNEL: LOGISTICS AND SALES

2.5.1. OMNICHANNEL ORGANISATION

Our physical stores operate on 25 markets, while our online shops cover 30 countries. The revenue generated by our foreign sales is higher than those earned at home. In the 200/21 reporting year, it amounted to 57% of our total sales.

The new retail reality caused by the COVID-19 pandemic changed our business strategy and set a new direction of our development in the upcoming years. We effected an accelerated technological, logistic and retail transformation, integrating the physical sales channel and e-commerce. We were the first Polish retail company to become a fully omnichannel organisation to adapt to the completely new challenges faced by the sector. It is a revolution for LPP.

What truly bore fruit in the period when physical stores were closed and online sales went dramatically up, and what allowed the company to look into the future with modest optimism, were the investments in **Fashion Tech** we had made. For the previous few years, LPP had been consistently increasing its spendings on development and implementation of new technologies. Irrespective of our plans, the unprecedented shift to Internet shopping during the first months of

the pandemic forced us to implement our original solutions faster than we originally intended. It would not have been possible without the groundwork we had laid before: the implementation of RFID, cloud solutions for online shops, optimisation of online order picking, modification of the warehouse management system, or an original logistic platform that integrates the systems of individual shipping companies.

In the reporting year, we did not enter any new physical markets (our debut in North Macedonia was postponed to 2021/22). We focused on implementing new customer experience functionalities and improving the effectiveness of our processes at all organisational levels. The starting point was the realisation that given the new reality the only sensible option is to harmonise our physical and online sales so that they become one integrated channel with one stock and a coherent customer approach. Our operations have been characterised by flexibility and swift decision-making for years which became even more pronounced during the pandemic. The economic situation is still unstable and we must be ready for different scenarios, such as the closure of physical outlets in the markets where we operate. In the reporting year, we saw our revenue diverge from region to region which

Table 13. LPP net revenue by brand in the 2020/21 reporting period

	Reserved	Cropp	House	Mohito	Sinsay
Net revenue [PLN m]	3,467	972	875	708	1,738
Change as compared to 2019/20	-20.7%	-24.5%	-22.9%	-28.3%	35.5%

[Reporting topic: New business model and development of omnichannel operations]

was mainly due to the different policies adopted by individual governments when it comes to opening and closing shopping centres. During the spring lockdown almost all stores in Poland and abroad remained shut except for a few outlets in Finland and Belarus.

KEY OMNICHANNEL PROJECTS IN THE 2020/21 REPORTING YEAR

1. Mustang

Mustang, or Multichannel Stock Management, is our original software for managing common stock for physical sales and e-commerce, and increasing the availability of products in both channels. This way, we changed the process of stocking our stores and e-commerce warehouses. We also redefined the rules of returns management. The implementation of the software unfolded in two stages:

- adjustment of the relevant application, its algorithms as well as teams so that both channels (physical stores and online shops) could have their inventory allocated jointly within redefined cycles and extending the choice of products available on the Internet to include items available in physical stores;
- reorganisation of the system's architecture to create a common space in the system providing the most current and credible data on the inventory.

The Mustang software makes it significantly easier for us to manage product availability and facilitates reserving inventory quantities for all channels depending on demand. Our customers are now offered new shopping options, such as Click&Collect which covers the whole store stock. The idea of moving distribution closer to customers opened up the way for testing the concept of hub stores that act as mini distribution centres in regions located away from the main warehouses.

2. Defrost

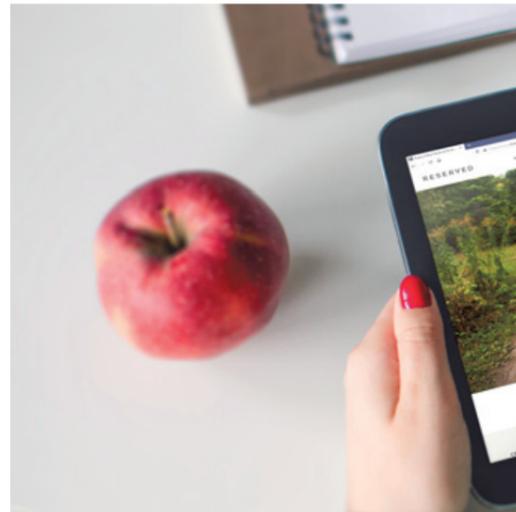
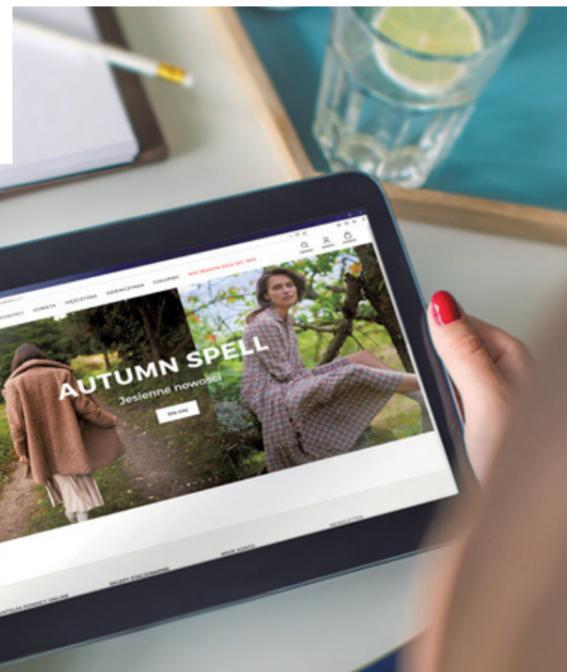
As part of the Mustang project, we are implementing Defrost, a solution for freeing up items that have not been sold in the physical stores and making them available in online shops. This way, we extend the choice of products offered on the Internet to include all the goods on sale in the physical stores, including the last items in stock which are no longer showcased in the shopping windows or displayed on the shelves. Depending on their preference, customers may collect their purchases in a selected store without being charged any additional delivery costs or have the order delivered by a shipping company. Defrost makes it possible to make better use of the stores' potential with regard to online orders fulfilment and driving last mile delivery costs down.

3. Google as our strategic digital partner

Investing in advanced technologies was still a priority for our company. We are gradually building our IT team, develop our own original projects and implement the best solutions available on the market. Today, with 400 specialists and IT experts on the payroll – we are a considerable and competitive player on the market. To take full advantage of cloud computing's potential for the development of online sales and to support our company's digital transformation, we entered into

In the reporting period online sales revenues exceeded

PLN 2,2bn



[Own measure: E-commerce revenue – share in the Group's total revenue and percentage increase YoY] [Reporting topic: Development of the retail network], [GRI 103-2], [GRI 103-3], [GRI 102-9]

Table 14.

Online sales revenue in the 2020/21 reporting period



	Poland	LPP Group
Online sales revenue in the reporting year [PLN m]	1,092	1,137
Contribution to total sales revenue	32.0%	28.4%
% increase YoY	13.4	11.9

a strategic agreement with Google. We use the advanced Google Cloud technology as regards:

- analytics – we implemented an analytics platform and data repository which allow us to store all resource in one place and receive comprehensive reports in a short time. LPP's different teams may easily work with the collected information and use it in sales, marketing and logistic operations;

- e-commerce infrastructure – we implemented solutions that facilitate smooth and reliable system operations even at peak traffic times (Christmas, seasonal sales) and product recommendations drawing on AI.

→ You will find out more about distribution, sales and order deliveries later in this chapter.

2.5.2. INTEGRATED DISTRIBUTION SYSTEM

Our operations are based on a global supply chain that distributed over 259m items of clothing across 3 continents annually. We built an efficient international logistic network including the Distribution Centre in Pruszcz Gdański (one of the most advanced in this part of Europe), the Distribution Centre in Moscow and Fulfillment Centres that specifically handle our online orders. The combined warehouse space at our disposal is **253,000 m²**. By 2023 we plan to invest PLN 350m in logistics.

In the reporting period, LPP logistic network expanded considerably:

- We opened the third building in the **Distribution Centre (DC) in Pruszcz Gdański**, increasing the facility's area to 91,000 m², while its storage capacity is now almost 1.5m boxes.
- We launched a 32,000 m² **Fulfillment Centre (FC) near Bratislava** to handle our e-commerce orders.
- In the spring, faced with lockdown and a significant rise in online orders, as well as to develop multichannel sales, we enlarged the **Fulfillment Centre in Gdańsk** by 10,000 m².
- We extended the lease contract for the 46,000 m² of the **Fulfillment Centre in Stryków** for another 2 years.
- We signed a contract to expand the **Fulfillment Centre in Bucharest** by additional 21,000 m². The facility will open in September 2021.
- We began the construction of the Distribution Centre in **Brześć Kujawski**.



Sebastian Sołtys, logistics director

Last year required from us a great deal of logistic agility, flexibility with regard to supply chain operations and effective adaptation to changing business reality. The situation faced by the fashion industry after physical stores had been closed and customers flocked to online shops showed that logistics played a significant role in the company's ability to stand up the new reality. The continually growing volume of online sales meant we abruptly switched into a mode similar to big seasonal sales. In logistics, this usually is preceded with months of preparation on the part of our Fulfillment Centres. During the first lockdown, it took us only 3 weeks to swiftly remodel the processes, systems and advanced automation of the Distribution Centre in Pruszcz Gdański so that it could fulfil e-commerce orders, that is perform tasks fundamentally different to supplying the network of our stores.

79.5m

items of clothing shipped from our Fulfillment Centres in the reporting year.

ion industry after physical stores had been closed and customers flocked to online shops showed that logistics played a significant role in the company's ability to stand up the new reality. The continually growing volume of online sales meant we abruptly switched into a mode similar to big seasonal sales. In logistics, this usually is preceded with months of preparation on the part of our Fulfillment Centres. During the first lockdown, it took us only 3 weeks to swiftly remodel the processes, systems and advanced automation of the Distribution Centre in Pruszcz Gdański so that it could fulfil e-commerce orders, that is perform tasks fundamentally different to supplying the network of our stores.

For the past three years, LPP's online sales had been growing year over year, sometimes



490,833

the highest number of garments in online orders fulfilled in a day

even by 100%. During lockdown, the restrictions introduced following the announcement of the state of pandemic, the numbers

increased by four or even five times compared to last year. Thanks to our logistic network which we had been developing consistently for years, the immediate remodelling of the distribution centre to handle online orders, as well as advanced solutions based on AI algorithms, we were able to rise to the challenge and sell up to **490,000 items of clothing a day** over the Internet.

In the 2021/22 reporting year, we will continue to expand our global logistic network. We plan to complete an investment of strategic importance to our operations, that is the construction of the Distribution Centre in Brześć Kujawski. In another move to expand our network, we are going to build a Fulfillment Centre in Russia, enlarge the warehouse space in Bucharest and launch an automated order picking process in Slovakia. We will also put a strong emphasis on investing in our own original tool for the management of the supply chain. We will implement a Control Tower system to improve the visibility of goods flow and the effectiveness of delivery monitoring and planning.

We are implementing a collaboration platform to facilitate our cooperation with a few hundred

suppliers based in a few dozens of countries across the world. Apart from functionalities that facilitate the exchange of information and documents with suppliers, the platform will make it possible for us to track products manufactured in the most distant part of the globe and follow their journey along the supply chain: from the factory, through an order, consolidation warehouse and selected means of transport, to our distribution centre. The application will allow us to obtain detailed real-time data from all the participants of the logistic process regardless of their location in the world.

1,913,598

the highest number of garments dispatched to stores in a day in the reporting period

their journey along the supply chain: from the factory, through an order, consolidation warehouse and selected means of transport, to our distribution centre.

The application will allow us to obtain detailed real-time data from all the participants of the logistic process regardless of their location in the world.

LPP'S GLOBAL NETWORK OF DISTRIBUTION AND SUPPLY



Key logistic projects:

1. Opening of the third building in the Distribution Centre in Pruszcz Gdański

Thanks to this investment, worth nearly **PLN 200m**, the storage capacity of our distribution centre increased to close to **1.5m boxes** in total. We gained 29 additional aisles in the automated warehouse, each 18 metres high and 83 metres long. The new space makes it possible for the mini load warehouse to complete nearly 90,000 daily operations more and receive and dispatch almost 50,000 boxes a day. The new part of the centre has 10 additional RFID tunnels and 10 RFID stations to identify individual products along the supply chain and carefully control all the goods that are received and dispatched from the distribution centre.

Our plans for 2021/22 include a modernisation of the oldest part of the facility, where we intend to construct an advanced automated storage and retrieval warehouse.

2. The Distribution Centre in Brześć Kujawski

In June 2020 we announced our decision to modify our investment plans and postpone the date of the project's completion as a result of the COVID-19 pandemic. After a reevaluation carried out in the autumn, we decided that the construction of the new distribution centre in Brześć Kujawski will start in the first quarter of 2021. The investment is of strategic importance for our operations and we treat it as one of the key undertakings on our path to further development.

The modern, partly automated facility will be 75,000 m² large. At the first stage, it will employ 500 people. Eventually, as the warehouse's operations gain momentum, we plan on creating up to **1,000 jobs**.

3. Launch of the Fulfillment Centre in Slovakia

The Fulfillment Centre near Bratislava began its operations in 2020. The facility handles online orders placed by customers in Slovakia and the neighbouring countries – close to **10m orders to date**. The ongoing second stage of the investment focuses on the automation of intralogistics processes to improve efficiency and shorter dispatch times.

[Own measure: Average number of garments sent to stores daily]

REDUCING OUR ENVIRONMENTAL IMPACT

We introduce new solutions in transport and distribution to reduce our carbon footprint and emissions of other pollutants:

1. Shortening “the last mile”

The new Fulfillment Centres we open mean that the last mile delivery of our products’ is shortened. We ship goods from the Distribution Centre to the Fulfillment Centre using fully utilised to and fro shipments. This way, we can use the cargo space three times better compared to when the parcels are packed in Poland and shipped directly to the local market.

2. Compensating for courier shipments

One of our main distribution partners at home and abroad, DPDgroup which is owned by GeoPost, systematically tightens its norms for exhaust emissions and expand its fleet of electric cars. DPDgroup undertook to make zero-emission or low-emission deliveries in 225 largest European cities, reducing their last-mile carbon footprint by 89% by 2025 and pollutant emissions by 80% (as compared to 2020). The company has a **setoff programme** approved by the Verified Carbon Standard (VCS), focussing on projects related to renewable energy sources, clean energy and closed-loop economy. **55%** of our deliveries from Poland and 25% of those made abroad (Lithuania, Latvia, Estonia and the UK) is covered by the programme.

3. Parcel lockers and pick-up spots

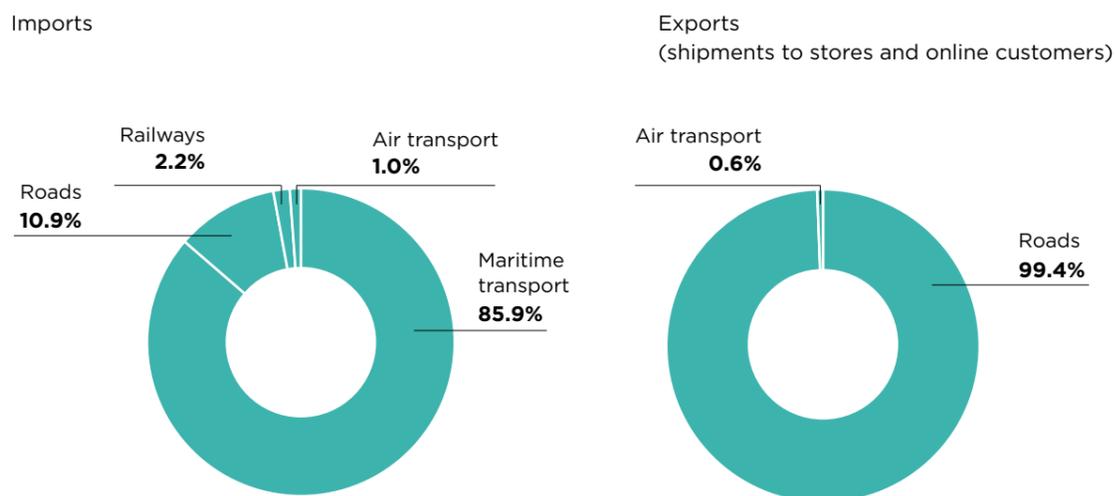
We are making increasing use of parcel lockers and pick-up and drop-off (PUDO) locations. In the reporting year, we widened the choice of available options (Inpost lockers in Poland and PUDOs in Hungary), to include pick-up and drop-off in Żabka grocery stores, Inmedio newsagent’s and Shell petrol stations in Poland as well as parcel lockers and PUDOs in Russia and Ukraine.

4. Optimisation of the means of transport

We launched direct transport connections between the Distribution Centre in Pruszcz Gdański and Slovakia, Bulgaria and Serbia. As a result, around 12% of deliveries to those markets were made by means of optimally loaded vehicles. We plan to develop the model further, also with the use of super lorries that can carry more cargo.

In Russia, we are testing wider use of maritime transport as an alternative to road transport. In 2021 we intend to open new stores in the country’s far east and supply them using intermodal transport. This way, we will be able to save nearly 9,000 km of road travel per one store delivery. Last year also saw significant changes as regards the collection of online shopping orders in Poland which translated into better use of our means of transport. In the reporting year, as many as 40% of our deliveries were collected from parcel lockers or pick-up locations.

Different modes of transportation in the reporting year (by the number of items shipped)



CHALLENGES TO GOODS DISTRIBUTION AND TRANSPORT DURING THE COVID-19 PANDEMIC

Our supply chain (production and distribution of goods) spans across a few dozens of countries. The pandemic and the ensuing lockdown introduced on subsequent Asian markets caused – depending on the region – a suspension of or delays in the operations of consolidation warehouses and harbours, making it impossible to ship goods picked up for delivery. In many cases, due to quarantine, factories were unable to deliver products to shipment companies, while couriers found it impossible to make timely deliveries of documents required for the handover of shipping containers entering Europe. The subsequent lockdown and closures of shopping centres in Poland and other markets meant we needed to effectively manage the cargo at the different stages of distribution. As the stores closed overnight, our warehouses filled to 95% of their capacity.

After production resumed in Asia, we were faced with growing demand and drastically declining supply of cargo space on ships. Following the reopening of retail outlets in the countries where we have physical stores, we had to immediately distribute the goods and restock the shops. As restrictions in retail were gradually eased, we needed to keep our transport and distribution flexible and be responsive to the specific needs of different markets.

2.5.3. ECO-FRIENDLY PACKAGING

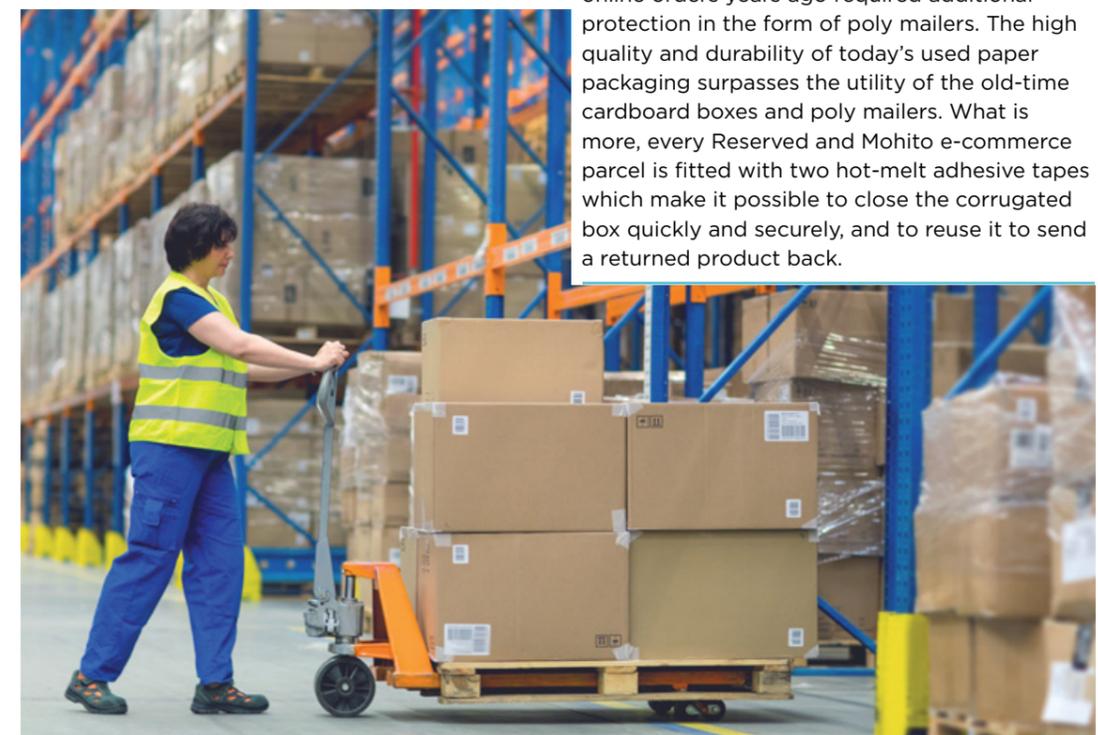


Sylwester Dmytriwski,
logistics network regional director

In 2020 we continued our efforts to transition into a closed-loop cycle and elimination of single-use plastics. In the course of the year, we reduced their use by **300 tonnes** which is twice as much as in 2019. Overall, throughout the last 4 years, we underwent a genuine revolution as regards the use of non-recyclable and non-reusable plastics. We had wholly changed our approach to e-commerce packaging which resulted in the elimination of 570 tonnes of plastics over that period.

Mohito and Reserved e-commerce parcels were rid of plastic for good. The other brands used recycled plastic film only. Previously, we had not differentiate between consignment sizes. Today, we match their size with the contents of the parcel to conserve the resources used to produce the packaging, eliminate plastic void fillers and optimise the packaging sizes (in other words, not to transport “air”).

The flimsy and delicate boxes used to pack online orders years ago required additional protection in the form of poly mailers. The high quality and durability of today’s used paper packaging surpasses the utility of the old-time cardboard boxes and poly mailers. What is more, every Reserved and Mohito e-commerce parcel is fitted with two hot-melt adhesive tapes which make it possible to close the corrugated box quickly and securely, and to reuse it to send a returned product back.





More ecologically-sound packaging

Over the last 4 years we saved **570 tonnes** of plastic, incl. **300 tonnes** in 2020/21 only.

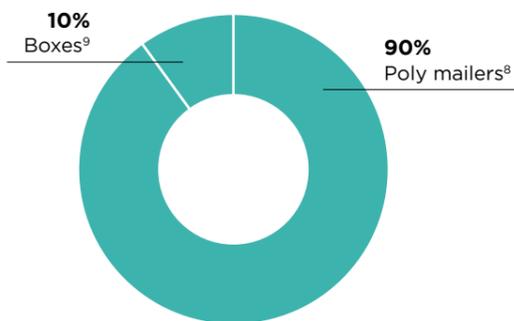
Reusable textile bags used by our suppliers saved **5 tonnes** of plastic.

Almost **100%** of the cardboard boxes used in our Fulfillment Centres and **20%** of those used in the Distribution Centres are reused.

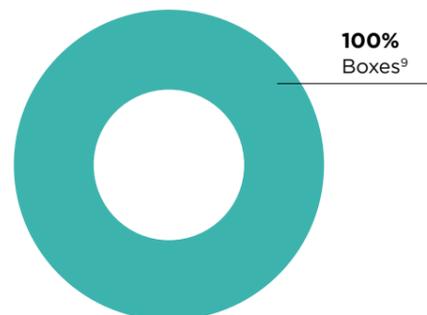
In the 2021/22 reporting year, we plan to introduce return packaging for Click&Collect orders (placed online and picked up in-store). The packaging will be able to be used a few dozen times and will be recycled once it wears down.

Types of e-commerce packaging

Cropp, House and Sinsay

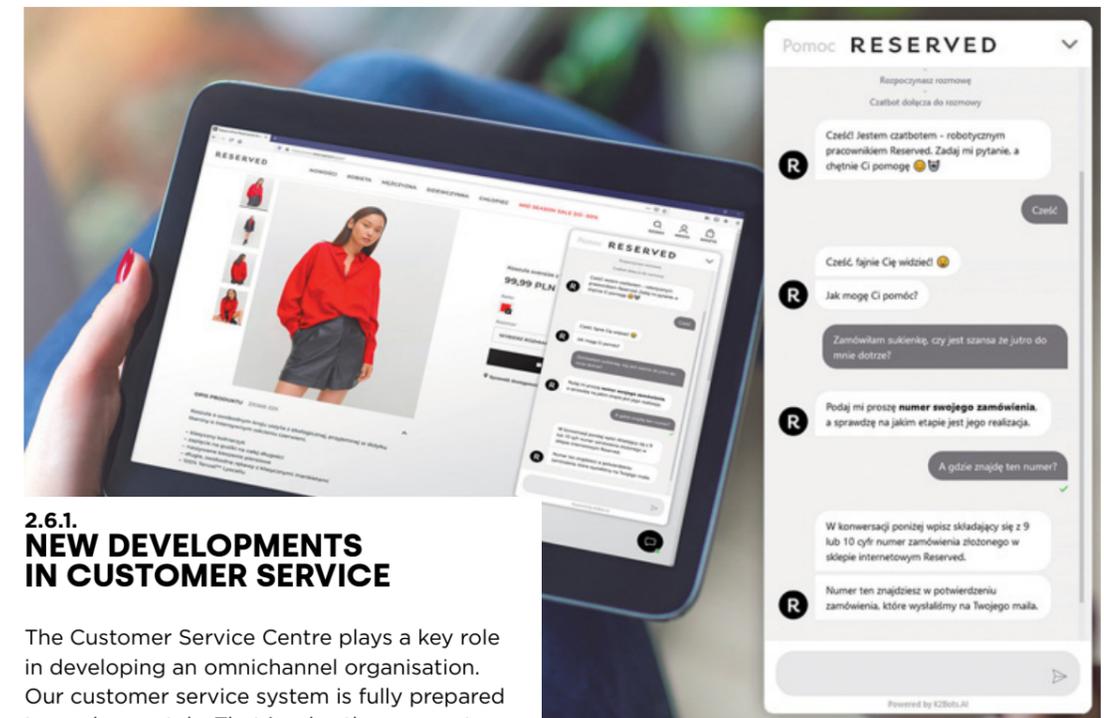


Reserved and Mohito



⁸ Made of 80% recycled and recyclable plastic film.
⁹ Made of recycled and recyclable corrugated fibreboard.

2.6. CONSUMER SATISFACTION



2.6.1. NEW DEVELOPMENTS IN CUSTOMER SERVICE

The Customer Service Centre plays a key role in developing an omnichannel organisation. Our customer service system is fully prepared to work remotely. That is why, the moment lockdown was introduced, we swiftly and smoothly switched to the new mode of operations and successfully dealt with increased online demand for our products.

There are **160 people** currently employed in the Customer Service Centre in Poland and abroad: in Russia, Romania, the Czech Republic, Slovakia, Hungary and Ukraine. The service is available in **13 languages**. The office:

- uses conversational artificial intelligence (AI),
- evaluates customer satisfaction with the use of post-interaction surveys conducted by e-mail or text message,

- developed self-service websites,
- formed an internal quality control unit to review customer satisfaction scores, evaluate the performance of our consultants and devise training for them,
- uses a performance review generator and automated communication tools in the quality control process,
- works based on an original system of reporting that facilitates the process of offering feedback to employees and makes it possible to increase the effectiveness of consultants' performance.

[Reporting topic: Customer satisfaction] [Reporting topic: Investments in advanced technologies], [GRI 103-1], [GRI 103-2], [GRI 103-3]

ARTIFICIAL INTELLIGENCE IN USE

The Customer Service Centre which handles issues reported by online customers of all our brands, uses the help of conversational artificial intelligence (AI). Devised specifically for LPP, K2Bots.AL, a second-generation chatbot, is able to solve on its own 200 most popular problems reported by our customers in Poland. The chatbot can discuss delivery statuses, help with return shipments, and record complaints. It uses natural language and answers open-ended questions. When the problem in question is more complex, it connects the customer with a customer service consultant.

Currently, 30% of all issues reported to the Customer Service Centre are solved by K2Bots.AL, 70% of which are independently handled by the chatbot. Thanks to automated customer service, while our online sales recorded triple-digit growth numbers, the implementation of conversational AI significantly improved the effectiveness of our customer service. In the nearest future, the chatbot will handle issues of our customers in foreign markets.

**Customer satisfaction with shopping online in Reserved.com in Poland**

(based on post-purchase surveys)

96%

of customers would recommend Reserved online shop to friends and relatives.

94%

of customers would like to shop again online.



Tomasz Koczara,
deputy director
of omnichannel,
Reserved

In the 2020/21 reporting year, we introduced a range of innovations to enhance customer experience. Implementing many of them was possible thanks to the omnichannel approach to customers we adopted, taking full advantage of a powerful online channel and robust network of physical stores that intertwine together.

Following the integration of the good in stock at our e-commerce warehouse and physical outlets, an increasing number of online orders is filled at the brick-and-mortar stores. This considerably improves our shipment capabilities around peak times (such as Black Friday) which means our customers receive their purchases quicker and can access a wider array of products. During lockdown, it allowed us to smoothly replace the stock across our physical network

and offer our customers the latest collections despite the restrictions in place in the retail sector.

Thanks to the quick Click&Collect option, customers can pick up their online purchases in any physical outlet they choose just a few hours after placing the order.

More and more customers are opting to make online purchases while in-store using the **Store Vision** app. If a customer cannot find the desired item in the store, the sales assistant may order it online. The purchase will be delivered for free regardless of the order's value or form of delivery (including a courier delivery to a selected address). The functionality is currently available in Poland, the Czech Republic, Slovakia and Croatia. In 2021 we plan to implement it in other countries, including the key Russian and German markets.

We also offered online customers in Poland more delivery pick-up options: **DHL service points** (Żabka grocery stores and Intermedio newsagent's shops) and **InPost parcel lockers**. Considering the number and popularity of these points, we made "life" considerably easier to our customers. They can also drop off their returns in Żabka stores and InPost lockers.

Another important improvement was the introduction of the **buy now, pay later PayPo** service for online customers in Poland, who are now able to defer their payment for up to 30 days after they make a purchase. If the goods are returned before the payment due date, the transaction is automatically cancelled without any additional costs for the customer.

In 2020 we worked intensely on the **Reserved mobile app** that had been long-awaited by our

customers. In January 2021 we created the test version and are planning to launch the app by the end of 2021, starting with our largest e-commerce markets. The app will be easy to navigate and equipped with additional functionalities to facilitate shopping on your phone (finding a product by its photo or bar code on the label).

**2.6.2. OUR BRICK-AND-MORTAR STORES**

In the reporting period, we completed the implementation of RFID tags which make it possible to track an item along the whole supply chain, in Reserved stores. We began technical preparations to implement the RFID technology in Cropp, Mohito and House stores in 2021/22.

The benefits of implementing RFID tags by Reserved:

- restocking effectiveness improved by **99%**,
- full control over each and every product along the supply chain,
- in-store check-out time shortened by **70%**,
- product availability increased by over **13%**,
- time needed to process incoming product deliveries shortened by **60%**.

NEW MOHITO STORE CONCEPT

#ELEVATE #LEAD #STAYTRUE - these are the mottos that were the inspiration for the creators

of the **new architectural concept for Mohito stores**. We made sure to provide our customers with a highly comfortable shopping environment and excellent display for the most interesting offerings of the most feminine of LPP brands.

When entering the store, you go through a wide entrance, while high shopping windows allow an easy view of the inside. The layout makes it possible to move around the different zones easily. The interiors are characteristically minimalist and simple. The products are displayed against a backdrop in different shades of white and contrasting black lines. The design is rounded off with subtle details made of multi-textured materials and sophisticated stage lighting that uses energy-efficient LED lamps. Customers are also sure to appreciate intimate, yet well-lit, fitting rooms. The minimalist look of the new Mohito stores is confronted with organic forms and warm-coloured elements made of natural materials.

The first new concept store was opened in October 2020.

In the 2021/22 reporting year, we will be dynamically developing the Sinsay brand. We are planning to **debut around 300 new large stores.**

Table 15.
Changes at LPP stores in the reporting year

	Reserved	Cropp	House	Mohito	Sinsay
New openings	17	25	24	11	116
Renovations	1	0	0	0	0
Enlargements	5	5	5	1	2
Relocations	1	8	7	5	16
Total	24	38	36	17	134

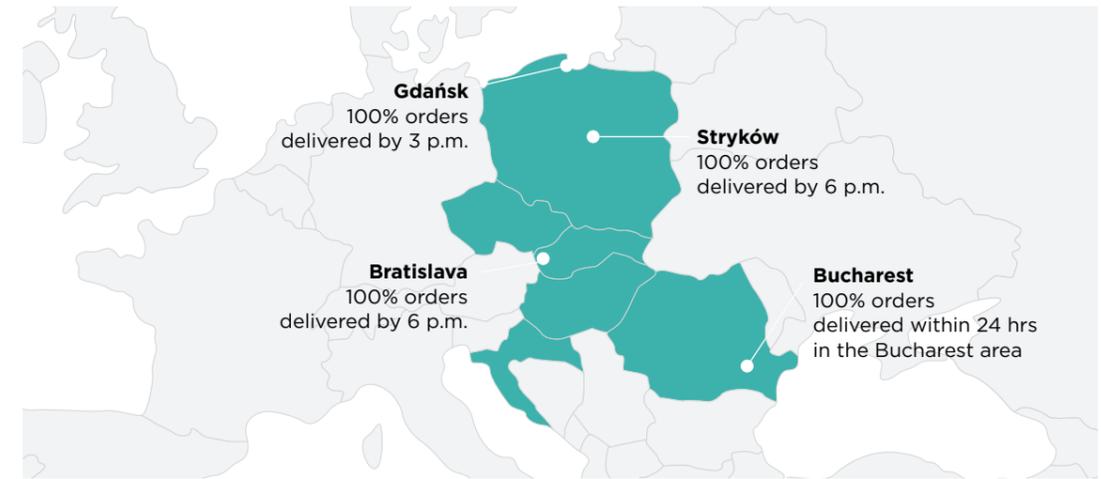
2.6.3. TIME AND QUALITY OF DELIVERY

Owing to our systematically expanded network of Fulfillment Centres, we were **one of few fashion companies who managed to honour the delivery times to which we committed** after the significant hike in online orders during lockdown.

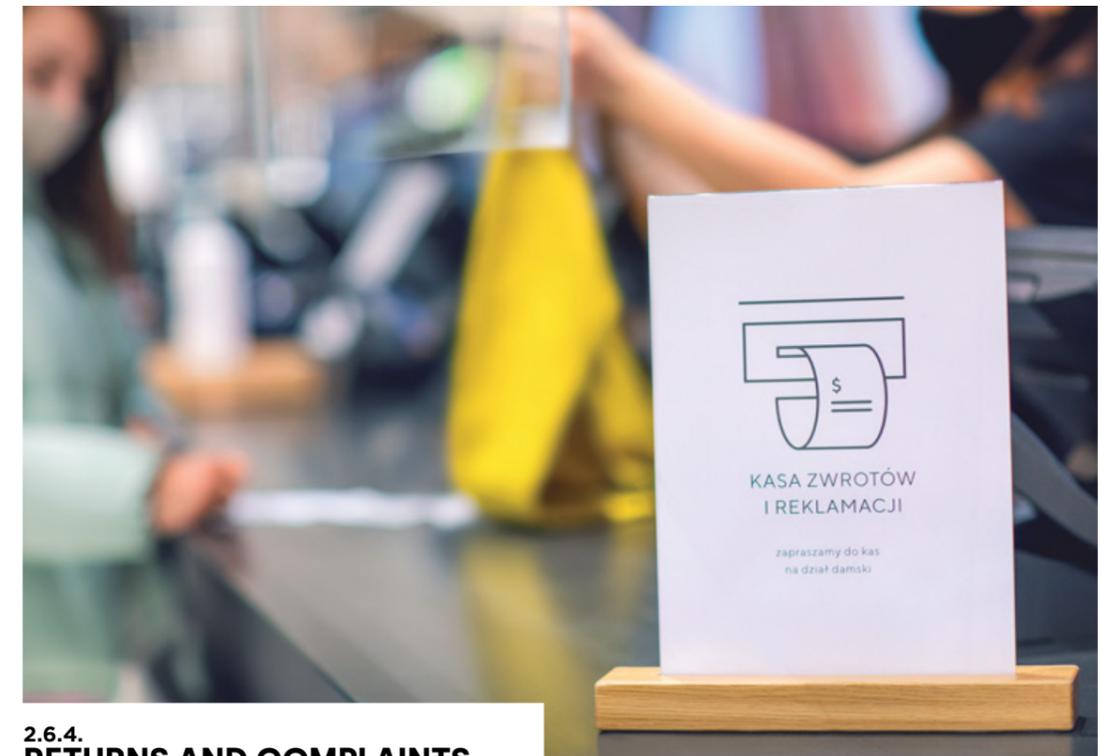
In 2020 we continued to develop our priority Next Business Day delivery service. The launch of our new Fulfillment Centre in Slovakia which handles orders from five countries, was a significant step forward in this regard. Because we act fairly towards our customers, we switched the service off when we were unable to deliver their purchased on the next business day (lockdown, seasonal sales).



Map of next business day delivery in 2020/21



● Next business day delivery



2.6.4. RETURNS AND COMPLAINTS

As a rule, in-store and online purchases may be exchanged or returned within 30 days of the purchase date. More specifically:

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

OUR PRIORITIES:

- Handling returns and complaints in a way that builds trust to our brands and ensures customer satisfaction.
- Completing the procedure as fast as possible and to the customer's advantage.
- Simplified complaint handling process wherever possible: without the need to fill out forms and present the proof of purchase.

3

PARTNERSHIP AT WORK

UN Sustainable Development Goals:



In this chapter you will read about:

- our style of work and organisational structure,
- the actions we took during the pandemic and its influence on us,
- recruitment and experience building in the organisation,
- development opportunities at the LPP central headquarters and stores,
- our employees' safety.



3.1. OUR STYLE OF WORKING

3.1.1. LPP'S ORGANISATIONAL CULTURE

Over the years, we have worked out the principles we share – responsibility, openness, respect for others – as well as creative and informal workplace atmosphere. Coupled with our employees' qualifications, the opportunities for professional development we offer and common passion for fashion, they are what makes us a strong and harmonious team.



Paweł Serowik,
personnel director,
LPP

Built for years, the culture of commitment, hard work and responsibility not only for your tasks, but for the company's environment bore fruit in 2020 which proved so challenging for everyone around the globe.

Although the pandemic triggered fear and uncertainty in all spheres of our life, it also became a great challenge and mobilising factor once we lost 90% of our revenue overnight. The reality we found ourselves in required us to obtain information quickly, analyse what was happening and often take unconventional action. We proved again that swift reaction to change and enormous flexibility are in our DNA.

We showed that we are the strongest as a team and we are able to act fast even in the most difficult of circumstances. Due to the pandemic, almost every team faced a crisis, while the employees were forced to change the way they acted in those unexpected circumstances.

The company worked hard to provide tools and guidelines, streamline processes, bring employees together, take steps to obtain state relief and communicate it to the staff. All this time, our main goal was to ensure the continuity of our business operations and minimise the pandemic's impact on the employees.

We redirected the teams' full energy into supporting e-commerce which for some time was the company's only active sales channel, while previously we had mainly relied on physical retail outlets. The employees swiftly took on new challenges and tasks, proving how open and quick to learn they are.

This immense creativity and effectiveness of whole teams would not have been possible without the commitment of the managers who had been promoting the spirit of unity and engagement amongst their colleagues and, when faced with a crisis situation, could count on each other. The time and energy they had invested made it possible to maintain motivation and concentrate on the things we could control as an organisation to overcome the turbulence.

The company's situation in 2020 showed that LPP employees coped with the unexpected and unknown exceptionally well and once again demonstrated that **THERE'S POWER IN A TEAM.**

3.1.2. WORKFORCE MAKEUP: THE KEY DATA

Table 16.

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 in total
Employee count <small>(as of 31 Jan 2021)</small>	2,520	8,092	966	10,399	21,977
Change as compared to the previous year	-4.4%	-18.1%	+7.6%	-5.8%	-10.1%
Women	1,888	7,612	462	8,714	18,676
Change as compared to the previous year	-14.0%	-16.0%	+1.3%	-4.3%	-9.3%
Men	632	480	504	1,685	3,301
Change as compared to the previous year	-3.4%	-41.4%	+14.0%	-12.5%	-14.0%

Table 17.

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 in total
Contracts of indefinite duration					
Women	1,277	2,684	201	7,640	11,802
Change as compared to the previous year	-0.5%	+29.3%	-10.2%	+8.9%	+11.4%
Men	437	163	181	1,554	2,335
Change as compared to the previous year	+0.2%	+5.2%	+5.2%	-0.8%	+0.2%
Other contracts (contracts for a probationary period, fixed-term contracts, incl. internship contracts, replacement contracts and independent contractor agreements)					
Women	611	4,928	261	1,074	6,874
Change as compared to the previous year	-12.5%	-29.4%	12.5%	-48.9%	-32.4%
Men	195	317	323	131	966
Change as compared to the previous year	-10.6%	-52.3%	+19.3%	-63.3%	-36.0%
SUM TOTAL	2,520	8,092	966	10,399	21,977

Table 18. 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 in total
Full-time employees					
 Women	1,869	3,771	462	6,276	12,378
Change as compared to the previous year	-4.5%	+0.3%	+1.5%	+2.6%	+0.7%
 Men	628	244	504	1,265	2,641
Change as compared to the previous year	-3.25%	-26.1%	-46.6%	-63.9%	-6.2%
Part-time employees					
 Women	19	3,841	0	2,436	6,296
Change as compared to the previous year	-20.8%	-27.5%	-100.0%	-18.6%	-24.3%
 Men	4	236	0	422	662
Change as compared to the previous year	-20.0%	-51.7%	0	-20.5%	-35.4%
SUM TOTAL	2,520	8,092	966	10,399	21,977

→ You will find more workforce data for 2018, the 2019/20 reporting year and the 2020/21 reporting year in Chapter 6.

3.1.3. COMMUNICATION AT LPP

The social networking service Yammer – for everyone:

Social networking service Yammer

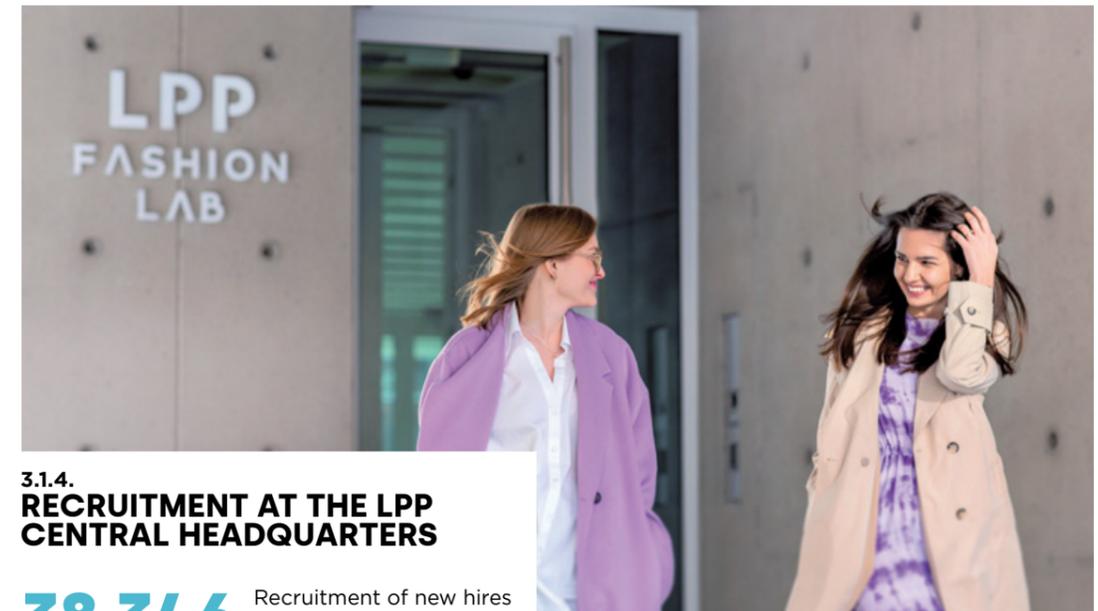
- for employees of the central headquarter:
- LPP News – an information platform for all the LPP central headquarters employees
- professional and social groups, such as LPP Marketing Brands or LPP Team
- thematic channels, e.g. LPP Team for sports issues

Freshmail and group e-mails sent to specific groups of recipients.

Quick Peek – for the store personnel.

The international Instagram pages of our brands' sales staff

- @sinsaypeople
- @mohitoteam
- @croppcrew
- @reservedteam which also serve to promote the respective brands.



3.1.4. RECRUITMENT AT THE LPP CENTRAL HEADQUARTERS

38,346

the number of job applications we received in reply to job offers published between 1 Feb. 2020 and 31 Jan. 2021.

Recruitment of new hires which lies with a team of more than a dozen of specialists, underwent a transformation in 2020. Most importantly of all, the processes moved online. In the first months of the

year, LPP began implementing its ambitious business plans for LPP's development which meant a hike in recruitment. The ensuing lockdown put a temporary stop to the hiring processes.

We used the period of economic freeze to prepare for the implementation of new solutions. Previously, we had been making recruitment decisions based on face-to-face meetings, assessment centre sessions at our offices, the candidate's face-to-face meeting with their future managers and, more often than not, getting to know the products firsthand. Currently,

307

the number of employees we hired as a result of our recruitment processes in the 2021/22 reporting year

the interviews are generally held online. Assuming that in-person recruitment, including assessment centres, would no longer be possible due to social distancing rules, we devised remote substitutes for replaced most tasks and tests. Although face-to-face interactions are priceless, both the candidates and recruiters quickly adapted to the new circumstances. There were some benefits of switching to the remote mode too, namely we were able to set up the interviews faster (also because candidates were more available than usual as they were working from home). We are still in the process of streamlining our remote

recruitment methods to maximise their effectiveness, reliability and accuracy.

In the past reporting year, we looked for new hires mostly through employment websites and lppsa.com/kariera, where we posted information

about vacancies. We also used a system of employee referrals and direct or executive searches on services such as LinkedIn.

We continue to run internal recruitment among the store personnel. Due to the pandemic, we were faced to cancel the second edition of our summer internship programme, Summer Fashion Lab, for students and college graduates.

EMPLOYER BRANDING

In order to show prospective candidates what kind of an employer we are and what development opportunities we offer, for years now we have been running employer branding activities in collaboration with artistic and technical colleges. Our experts take part in different events as speakers, give guest lectures, sit on juries of college competitions and lead workshops. In the past few years, we also participated in job fairs and held open doors events, LPP Behind-the-Scenes. Subsequent lockdowns and the ensuing changes to college operations meant fewer of such opportunities and forced us to modify our plans, actions and forms of communication with our prospective hires. We decided to suspend any open door events and workshops until the

¹ Between 4 May 2020 and 31 January 2021.

situation improves, and limit our activity to online interactions.

- In December 2020 LPP representatives gave an online guest lecture for Computer Technology students of the University of Gdańsk.
- On 15 and 16 December we took part in the online Engineer Job Fair which featured 3 presentations by our specialists.
- In January 2021 we participated in an online Friday with Logistics meeting held by the University of Gdańsk as part of which we talked to the students about the flexibility of the supply chain.

We continued our collaboration with artistic colleges, presenting awards to the best students and graduates, and offering them internship opportunities. We supported fashion competitions (including ones promoting sustainable fashion) and were active during a range of thematic events. You will read more about them in Chapter 4, “#LPPhelps”.

In July 2020, we launched a podcast titled “LPP Behind-the-Scenes”, available on popular streaming and podcast services, as well as our Instagram page, @discoverlpp – here we post stories telling our followers what it is like to work in different positions at our company.

- In December 2020, LPP representatives gave an online guest lecture for the students of the Gdańsk Academy of Fine Arts titled “Fashion: Work, Hobby, Passion” as part of supplementary lectures.
- In January 2021, we participated in remote meetings with the students of the International School of Costume and Fashion Design and the University of the Arts in Poznań to talk about a designer’s work in a big clothing company.

3.1.5. RECRUITMENT OF STORE PERSONNEL

While the global crisis caused by the coronavirus pandemic and subsequent shopping centre closures enforced by national governments limited the recruitment of new store employees, new hirings were not put completely on hold.

Successful selection of workers and their effective onboarding are the foundation of strong teams. This approach allows us to identify talents and provide for their development in the long term. The responsibility for suggesting solutions and developing the qualifications of our managers lies with our HR department.

When searching for the right sales assistant candidate, we look for people with a potential for development which means being eager to

learn and work. These two qualities are more important to us than actual sales experience.

81.3%

of all vacant higher level and managerial positions were filled by internal candidates.

It is people with this kind of attitude who guarantee natural succession which is shown by the percentage of internal promotions at our company.

In 2020, as many as 81.3% of all vacant higher level and managerial positions in our stores were filled by internal candidates which is 10% more as compared to the previous year. It is a great success and a reason to be proud for our store managers.

INTERNAL PROMOTIONS

Everyone who transitions from the retail network to our central headquarters brings with them valuable knowhow about the way our stores function. Nobody knows more about the restocking and merchandising processes, or the variety of factors influencing the sales numbers. The year 2020, as difficult as it was on many levels, and the limitations we faced (including the suspension of many hiring processes in the first half of the year), meant that our store personnel were given very few opportunities of transferring to the central headquarters. Still, 10 people from LPP Retail joined the omnichannel teams of all brands which is a good result, considering the above mentioned circumstances. We are pleased both with the result and the overall trend of employees developing their careers from retail jobs into positions in LPP’s central structures.

THE MOST WANTED, OR JOB OFFERS ON YOUR PHONE

To reach store employees with the information on development opportunities, we created a special shortcut in our HR application Quick Peek, “The Most Wanted”. This way, each employee can check all available vacancies in the stores and the central headquarters directly on their phone, at their convenience. The staff quickly appreciated the move: ever since we launched it in mid-2020, the number of views has nearly reached 72,702, with around 343 people visiting the page daily to check the latest openings.

One of the more interesting ways of reaching out to the talents working in our stores are the Career Days held in our central headquarters for a few years running. At the end of January 2020 (just before the beginning of the 2020/21 reporting cycle), we held Career Days focusing on the position of sales coordinator. In the course

168,328

the number of job applications we received in response to our job offers in the 2020/21 reporting year

of a day-long meeting in Gdańsk, 27 internal candidates could get a better understanding of the specific nature of the job. The participants met sales coordinators for the Gdańsk-based brands, sat in on working meetings with the product development department and took part in a round of Speed Dating with the HR department – a game in which they could role play a job interview and receive feedback afterwards. The meeting also gave higher-ranking store employees an insight into the perspective and goals of sales coordinators which translated into better working relationships between the coordinator and store personnel.

Due to the pandemic, the event could not take place in the following months, but our Career Days will resume as soon as the safety protocols allow it.

EMPLOYEE TURNOVER IN THE STORES

This reporting cycle, we saw lower store employee turnover as compared to the previous years. This was the result of the changes to the

jobs market caused by the COVID-19 pandemic, stronger workplace commitment and a drive for stability in uncertain times. Closures during

3.7%

candidates successfully hired

lockdown and rent renegotiations meant that our brick-and-mortar stores were shut for 3 (and sometimes 4) months. During that time, we managed to retain our employees, owing to the government’s relief package, among others.

Lower turnover was also the consequence of a new employment policy adapted in the stores to match a person’s hours and their actual needs (which meant increasing them in most cases).

We were more selective in our hiring processes and replaced civil law contracts with contracts of employment which are more stable and binding for the employee and employer. We effectuated a huge change in the way the operational departments of respective brands approached

6,157

people were employed from among the proposed candidates

human resources, seeing them not from the perspective of one brand but the whole company. Thus, we created a culture of helping each other out and sharing employees during personnel shortages.

To support this idea of brand cooperation, we implemented procedures and tools such as HR Support. This allowed us to reduce our recruitment needs and opened up new job opportunities for those of the staff who would have otherwise had to leave the organisation due to its reduced needs.

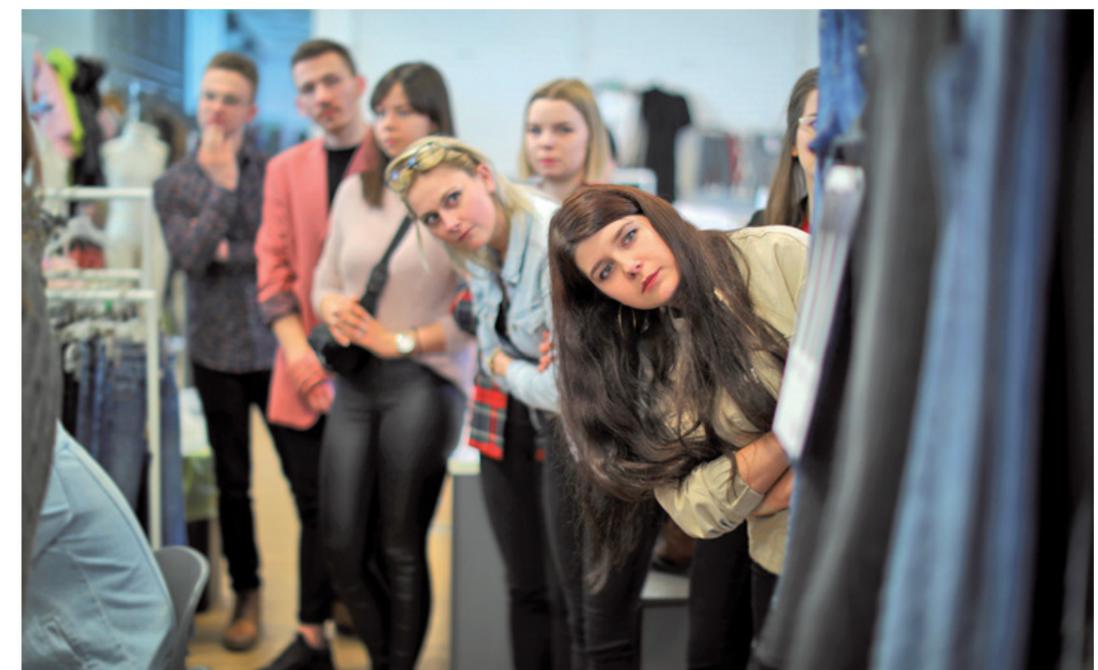


Table 19.
New hires at LPP SA and LPP Retail in the 2020/21 fiscal year by gender and age

	LPP SA	LPP Retail
Overall number of employees hired in the reporting period	343	6,158
Women	250	5,688
Men	93	470
incl. employees under 30	229	5,825
incl. employees aged 30-50	113	320
incl. employees over 50	1	13

Table 20.
Employees who left LPP SA and LPP Retail in the 2020/21 fiscal year by gender and age

	LPP SA	LPP Retail
Overall number of employees who left the organisation in the reporting period	458	8,119
Women	346	7,354
Men	112	765
incl. employees under 30	193	7,595
incl. employees aged 30-50	246	500
incl. employees over 50	19	24

**REMOTE CONSULTANTS:
BEYOND RECRUITMENT**

Our Remote Recruitment Project, now in its third year of running, has become a permanent option for store managers looking for new employees. Our team of 28 highly committed remote recruitment consultants – all of them people with disabilities – handle the initial stages of external hiring processes: publish listings, select eligible candidates based on their CVs and make appointments for job interviews.

The pandemic forced us to streamline many of our in-store processes which made us appreciate the job done by our remote recruiters. Having handed hiring processes over to them, store managers could fully focus on their operational tasks. That is why, we decided to increase the number of locations covered by the scheme. Currently, the service is provided to more than 350 LPP stores across Poland.

We identified more areas which could benefit from the involvement of the remote consultants:

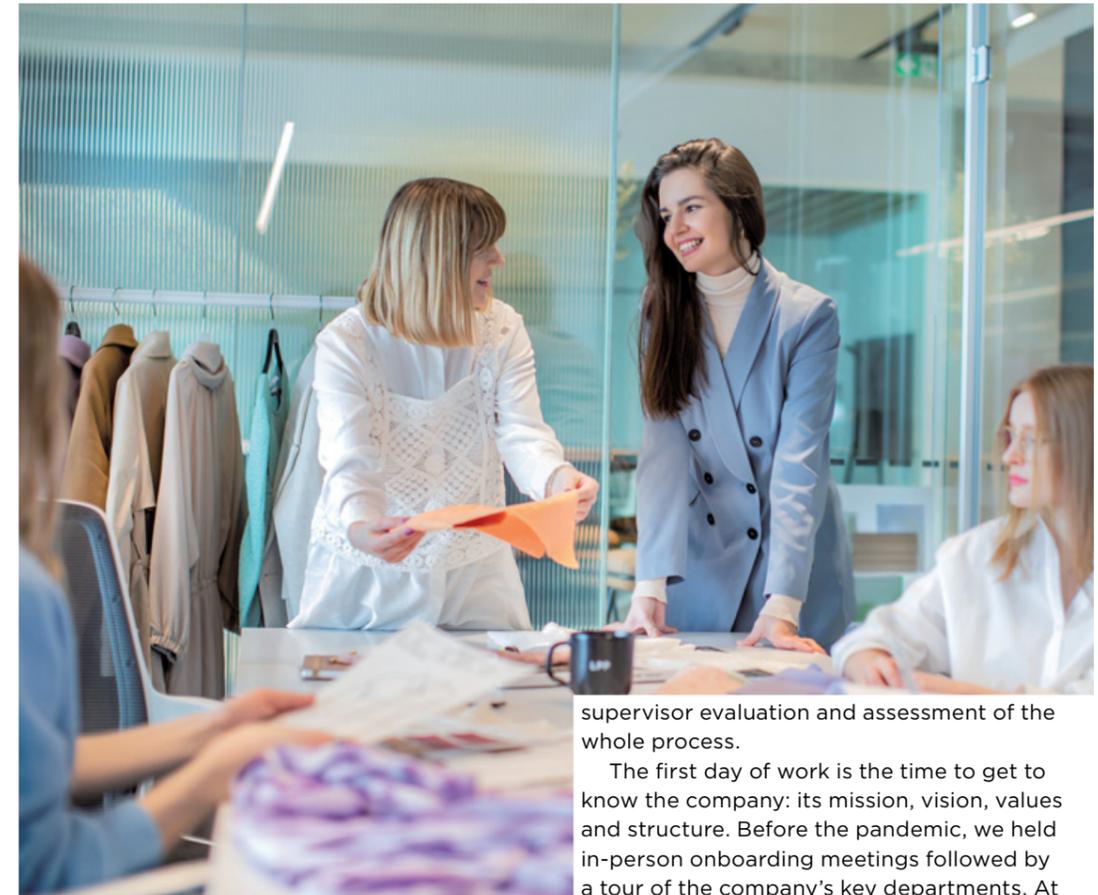
- CCTV supervision as part of which a team of remote controllers would support the Loss Prevention department by overseeing adherence to in-store safety procedures.

- Processes which we had entrusted to remote workers for good, such as translations or post-training surveys.

**3.1.6.
ONBOARDING**

ONBOARDING AT THE CENTRAL HEADQUARTERS

Starting our cooperation with a new hire off on the right foot is very important to us. During the onboarding process we want to provide the new employee with the foundations to develop their knowledge, skills, autonomy and commitment. These efforts are supported by our uniform standard Fit Into Fashion – Onboarding. Every new hire gets a personalised onboarding plan and a mentor to help them in the course of the first six months on the job. The process of integrating the new employee into the organisation is evaluated by their supervisor. We are also implementing an online survey in which the new hire will be assessing their onboarding after 5 months in the company. This will allow us to identify the strengths and weaknesses of the 4 most important aspects of onboarding: recruitment effectiveness, employee evaluation,



supervisor evaluation and assessment of the whole process.

The first day of work is the time to get to know the company: its mission, vision, values and structure. Before the pandemic, we held in-person onboarding meetings followed by a tour of the company’s key departments. At this point, however, due to safety reasons, the meetings for groups of new hires are held online by a member of our HR team. They also tour our product development departments, distribution centre or e-commerce content department virtually, through a series of short videos.

**ONBOARDING IN THE RETAIL NETWORKS
START UP SALES ASSISTANT 2.0**

Appreciating the importance of the first period after a person begins a new job and how stressful adaptation to a new environment may be, we continue to work on advanced solutions that would support both the new employees and store managers. The outbreak of the pandemic accelerated these efforts, forcing us to adjust the existing Start Up onboarding scheme to the new reality.

The task of developing the new version of the programme, Start Up Sales Assistant 2.0, was entrusted to a few project groups, each including the people who are directly involved in employee onboarding: store managers of the five LPP brands from all the markets where we operate. Their work produced an advanced tool that fulfils the expectations of our employees, provides substantive content



Working on the project allows me, first and foremost, to feel that I am a part of a large team of people and can use my experience and qualifications to choose the best candidates to be hired. I feel that I am an important element of the process whose aim it is to select the right candidates for high-ranking positions in the most effective way possible. I like the clear criteria and expectations expressed by the store managers I work with, as well as the freedom to make my own decisions when it comes to evaluating the qualifications of the people I interview. I am the most satisfied when I learn that a candidate I selected did get the job. I think this model of collaboration is perfect for both sides.

**Magdalena Trzciałkowska,
remote recruiter, LPP Retail**



and motivates new hires to learn. Because our sales staff are mainly young people for whom a smartphone is the primary tool of communication, we devised an online onboarding programme whose layout adapts to mobile screens. The new solutions were designed to offer easier access to the necessary knowledge, improve the effectiveness of onboarding, relieve mentors of some of the responsibility for passing knowledge on to the new store staff and make the training materials available any time, any place.

When devising Start Up 2.0, we also placed a strong emphasis on diversifying the education methods and tools it uses. This way, each new employee is given the best assistance possible and access to all their onboarding materials on day one, including a welcome e-mail with the necessary information about the company, theoretical training on our Edustores platform for self-study, practical onboarding at the store under the watchful eye of an experienced mentor, feedback and evaluation survey. All of the elements and solutions offered by Start Up 2.0 are user friendly, stimulating, and guarantee maximum comfort and effectiveness of the onboarding process for both of the interested parties.

START UP MANAGEMENT 2.0

Start Up Management 2.0 is an onboarding programme that sets the standard for onboarding of all newly employed or appointed managers or higher-ranking workers at the stores (such as merchandiser or senior sales assistant). Previously, the process mainly took place in 45 training stores of all brands across the country. The

criteria and method of selecting the stores were defined by Start Up Management 1.0.

Currently, the onboarding of managers of higher-ranking employees mostly takes place at their home stores (without the need to travel) with the support of a training store manager, who participates in the process via the Internet, and e-learning.

The inclusion of an online trainer is a novelty in our system. The instructor's role is to run regular remote meetings with the new employee. This guarantees that the training goes to plan and on schedule, and can be summed up afterwards. The e-learning courses, also a new element of the process, help the new hires learn the basic skills and consolidate their knowledge.

New employees taking over key positions, namely store managers and store directors or their deputies, are onboarded according to the previous system, that is at training stores. At this stage, learning thorough practice under the watchful eye of an experienced manager/trainer is crucial. The only change we introduced due to the pandemic was keeping the number of training days to a minimum and preceding the onboarding with a detailed analysis of the participant's needs and knowledge.

3.2. WORK DURING THE COVID-19 PANDEMIC



3.2.1. CHANGES TO THE COMPANY'S STRUCTURE

The closure of brick-and-mortar outlets following the outbreak of the COVID-19 pandemic caused a sudden plunge in the company's revenue, forcing us to introduce organisational changes and optimise costs in different areas of our business. In the first place, we used governmental wage subsidies to save jobs. Pay cuts at every organisational level (by 20 to 35% for higher ranking positions) lasting for a quarter combined with the state relief package allowed us to reduce our personnel expenses for the time being and securing the company in the face of lost earnings.

Looking at the long-term perspective and the consequences of a sudden transformation of our revenue structure as a result of a very dynamic growth in Internet sales, the Management Board decided to introduce structural changes in our central headquarters. Their goal was to adjust the function and size of the central departments

to the challenges posed by the large increase in online sales and the overall decline in the Group's sales revenue.

The structural changes included:

- forming one department tasked with supporting the sales processes of all brands,
- creating 5 departments for omnichannel sales,
- reorganisation of the sales, marketing and e-commerce content production departments,
- reducing the number of product teams and consolidating their tasks.

Following these decisions, over the course of three months (July-September 2020), we initiated the procedure of group layoffs in accordance with Article 4(1) of the Polish Act on Special Rules of Terminating Employment For Reasons Not Attributable to Employees of 13 March 2003. The layoffs were meant to stream-

[Reporting topic: Economic and social impact of LPP during the pandemic]

Table 21.
 Employee turnover in the 2019/20 and 2020/21 reporting year [%]

	LPP SA	LPP Retail
Overall employee turnover ² in 2019/20	14.4%	120.6%
Overall employee turnover ³ in 2020/21	18.2%	106.9%

line our workforce by means of its optimisation, eliminating unnecessary staff positions, boosting productivity and, first and foremost, cutting fixed costs to match reduced earnings. The ensuing process of downsizing affected no more than 5% of LPP SA workforce. All those who lost their job as part of the group layoffs received financial compensations as prescribed by the above-mentioned Act, the Polish Labour Code and LPP SA by-laws. Workers with expiring fixed-term contracts were paid compensation or notified in advanced that their contract would no the extended. All the discharged workers were not required to work their notice period which allowed them to actively search for new professional opportunities and immediately start at a new job. Workers entitled to retire and lower salaries received markedly better severance packages. In addition, the HR department offered its assistance in looking for a new job to all willing employees.

3.2.2. WORK AT THE CENTRAL HEADQUARTERS: FLEXIBILITY



Paweł Serowik,
 personnel director,
 LPP

The year 2020 brought great challenges to the world in all aspects of our life: personal, social and economic, both nationally and globally. LPP with workers from 25 countries representing different age groups faced a trials of unprecedented proportions. As a result of the spreading COVID-19 epidemic, over just a few days LPP was forced to close its business in almost 1,700 locations. The company's revenue dropped by 90%. With our employees facing loss of income, unpredictable future and a state of suspension, we were forced to verify the way we thought and acted so far. The fear of losing your job, the worry about your own and your loved ones' health, and the need to juggle many roles - of an employee, parent, child, friend - while facing danger, as an individual and a member of society at large, were all tremendously stressful. Each of us had a test to sit: a test in responsibility for yourself and others, in flexibility and understanding for many decisions which were made at a particular point in time, based on the limited information available and were not certain to bring about the desired results. Looking back, I can safely say that LPP employees passed the test with flying colours. They proved once again that their ability to adapt to changing conditions and responsibil-

ity for oneself and one's environment, including the company we are all a part of, enables it to survive tumultuous times. The tasks we faced as human beings were particularly demanding. In the course of one day, we had to learn to juggle our professional responsibilities with the roles of parent, caregiver and teacher, all at the same time and often in the same limited living space. Our employees took their offices home with them and proved that they can rise up to the new reality day in, day out. They worked diligently, under time pressure, performing tasks that were often more difficult than normally. Our merchants, for instance, started very difficult negotiations with the suppliers to reduce costs and plan out payments to maintain the company's liquidity.

COVID-19 also meant that what seemed the most natural thing to do at work one day, turned out to be impossible or even needless the day after. What proved necessary and urgent was a shift in roles and priorities in order to perform tasks that the company needed the most at a given moment. Crucially, employees were asked to rapidly change their positions and take on different responsibilities which meant that they had to leave their actual profession aside and quickly acquire new skills. Our employees felt and believed that they had to do what the company needed at that particular time. Overnight, people were moving

from physical sales teams to online sales units, from collection development departments to online customer service, from HR to IT. Former job descriptions, roles and job titles became irrelevant, and so did personal ambitions and plans. The imperative to act and join in the efforts to save our company that our employees felt and demonstrated made and is still making me proud of each and every of my Colleagues. Without a change of thinking, flexibility and swift actions we would not have stood a chance of keeping the company processes going. Their commitment to common good was truly uplifting and deserves special gratitude.

The period of pandemic strengthened the role of line managers in building strong, efficient and motivated teams. The things that had previously seemed natural - day-to-day interactions, relationships, support provided by the employees to one another in the space they shared - suddenly had to be performed in the virtual reality. This required more attention, determination to keep in touch with the employees as well as unity and solidarity building efforts. We managed to achieve it thanks to the managers' conscious engagement, for which I am thankful too.



² 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 2019/20 reporting year (as of 31 Jan. 2020), multiplied by 100.

³ Total workforce turnover calculated by dividing the number of employees who left the organisation in the reporting year (12 months) by the number of new hires in the 2020/21 reporting year (as of 31 Jan. 2021), multiplied by 100.

REMOTE WORK

One of the changes we introduced right after the pandemic had been declared was switching to remote work. This was possible thanks to the IT tools already in use in our company. Cloud storage available to all employees, remote access to resources and connectivity with virtual private networks made it possible for teams to efficiently run team projects and use business systems and files regardless of their location. As well as providing the infrastructure, the company furnished employees and managers with instructions on how to set teammates' statuses, set goals and monitor progress. In addition, managers were given access to the repository of learning materials focusing on remote work, team motivation, managing change and emotions in an uncertain situation.

- The training department devised video tutorials to explain employees how to use the collaboration software at their disposal as well as webinars on management in the new reality.
- Status meetings on Microsoft Team became the norm, as did online training sessions and workshops; we replaced our periodical in-person international meetings with moderated conference calls.
- We introduced a Work From Anywhere (WFA) system that made it possible for employees to plan out their working day and for managers to oversee the tasks carried out by their teams.
- The work of the teams was also monitored by the IT system which registered how long

individual computers used different apps, while employees themselves submitted daily reports on a dedicated platform.

Remote forms of work were developed in the course of the subsequent months so that employees could carry out their tasks with increasing ease and from anywhere. Although we prefer working at the office with its face-to-face interactions and first-person contact with the product, we introduce a remote work model in every place where there is a significant epidemic risk.

3.2.3. WORK IN THE RETAIL OUTLETS**ORGANISATIONAL AND COMMUNICATIONS EFFORTS**

The pandemic also posed challenges to the employees of LPP retail network. Following decisions of many governments, physical stores around the world were closed overnight. As a result, we undertook a series of communications and operational efforts. Among the first things we did was setting up the Emergency Committee and an e-mail address where all retail employees could send their queries.

In the first weeks of March, we focused on establishing communication channels and providing our employees with confirmed and reliable information on the unfolding situation. Our intention was to make sure that in the professional sphere we were doing everything in our power to give the workers a sense of

security and inform them about the changes in their own and the company's circumstances. For instance, in order to broaden the employees' knowledge at the outset of the pandemic, the communications department published an online information kit about COVID-19 facts and myths. WHO recommendations were also displayed in the places which employees would often frequent.

In the following weeks, we sent our regular information releases through the Quick Peek app to all our retail workers in Poland and organised online meetings for regional sales managers and their store managers. This way, we were able to stay in touch with the store teams, providing them with information on the current developments, giving them a sense of support and showing our interest in their situation.

SAVING JOBS

We knew that what worried our employees most was their job security. That is why, the Management Board's primary goal was to save jobs and maintaining the company's liquidity. We took a range of actions to receive the much needed government support as a result of which we were granted pay subsidies. We benefited from the aid until the end of June. Owing to that initiative and the strict cost-saving policy we adopted, we managed to retain almost all retail workers with employment contracts, providing security to workers who had been with us for years. With our stores shut, we had no choice but to stop using the services of the people working for us under civil law contracts. With these individuals in mind, we launched the "Wsparcie na starcie" (Support at the Start) scheme to help them find a new job as well as to keep in touch with us and resume our collaboration in the future.

OPERATIONAL EFFORTS DURING LOCKDOWN

As for the operational efforts we took during lockdown (and later when some stores remained closed while we renegotiated our lease contracts), some of our retail workers were redeployed. With our physical outlets closed, e-commerce became the company's sole source of income. For this reason, we instantly took a series of steps to strengthen our online sales for which we enlisted the help of store personnel. We also requested them to perform stock-taking, which proved equally effective as inventory-checking carried out by external contractors. It is a good example of saving costs, while giving retail employees a job to do in this very difficult time and the feeling of being important to the organisation.



Grzegorz Markowicz,
HR manager
for retail

The pandemic necessitated organisational changes and posed new challenges to the company. It was and still is a test for the organisation. In many ways, we managed to walk away unscathed. The company has survived and is in a good shape, the stores have resumed their basic operations, we have sped up our digitisation and our online sales channel took on a new significance in the context of the organisation's overall revenues.

Yet, the most important thing for LPP is the fact that we made it through it all together with our employees. Facing an uncertain future, we found mutual understanding and empathy on one hand and flexibility and mobilisation on the other.

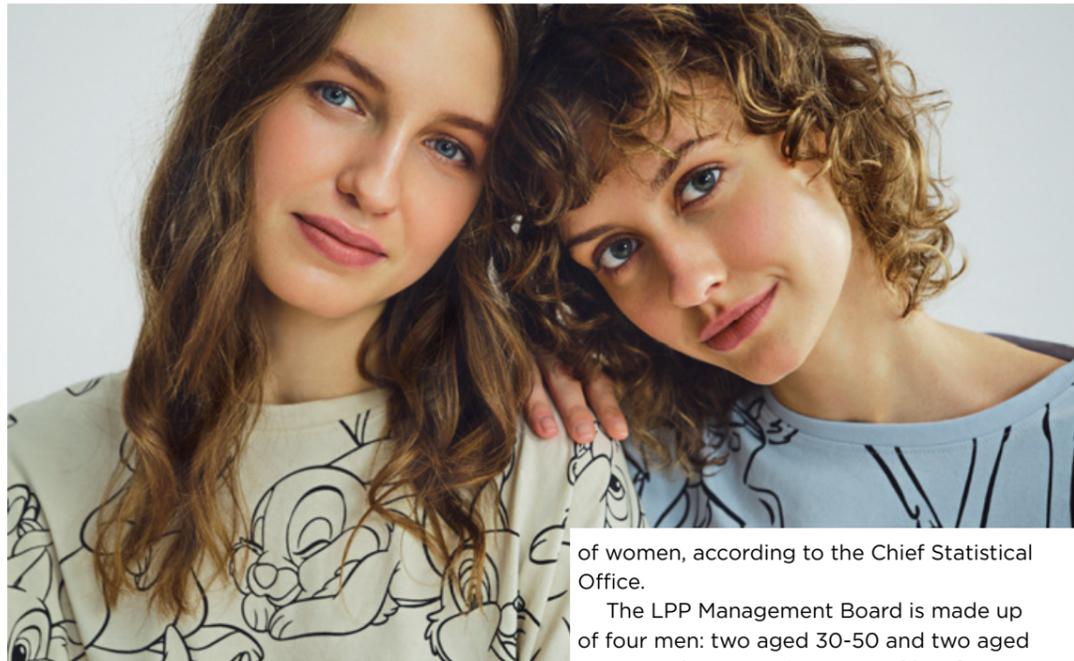
LPP retail workers all over the world have always been on the frontline, acting as our ambassadors to the customers. Today, when the situation is particularly difficult and the pandemic does not show signs of backing away, they continue to carry out their mission. Each day, they turn up at their stores and serve our customers in line with the existing safety procedures, allowing our business to exist.

For their attitude today and throughout the difficult year 2020, we owe the staff of our stores our admiration and gratitude.



3.3.

HUMAN RIGHTS AND DIVERSITY



We are an organisation that promotes diversity, a fact that our day-to-day practices prove. In our company, employee discrimination is strictly prohibited, while diversity is actively encouraged. In 2019, we confirmed our commitment to these goals by signing the Diversity Charter. To educate our employees on these issues, last year we held workshops on team diversity for 20 managers and specialists working in the company's headquarters.

We also analysed the gender pay gap in our organisation, that is the discrepancy between salaries paid to male and female workers. In 2020, the gap was only 5%, while the Polish average for 2018 was 19.9% to the disadvantage

of women, according to the Chief Statistical Office.

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

5%
gender pay gap in the organisation

We pay attention to women's professional development in the company's headquarters. They hold 60% of managerial and executive positions.

People with disabilities make up 2.1% of all the LPP SA employees (53 persons) and 1.2% of all LPP Retail personnel (98 persons). Low representation of disabled workers at LPP Retail is a consequence of the demands of the store jobs, however, LPP closely collaborates with a team of remote workers as part of a project contributing to the activation of people with

disabilities in the labour market. They are involved in many HR and occupational health and safety processes. 235 of all LPP Group employees are disabled.

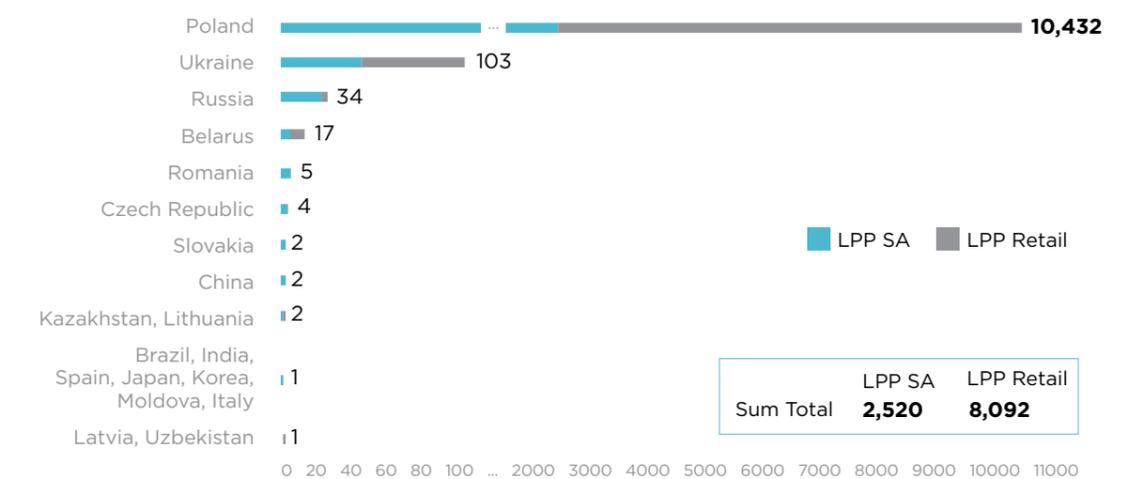
→ You will find out more about our collaboration with remote workers with disabilities in this chapter.

We let our employees express their views. Understanding the situation of Polish women, we made it possible for everybody willing to participate in the women's strike on 28 October 2020 to take paid leave on that day.

Table 22.
LPP SA and LPP Retail employees by gender, age and other diversity indices

	LPP SA	LPP Retail
Executives		
Overall count	244	967
Women	148	904
Men	96	63
Incl. employees under 30	5	473
Incl. employees aged 30-50	228	494
Incl. employees aged over 50	11	0
Incl. foreign nationals	2	2
Incl. people with disabilities	7	2
Other employees		
Overall count	2,276	7,125
Women	1,740	6,708
Men	536	417
Incl. employees under 30	862	6,231
Incl. employees aged 30-50	1,363	865
Incl. employees aged over 50	51	29
Incl. foreign nationals	105	71
Incl. people with disabilities	46	96

LPP SA and LPP retail employees by nationality



[GRI 413-1] [GRI 405-1] [Own measure: Percentage of employees with disabilities]

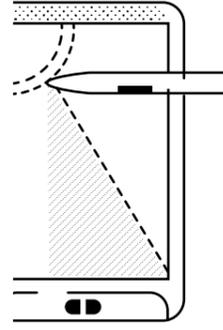
[GRI 405-1]

RESPECTING HUMAN RIGHTS IN BUSINESS

We respect human rights in all aspects of our business model and expect the same from our suppliers. We protect human rights through actions that regulate and promote fair treatment of our employees, vendors, customers and other stakeholders. When the pandemic broke out in the spring of 2020, we rose up to the new challenges in this area.

DESIGN

Protecting human rights in our product development processes.



Providing support to society at large, healthcare workers and local communities.

- Educational efforts taken by LPP employees.
- Supporting employees' physical activity as part of LPP Team, cycling events and part-financed medical packages.

WHAT WE DID IN THIS AREA IN 2020/21

- Acting in accordance with our ethics code, "The LPP Principles" and the activity of ethics officers.
- Taking action to save as many jobs as possible.
- Providing employees with PPE and implementing safety procedures.
- Donating PPE to institutions and individual in need, monetary and in-kind assistance, educating our employees and customers.
- Employee development programmes, including safe and convenient online options.
- Providing support to employee volunteering.

KEY ISSUES

Mutual respect in the workplace.

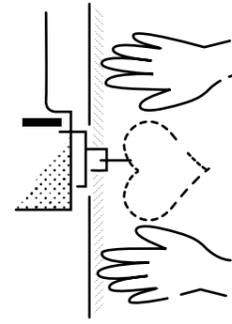
Preventing employee discrimination and encouraging diversity.

Clear and fair employment terms and conditions.

Developing our employees' soft and hard skills.

Ensuring employees' physical and mental safety during the pandemic.

Promotion of a healthy lifestyle.



PRODUCTION

Promoting human rights among our suppliers.

KEY ISSUES

Ensuring employee safety in the production plants.

Making sure that workers are treated with respect.

Raising suppliers' awareness about human rights.

Paying attention to job stability at our suppliers' factories during the pandemic.

WHAT WE DID IN THIS AREA IN 2020/21

- ACCORD membership.
- Training offered to suppliers. System project in Bangladesh.
- Settling our liabilities to the factories in a timely manner.
- Helping suppliers maintain their accounting liquidity: settling our liabilities to the factories in Asia in a timely manner and paying for orders that were being produced or completed during the development of the pandemic despite delayed delivery dates.



LOGISTICS

Work at the Distribution and Fulfillment Centers in the context of protecting human rights.

KEY ISSUES

Employee safety at the Distribution and Fulfillment Centres.

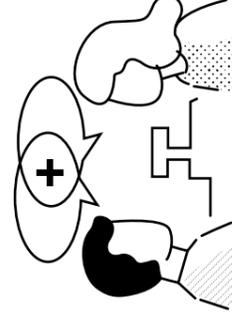
Implementation of COVID-19 safety measures.

Comfortable working conditions.

Supporting diversity of employment.

WHAT WE DID IN THIS AREA IN 2020/21

- Employee facilities at the Distribution Centre in Pruszcz Gdański.
- Upgrades and comfort improvements at the Fulfillment Centre.
- Providing PPE to the workers and disinfection of spaces.



SALES

Human rights issues relevant to store operations and customer service

KEY ISSUES

Making sure the working conditions at our stores are friendly and adjusted to the employees' needs.

Developing our employees' skills.

Implementing COVID-19 safety measures.

Honest and coherent marketing communication.

Offering products that reflect our respect for the customers, their needs and diversity.

Ensuring customer safety during the pandemic.

Customers' right to be informed.

Preventing corruption.

WHAT WE DID IN THIS AREA IN 2020/21

- Acting in accordance with "The LPP Principles" and "The LPP Principles for Store Personnel"
- Taking steps to save as many jobs as possible.
- Employee training and development programmes, including online options.
- Multichannel communication with customers.
- Marketing communication open to diversity.
- Friendly and respectful customer service.
- Providing information on the composition and the origin of products.

3.4. WORKPLACE PRINCIPLES



3.4.1. WORKPLACE PRINCIPLES AT LPP

The most important by-laws and procedures 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 PRINCIPLES” IN THE CENTRAL HEADQUARTERS

The ethical code „LPP Principles” and a whistleblower system have been in force at LPP SA since 2018. Employees may report misconduct

by sending an e-mail to an inbox operated by two ethics officers. In the 2020/21 reporting year, the ethics officers handled 6 reports, 2 of which concerned workplace principles.

“LPP PRINCIPLES” IN THE RETAIL NETWORK

Since 2019 an ethics code has also been in force at LPP Retail. Employees may report misconduct by e-mail, phone or in person to one of the three ethics officers. In the reporting period, there were 37 reports, including 29 inquires about workplace principles. During this time, 32 notifications (also relating to the previous reporting period) were completed.

In the reporting period, no incidents of discrimination were confirmed at LPP SA or LPP Retail.



3.4.2. EMPLOYEE BENEFITS

Our employees are offered a range of additional benefits. Despite the pandemic and temporary pay cuts, the system of benefits did not change.



Benefits offered to LPP SA and LPP Retail employees:

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 for employees in stores of all LPP brands,
- life insurance on preferential terms,
- MultiSport membership on preferential terms,
- 10-year and 25-year work anniversary party and memorable gift,
- Christmas vouchers and gifts,
- part-financed daytime camps for employees’ children during the summer months,
- “Newborn Starter Set” – sets of baby clothes for employees’ newborn babies.

Employee benefits offered at LPP Retail:

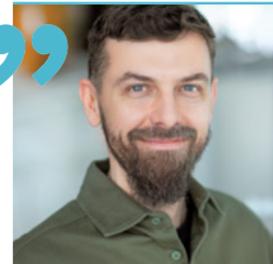
- shopping discounts for employees in stores of all LPP brands,
- MultiSport membership on preferential terms,
- Christmas vouchers and gifts,
- E-tutor online language learning application.

Additional benefits for LPP Retail employees employed under an employment contract:

- private healthcare package (after working for a full 3 calendar months),
- life insurance on preferential terms,
- jubilee on the occasion of the 10th anniversary of work experience with a special gift.

3.5. DEVELOPMENT AT LPP

3.5.1. DEVELOPMENT AT LPP: OUR APPROACH



Marcin Krajka,
HR manager
development
and analytics

The year 2020 surprised all of us with the need to revolutionise the way we thought and acted. Lockdown and the necessity to work remotely turned most of our plans upside down, including those involving employee training. Our main goal was to switch to online learning as fast as possible. Previously, we had preferred face-to-face workshops which – due to safety reasons – were curtailed in the spring, then cancelled altogether. During the summer, we were able to carry out some of the projects in an online or mixed format. Our main task was to help employees cope with the new situation. We focused on managers and assisting them in their efforts to take care of their teams’ emotional wellbeing, motivation and, which is equally important, work organisation. We concentrated on shaping a proactive approach to change, boosting teamwork and improving the organisation of remote work.

One of the issues we paid particular attention to was team productivity. Despite the difficult situation, we intend to continue growing which means learning to work smartly, eliminating

resource squandering and supporting all actions that increase customer value. We have already had considerable successes with regard to boosting team productivity in the retail network – following a revision of their processes, our stores saw a significant increase in their KPIs. In the next step, we took efforts to streamline the teams in our central headquarters. We feel that working during change, productivity, collaboration between teams and home office were the leitmotifs of last year and that is where we invested most of our efforts as regards training and development.

The Net Promoter Score (NPS) of our training programmes was 52%. Our employees rated our training sessions and workshops at 4.4 on a scale of 1 to 5.

Throughout the 2020/21 reporting period, we carried out 358 employee development projects in the company’s central headquarters. We provided instruction to 1,918 people in the course of 1,802 hours of training which amounted to 13,866 training hours if adjusted for the number of participants. Each attendee was given 7.2 hours of training on average. Overall, we provided 70,958 hours of training across the LPP Group, 28,437 of which were given to employees in foreign subsidiaries.

Table 23.

Average number of training hours (face-to-face and e-learning) at LPP SA, LPP Retail, foreign subsidiaries and the whole LPP Group in the 2020/21 reporting year by gender

	LPP SA	LPP Retail	Foreign subsidiaries	LPP Group
Average no. of training hours per employee trained	7.4	2.9	2.7	3.2
women	7.4	2.9	2.7	3.2
men	7.5	3.3	3.1	3.5

Table 24.

Overall number of training hours (face-to-face and e-learning) at LPP SA, LPP Retail and foreign subsidiaries in the 2020/21 reporting year by employment category

	LPP SA	LPP Retail
TOTAL	18,753	23,769
incl. executives	4,094	8,359
incl. other employees	14,659	15,410

Table 25.

Employee development activities at the LPP central headquarters in 2020/21 and previous years

	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*
2020/2021	358	1,802	1,918	13,866	5.4	7.2	4.4*
YOY change	+3%	-46%	-42%	-62%	-46%	-47%	no change

* Applies to the sessions which were evaluated

Table 26.

Training at the LPP central headquarters in the 2020/21 reporting year

	Internal training	External training	In total
Hours of training provided to the employees of LLP central headquarters	7,316	6,550	13,866
Total training hours offered through all the training activities	1,032	770	1,802
No. of participants	1,598	320	1,918
No. of female participants	1,232	202	1,434
No. of male participants	366	118	484
No. of training sessions/workshops	314	44	358

We support our employees financially in their development:

Over **PLN 1,604,501** invested in the development of the employees of the LPP central headquarters in 2020/21

50% tuition reimbursement award to 19 employees taking a postgraduate programme



The average of **PLN 705** invested per employee



3.5.2. TRAINING AND SKILLS DEVELOPMENT PROGRAMMES AT THE LPP HEADQUARTERS

358 employee training projects completed

In the past reporting year, we completed 358 training programmes. Already in February, we started to work with smaller groups of participants to help enforce social distancing and safety procedures. In reaction to the pandemic, we held webinars on coping with the new reality which were followed live by 600 employees, while another 300 people watched them at a later date. The videos we made on managing dispersed teams, innovativeness, effective online meetings and IT collaboration tools were viewed over 3,500 times.

- We held **coaching** sessions for 30 managers: as part of our regular development programmes and intervention sessions for managers who experienced serious team issues and needed additional support.
- Our **Leadership Academy** and **Management Academy** went ahead with two sessions for 34 people in total.
- 10 new **Action Learning** groups were formed to help over 50 managers improve their leadership skills and solve day-to-day issues.
- Some projects were designed to help employees boost their efficiency, teamwork abilities and leadership skills – the workshops focused on team collaboration, feedback, role clarification within and among teams, responsibility assignment using the RACI matrix, time management, presiding over meetings, facilitation, communication styles based on the DISC model, coaching style of leadership and self-management. We also introduced such new topics as: EQ manager (the use of emotional intelligence in team management) and Values (creating and working with values in a team).

- As for hard skills training, we held courses on construction law, Excel for different levels of advancement, Big Data, Python, Spark, machine learning, Facebook marketing, safe driving, first aid, accounting, taxes and finance.

FUTURE PLANS

We believe that plans – even if they will need to be modified at some point which is to be expected in the current circumstances – should be made. This is also an idea we promote during our training sessions and workshops. In 2021 we intend to support managers in their efforts to improve team productivity. We are still set on building a feedback culture and plan to replace periodic evaluations with day-to-day feedback. We believe that more frequent feedback translates into performance quality, while promoting development and positive workplace atmosphere. We also want to continue our management series and action learning meetings which are becoming more and more popular among our managers. All of the projects will be devised in both face-to-face and online format so that they can go on regardless of the development of the epidemic.



3.5.3. DEVELOPMENT PROGRAMMES FOR STORE PERSONNEL

TALENT LABS – A DEVELOPMENT PROGRAMME FOR THE BEST HOUSE MANAGERS

Talent Labs is a development programme launched in January 2020 for the managers of House stores in Poland. The project focuses on employment development because we believe that people are our most valuable resource and asset.

The team behind the project includes mentors from the regional structures and 5 best House store managers selected through an assessment centre. What we look for in the candidates is willingness to grow, proactivity, flexibility and initiative – in a word, qualities and attitudes that are in line with our FAST values.

Talent Labs participants worked together in groups under the supervision of experienced mentors – regional sales managers. Their task was to devise solutions to streamline the processes in place in the network or come up with new ideas for increasing the operational efficiency of the stores.

The general themes and specific issues to be tackled during the programme were identified and planned out in January 2020. In the face of the COVID-19 situation, they were quickly

revised and adapted to the current needs of the organisation. The participants carried out 8 big and more than a dozen smaller initiatives, most of which addressed the challenges faced by the brand and the company during the pandemic. Their ideas supported House in key moments.

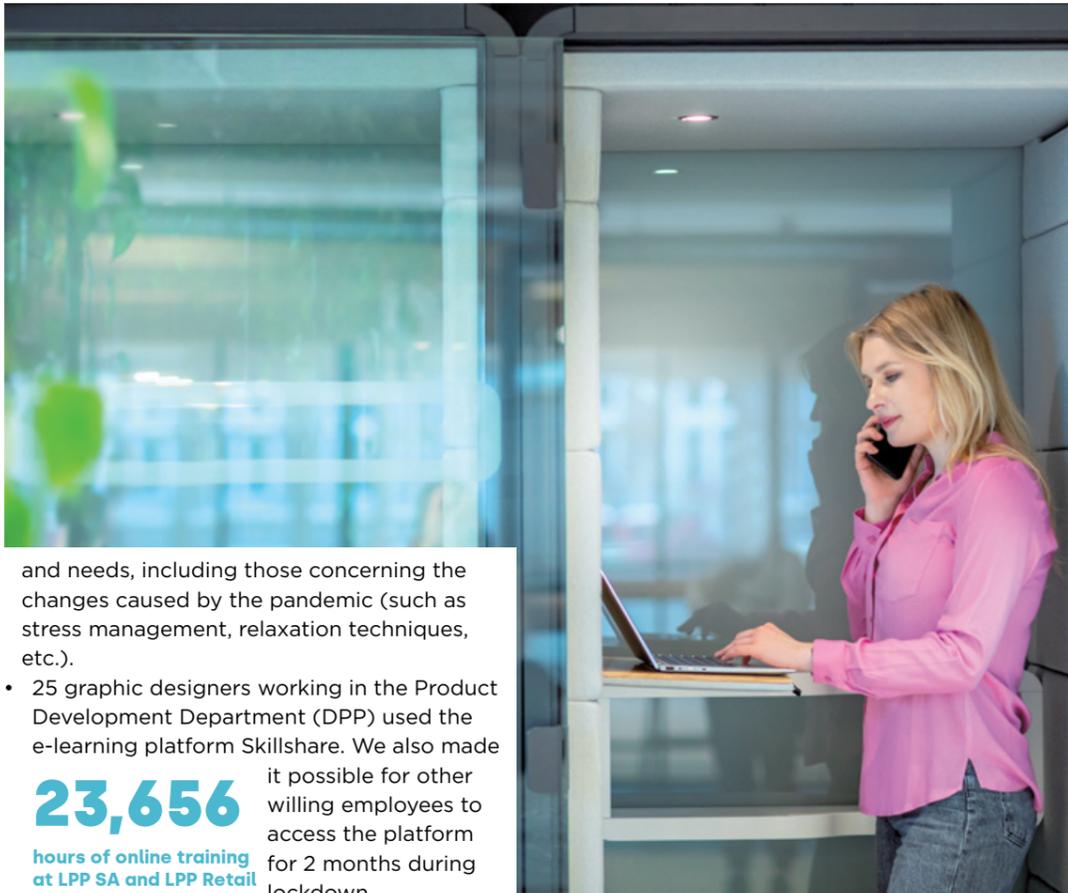
3.5.4. E-LEARNING

LPP EDUCATION AND OTHER TOOLS

Last year was when this form of learning was used extensively.

- Employees of the central headquarters had access to 95 online courses on our platform LPP Edukacja (LPP Education). All employees took part in 3,148 courses in total. Last year were added 4 more courses to the platform. At the same time, we surveyed the market of ready-made training programmes, looking for courses that would meet our employees' new expectations

667 participants of e-learning projects in the central headquarters



and needs, including those concerning the changes caused by the pandemic (such as stress management, relaxation techniques, etc.).

- 25 graphic designers working in the Product Development Department (DPP) used the e-learning platform Skillshare. We also made

23,656

hours of online training at LPP SA and LPP Retail

it possible for other willing employees to access the platform for 2 months during lockdown.

- We devised a new remote onboarding programme for the Product Development Department's merchants, graphic designers, technology experts and merchandise controllers. The programme was launched in August and was used by 20 new hires. The conversion of the previously developed training courses for DPP employees from Flash technology to HTML5 will allow the workers to access the courses after Flash is no longer supported at the end of 2020.
- A selection of e-learning courses chosen by our trainers was included in the series Leader's ABC and Management Academy.

LPP EDUSTORES

As of December 2020, all of LPP store personnel can use general development and management online courses on the LPP Edustores platform.

6,188

course participants

(Previously, it was available only to managers and employees in higher-ranking positions.) As a result, the user database must be updated more

frequently. Also, new hires are given access to the platform as soon as they join the company which means they can use the education materials immediately after they are hired which is

18,769

hours of online learning at LPP Retail

key for effective integration into the organisation. The platform is also available in our foreign subsidiaries in the future.

46

programmes divided into 6 categories

will be available to users on their mobile phones.

Gradually, we are moving our other programmes for store personnel to the mobile channel, too. The platform already offers courses in store safety, including instructions on preventing the spread of the epidemic.

Average number of training hours (e-learning) in the 2020/21 reporting year by gender.



WOMEN

LPP SA: 2.3 h
 -8% as compared to 2019/20
 LPP Retail: 0,9 h
 +1.9% as compared to 2019/20



MEN

LPP SA: 2.3 h
 +245% as compared to 2019/20
 LPP Retail: 2.6 h
 +358.8% as compared to 2019/20

Training hours in total (e-learning) in the 2020/21 reporting year by employment category.



EXECUTIVES

Total training hours:
6,263.7

LPP SA: 2 h
 +400% as compared to 2019/20
 LPP Retail: 6 h
 +169.1% as compared to 2019/20



OTHER EMPLOYEES

Total training hours:
17,392

LPP SA: 1.9 h
 -17.4% as compared to 2019/20
 LPP Retail: 1.8 h



[GRI 404-1]

3.6.

OCCUPATIONAL HEALTH AND SAFETY

**3.6.1. EMPLOYEE SAFETY****OCCUPATIONAL HEALTH AND SAFETY REGULATIONS AND GUIDELINES**

The issues of occupational health and safety are regulated in 7 types of documents:

- “Employee Conduct Policy” which precisely defines the internal workplace organisation rules in line with the needs of LPP SA.
- “List of particularly strenuous jobs and jobs prohibited to pregnant women” which makes it possible to protect pregnant women’s health by creating safe working conditions for them while they continue to work.
- “Allocation of protective garments, footwear and personal protective equipment” which clearly lists all the personal protective equipment needed by employees in different positions.
- “List of jobs prohibited to minors” aiming to protect the health of minor workers and provide them with safe working conditions.

- “Task risk assessments” devised to effectively protect employees from workplace risks.
- “Occupational Health and Safety Instructions” laying down the directions for use of workplace machines and devices as well as emergency procedures.
- “Internal occupational health and safety procedures” which are meant to raise employees’ awareness and facilitate planning workplace processes in line with occupational health and safety rules.

In 2020, LPP Retail updated all of its task risk assessments, occupational health and safety instructions and audit lists that make it possible to reliably inspect workplace safety. The task risk assessments for LPP SA had been updated in 2019. In 2020, we ran a probe of the workplace environment at the Distribution Centre in Pruszcz Gdański.

OCCUPATIONAL HEALTH AND SAFETY COMMISSION

Each quarter sees a meeting of the Occupational Health and Safety Commission which gathers to discuss the working conditions at the company and ways to improve them with regard to the employees’ health and safety. The members, who are representatives of the employees and the employer as well as a specialist in occupational medicine, continually work to make LPP a safer workplace. The commission’s first meeting following the declaration of the COVID-19 pandemic was devoted to health issues and ways to protect employees against infection.

Due to the pandemic, one of the meetings planned for the 2020/21 reporting year was cancelled, while the next one was planned to be held online.

OCCUPATIONAL HEALTH AND SAFETY AT THE CENTRAL HEADQUARTERS

LPP does not have an occupational health and safety management system, yet the organisation complies with all the existing legal requirements with that regard. Occupational health and safety priorities for a given year are determined in the companies’ operational plans. A six-person occupational health and safety unit is in charge of employee safety at LPP SA. All LPP SA workers undertake initial and periodical occupational health and safety training. They may also participate in training for fire and first aid. To ensure maximum comfort of the workers, we inspect the offices and check if the workstations are fitted with top-quality office equipment matching each individual’s needs.

In 2020, we purchased three automated external defibrillators and are planning to buy more.

OCCUPATIONAL HEALTH AND SAFETY AT LPP RETAIL

Overseeing safety at the stores is a six-person unit supported by inspectors provided by two external partners.

All LPP Retail employees complete a series of training sessions aimed at raising their awareness and broadening their knowledge of safety in the workplace. Apart from initial and periodical occupational health and safety training, store managers take courses in internal safety procedures. Newly hired regional managers are given individual training to prepare them to run health and safety audits of the stores they supervise.

In line with the procedures in place, stores keep paper records of occupational health and safety instructions, fire emergency instructions, list of the first aid kit contents, task risk assessments, list of chemical substances used, chemi-

cal safety cards, ladder inspection sheets, etc. What is more, employees can access all safety documents and procedures in the Quick Peek system.

Store personnel can also contact the occupational health and safety unit through the Service Desk system anytime they have a question or query. They can also call emergency numbers available 24/7.

In 2020, employees from 651 stores took part in a survey to evaluate their cooperation between LPP Retail’s occupational health and safety unit. The cooperation with the unit was rated at 4.61 (on a scale of 1-5), while the collaboration with an external partner at 4.59. The remote training provided during the epidemic was rated at 4.5.

OCCUPATIONAL HEALTH AND SAFETY AT THE FULFILLMENT CENTRE AND DISTRIBUTION CENTRE

We put strong emphasis on the occupational health and safety of our contractors. We conduct periodical occupational health and safety audits as well as fire safety inspections at the premises managed by LPP, that is the Fulfillment Centre and Distribution Centre. Additionally, we evaluate the quality of the contractors’ performance. To protect our contractors, we ensure the application of the same standards as for our employees: we provide them with personal protective equipment and 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.

Table 27.
Job-related injuries in LPP SA, LPP Retail and foreign subsidiaries in the 2020/21 reporting period

	LPP SA	LPP Retail	Foreign subsidiaries	LPP group
Fatal accidents				
Women	0	0	0	0
Men	0	0	0	0
Working days lost as a result of job-related accidents				
Employees in total	32	1,356	391	1,779
All accidents reported				
Women	2	46	23	71
Men	0	3	4	7
Total	2	49	27	78
Accidents causing working days loss				
Women	2	46	n/a	n/a
Men	0	3	n/a	n/a

SAFETY DURING COVID-19



Monika Wszeborowska,
head of the
Emergency
Committee

on the recommendations of the Chief Sanitary Inspector as well as visual instructions and audio messages addressed to store personnel and customers (once shopping centres opened).

In the event of a confirmed COVID-19 case, the workspace is disinfected by a specialist firm. The co-workers of the infected employee are informed and - if there is a risk of transmission - temporarily released from work or asked to work remotely.

The outbreak of the pandemic necessitated out of the ordinary measures. While initially, central headquarters employees switched to the remote mode and LPP Retail personnel did not work at all due to shopping centre closures, at a later stage, when workers returned to our corporate offices and stores, we were faced with the need to take steps to ensure their safety. Firstly, all employees were provided with PPE: face masks, face shields and disposable gloves. We equipped all workstations with disinfectants and significantly increased the frequency of office and store disinfection. We developed protocols for conduct during the epidemic based



3.6.2. GOOD HEALTH AND WELLBEING

Our employees donate blood

Taking care of our employees' health, we reimburse 50% of the cost of private healthcare packages chosen by our employees (for themselves and their families, in the case of LPP SA workers) and MultiSport memberships. Many offices have relaxation rooms and gyms which the employees can use for free.

CYCLING TO WORK AND BEYOND

We set up bicycle parking racks at our locations for employees who cycle to work. The employees of the central headquarters have access to company bikes which they can use to travel between different locations. To make sure that our workers are safe while cycling, last year we had their private bikes as well as the company bikes inspected in Gdańsk, Pruszcz Gdański and Cracow. In Cracow and Gdańsk we took part in cycling events.

→ You will find out more about these projects in Chapter 4, "#LPPhelps", on p. 137.

Private healthcare packages:

8,864 LPP Retail employees
1,508 LPP SA employees

MultiSport memberships:

1,887 LPP Retail employees
2,200 LPP SA employees

LPP TEAM

302
LPP Team members

We treat cycling as more than a means of getting from one place to another: it is also a way of bringing people together. LPP has a group of sports aficionados forming the LPP Team divided into a running, triathlon and cycling section. We sponsor their entry fees and sport-specific clothing. This year, because of the pandemic restrictions, they took part in significantly fewer competitions.

As in the previous years, in 2020 we organised blood drives among our employees in Gdańsk. This time, 86 people gave nearly 40 litres of blood!

4+

#LPPHELPS

UN Sustainable Development Goals:



In this chapter you will read about:

- our social engagement during the COVID-19 pandemic,
- the work of the LPP Foundation,
- the assistance we provide to those in need in our closest neighbourhood,
- LPP volunteering schemes,
- awareness raising activities and sustainable fashion.



4.1. LPP SOCIAL ENGAGEMENT



Sewing masks by LPP employees

4.1.1. #LPPHELPS, OR OUR REACTION TO THE PANDEMIC

The COVID-19 pandemic took a toll on all of us: it affected the company's business, its employees, and the operations of the LPP Foundation, and the social projects we run. Some of the long-running programmes, such as "First Fitting" or mini-grants, had to be put on hold, while others continued as planned. For all that, a need arose to help local communities, healthcare services and society at large. The campaign #LPPhelps was our response to it.



Patrycja Zbytniewska, president of the LPP Foundation

The first thing the Foundation did following the outbreak of the pandemic was to buy **250,000 face masks and deliver it to 100 healthcare facilities across the country**. Right from the onset of the pandemic, the situation was developing in a very dynamic manner. In the course of the subsequent weeks, we received requests for help in obtaining personal protective equipment (PPE) from hospitals and other healthcare facilities, non-governmental organisations (NGOs) and care homes in the regions



Protective apron design prepared by LPP employees

and Pomerania, Little Poland and elsewhere in the country. That is why, in April we decided to extend our support to entities all over the country. Thanks to our contacts, we managed to buy another batch of masks in Asia.

1m face masks worth PLN 5.4m. **750,000 face masks** were donated to **200 institutions** - hospitals, ambulance stations, medical care centres and care organisations - based in Pomerania and Cracow, as well as Warsaw, Wrocław, Łódź, Bydgoszcz, Kielce, Grudziądz or Białystok.

Distributing the masks was a challenge in itself - in the peak time, in April 2020, we would

27,200 face masks sewn by LPP employees

dispatch **up to 6 shipments a day** containing 25,000 pieces of PPE. But buying face masks was not all we did. We also **designed and manufactured 10,000 reusable masks which were delivered to students, PhD students and staff of the Medical University of Gdańsk.**

Many of **our employees** from different departments and branches of the organisation became dutifully involved in #LPPhelps. They formed teams responsible for coordinating shipments to hospitals and distributing masks to institutions in need, while **over a hundred people would personally sew masks and coats after hours**. This way, they made **27,200 disposable masks and nearly 1,700 protective coats**. We distributed them to hospitals and other institutions in need with the help of NGOs.

Previously, our volunteers had been participating in volunteering projects - now, they lent their support to the people most affected by the pandemic. This common effort proves that together we can increase the scale and reach of our assistance.

It was not only the Foundation that was doing the helping: our brands also got involved in #LPPhelps, with Reserved, Mohito and Cropp **donating 10% of the proceeds from their Joyful and Eco Aware collections** to healthcare facilities.

This spring-time assistance was proved absolutely crucial. The means were donated to 5 hospitals in Gdańsk, Gdynia and Cracow, and

PLN 240,000 of sales revenue donated to hospitals

used to buy the much needed PPE (coveralls and coats, face masks and disinfectants) and equipment such as a system of air decontamination, chest compressions devices, a cardiac monitor and a defibrillator.

During the first wave of the pandemic, we became actively involved in wider coalitions and collaborations.

- We helped the Industrial Development Agency import 1m medical coveralls from Turkey (which greatly reduced the cost of the order).
- As the coordinator of the Polish Sewing Plants Project, we oversaw the operations of 18 sewing plants which manufactured 4m face masks in total.
- We joined "We're Together. We're Helping!", a campaign aimed at encouraging businesses to support a programme that provided assistance to the medical workers across the country.
- We helped the Polish government to purchase PPE for healthcare professionals. Seeing another wave of the pandemic gather speed in the autumn of 2020, we decided to relaunch our efforts to assist the healthcare services. As part of the second edition of #LPPhelps, we donated clothes to medical

workers and money needed to buy the necessary equipment. Overall, these **donations to healthcare facilities amounted to PLN 1.2m**. We supported: University Clinical Centre in Gdańsk, Pomeranian Hospitals, 7th Naval Hospital in Gdańsk, COPERNICUS Hospitals in Gdańsk, Specialist Hospital in Kościerzyna, University Children's Hospital in Cracow and Józef Dietel Specialist Hospital in Cracow. The means we donated were used to buy PPE, pulse oximeters, infusion pumps, helmets for noninvasive ventilation, a device for high-flow oxygen therapy and a ventilator.

To help local communities you need, first and foremost, to listen carefully to what they need.

Children in the care of the facilities which we had been supporting for years had limited access to computers once Polish schools switched to remote learning in March 2020. We donated

100 computers to them. The equipment was used by around 150 children in 18 care facilities in Pomerania and Cracow. We also extended a helping hand to senior residents of Dolne Miasto: they received 870 lunches made by local restaurants. The meals were delivered with the help of our employees.

The success of the campaign relied on no-one else but them. It was them who did their share of helping day in and day out, on top of their regular professional duties. They coordinated group efforts, delivered lunches to the people in need, donated face masks to institutions were desperate for them. The crisis of the pandemic showed how deeply cooperative attitude and our values are ingrained in LPP employees. Thank you for your involvement.



Clothing handed over to the medical staff of the University Hospital in Cracow

” **Marek Piechocki,**
president of LPP

Before the coronavirus spread to Poland and we launched the #LPPhelps campaign, we answered the calls for help from our colleagues in Shanghai and Chinese partners: we bought and sent 500,000 face masks to China. The operation was completed in late January. Together with

Polish diplomatic posts in Shanghai, Canton, Chengdu, Hong Kong and Beijing, we distributed the masks among these institution's workers and the Polish diaspora. The masks were also donated to businesses. This selfless act of kindness to our long-standing collaborators unexpectedly paid off later when the pandemic was declared in Poland. It was thanks to their help that we were able to import face masks, coveralls, thermometers and liquids to the country.

4.1.2. THE FOUNDATIONS AND THE ASSISTANCE IT PROVIDES

LPP Foundation

Community service projects, promotion of health and environmental protection - these are the areas that our Foundations has been supporting for 3 years. It helps organisations based in Pomerania and Little Poland (where our offices are located) and the people in their care. We focus on projects that benefit children and young people in children's homes or foster care, persons facing social exclusion, the ill and people with disabilities, persons experiencing homelessness, victims of catastrophes, natural disasters and military conflicts. We also provide assistance to community service projects carried out in our closest neighbourhood.



The „Benefactor of the Year” award for the LPP Foundation

#LPPhelps

How did we help?

LPP and LPP Foundation provided

PLN 6.9m
in assistance

including donations by our brands

PLN 240,000
to help buy hospital equipment

Whom did we support?

- hospitals
- healthcare facilities
- ambulance stations
- medical care centres
- care institutions
- NGOs
- care homes

Thermometers



1,700
sewn by LPP employees

Face masks



1m
single-use masks

10,000
reusable masks designed and sewn by LPP



27,200
reusable masks sewn by LPP employees

Clothing

Over **20,000**
items of clothing donated to medical workers



children's homes

100
computers



senior citizens

870
lunches



Teaming up with other institutions

- Industrial Development Agency:

1m
coveralls imported (The Polish Sewing Plants Project)

- assistance to the Polish government
- "We're Together. We're Helping" campaign



The operations of the Foundation are regulated by its Bylaws and Principles of Cooperation with External Partners available on www.lppsa.com.

Last year we were named **Benefactor of the Year 2020** in the “Corporate Foundation” category. The awards are held by the Academy for the Development of Philanthropy in Poland. We had been nominated by the Saint Albert Charity Association. In spite of the pandemic that affected the company’s operations and our environment, we continued our activities set out in our Bylaws.

→ For more information on the work of the LPP Foundation and how to obtain support, go to: www.lppsa.com/zrownowazony-rozwoj/fundacja-lpp-wspiera.

Whom we supported

In the 2020/21 reporting year, we made donations to organisations focusing on 3 areas:

Preventing social exclusion and supporting local communities

- We sponsored Children’s Day gifts for the kids in the care of the MATIO Foundation.
- Thanks to the monetary assistance we provided to children’s homes they could buy the equipment they needed and do the necessary renovations.
- We helped equip the dining room and relaxation room in an innovative home for adults with disabilities whose residents are provided with employment as well as the care they need. The Sopot-based home is run by the Nasz Przyjazny Dom Foundation.

- The LPP Foundation sponsored the remodelling and furnishing of the SPOT Youth Point, a day centre based in Gdynia. LPP designers devised a graffiti which in 2021 will be painted on the centre’s walls together with the young people.
- We provided the means to renovate and furnish the FAScynacje Foundation which supports people with the fetal alcohol syndrome (FAS) and fetal alcohol spectrum disorders (FASD). Our employees adorned the foundation’s walls with joyful motifs.
- Our assistance also went to a homeless shelter run by the Saint Albert Charity Association in Tczew.
- We committed financial resources to help pay for the holidays of nearly 200 children in the care of 5 organisations that support institutions for young people facing social exclusion in the Tricity and Cracow, and the healthy siblings of young hospice patients.
- We co-financed the “Albertiana” Theater and Music Festival of Disabled People and funded 3 scholarships as part of the Recovered Hopes Academy.
- 50% of proceeds from the sale of specially designed House t-shirts went to the ATALAYA Foundation as part of the House Denim Days AW2020. The money was used to organise self-confidence workshops and other training for young people in care entering adulthood.
- We supported the organisation of the Christmas Eve for the Homeless and Poor by the Dominican Convent in Gdańsk.

Healthcare

Due to the COVID-19 pandemic, most of the Foundation’s funding was used to support the

healthcare services. As part of the **two editions of the #LPPhelps campaign, we committed PLN 6.9m for relief efforts**. The money was used to purchase and deliver over 1m face masks and 20,000 pieces of clothing to be worn under protective coveralls to over 300 facilities across Poland, and to buy PPE and medical equipment for selected hospitals in Pomerania and Cracow. We also supported financially the Good Energy for Paramedics project which had the double benefit of providing 1,000 high energy snacks to a few dozens of ambulance service teams in Pomerania and helped support the socially responsible hotel SoStay in Gdańsk, struggling in the face of the pandemic just like the rest of the hospitality sector, whose employees - who had been brought up in children’s homes - prepared the meals.

Besides #LPPhelps:

- The Hospice Foundation received the funds to buy equipment and materials.
- The Pomorze Dzieciom Hospice received money to fund grief and loss sessions at the Wspacie po Stracie EMOCja Centre.
- We supported the organization of the Piątka od Serca virtual charity run.
- We made donations to 16 sick employees and their relatives.



Energy snacks for emergency ambulance teams as part of the action “Good energy for rescuers”

Table 28. Assistance provided by LPP and the LPP Foundation in the 2020/21 reporting year

Total assistance provided by LPP and the LPP Foundation as part of their joint campaign #LPPhelps		PLN 6,900,000
Volunteers involved in #LPPhelps		115
Assistance provided outside of #LPPhelps:		
	LPP	LPP Foundation
Total assistance provided outside of #LPPhelps	PLN 185,484	PLN 1,978,737
Incl. financial assistance	PLN 83,884	PLN 628,737
Number of organisations that received donations	6	43
Incl. in-kind assistance	0	PLN 1,350,000
Items of clothing donated	-	105,000 items
Entities that received clothing donations	-	136
Assistance provided to local communities or projects preventing social exclusion	-	PLN 353,028
Assistance provided to the healthcare services	-	PLN 249,745
Assistance provided to ecology projects	-	PLN 25,964



Computers for online learning given to the residents of children’s homes



Decorating the space of the FAScynacje Foundation by volunteers from LPP

4.1.3. EMPLOYEE VOLUNTEERING

We encourage our employees to help out as volunteers, or WolontWariaci, and provide them with opportunities to do so. What makes us most happy is when they display initiative. In 2020 the volunteering efforts got a new dimension: the pandemic spurred a great deal of grass-root projects.

Ecology and environment protection

- Despite the pandemic, we tried to lend a helping hand to animals, too. We made donations to 4 shelters and held the third edition of our autumn volunteering programme, Kocie Budki (Cat Booths), to support the Pomeranian Temporary Cat Housing and KOTANGENS Foundation.

Some of the assistance was awarded directly by LPP. The organisations we collaborate with received gift cards worth over PLN 51,000.

59 people took part in all volunteering projects (excluding #LPPpomaga)

We also made monetary donations amounting to more than PLN 83,000. The funds were used to buy supply kits for children starting primary school in Brześć Kujawski, renovation of the State Fire Service station in Pruszcz, help purchase a light commercial vehicle for the Volunteer Fire Service in Gdańsk and maintain air quality monitors in the Dolne Miasto district of Gdańsk. In the reporting year, most of the projects we had previously sponsored did not take place, that is why the only initiative we sponsored was the Grant Fund of the Forum for Initiating Development, which received PLN 50,000.

SEWING FACE MASKS AND COATS

The idea to sew reusable face masks came from a member of our technology department in Gdańsk. At first, they were sewn between making patterns, then the idea spread to our offices in the Tricity, Cracow and Warsaw. In the end, 115 people would sew masks based on the patterns we prepared.

115 employees who sewed face masks

Overall, they produced 27,200 masks which were donated to NGOs in need and all of our employees. The volunteers also sewn 1,700 protective coats.

Our employees also made a video tutorial explaining how to sew a face mask which was uploaded to our Facebook page and generated over 2,000 reactions. We also made a video tutorial on sewing coats to help our customers take protect themselves.

JOINT RENOVATIONS

We use the abilities we have to beautify spaces for the people in the care of the our partner organisations or hospitals. In 2020 13 LPP volunteers decorated the group therapy room and common areas in the headquarters of the FAScynacje Foundation. They spent 100 hours designing and painting the walls to make them more friendly to the persons in the foundation's care.



Renovation of cat houses as part of the cyclical volunteer campaign "Cat Booths"

HELPING ANIMALS

The "Kocie budki" (Cat Booths) programme supporting the Pomeranian Temporary Cat Housing is now a fixture on our calendar. As part of its 3rd edition our employees renovated cat booths and prepared them for the winter. The volunteers also made new cat feeders. The project took 60 hours of intense work to complete and made it possible for a hundred of cats living on the premises of the former Gdynia shipyard to survive winter in a good shape.

MINIGRANTS

Our mini-grant scheme is a programme focusing on social issues, sport and ecology allowed our employees to get involved, display initiative, suggest some solutions and then see them in action. In 2020, due to the pandemic, the initiative did not go ahead as planned. The second edition will be launched in 2021.

4.1.4. ENVIRONMENTAL INITIATIVES

CYCLE FOR GDAŃSK 2020

The pandemic delayed some of the environmental initiatives in which we had willingly taken part in the previous years. The employees of our Gdańsk central headquarters joined a cycling game Kręć kilometry dla Gdańska (Cycling for Gdańsk) that aims to motivate the residents to regularly use the bike as a means of transport after the summer season. Participants are awarded points for the kilometres they cycle during their everyday rides. LPP was represented by 92 employees who cycled 47,484 km. The result? Carbon dioxide emissions reduced by almost 12,000 kg CO₂.

BIKE COMMUTE

The campaign was targeted at companies and institutions which are based in Cracow and its vicinity and care about their employees' health and fitness, and wish to improve the quality of living in the city by helping to reduce traffic congestion. The goal was to encourage as many employees as possible to use their bikes as a means of transport. We did it: the 36 employees who joined the campaign cycled 10,875 kilometres (between September 2020 and January 2021 while the campaign lasted).

4.1.5. SOCIAL ENGAGEMENT OF THE FOREIGN SUBSIDIARIES

Our foreign subsidiaries also get involved in social projects. In the 2020/21 reporting year, they committed €347,520 in total towards such programmes. Here are some examples of such initiatives:

- Croatia: financial relief provided to employees who suffered from an earthquake.
- Ukraine: 20% of proceeds from pyjamas sold in late November 2020 were donated to the Ronald McDonald Foundation.
- Russia: donation of clothes or proceeds from the sales of selected products to charity organisations.
- Slovakia: donation made to Svetielko nádeje, a non-governmental organisation that focuses on helping children and young people suffering from cancer diseases.

[Own measure: Number of volunteers involved in projects in the reporting year]

4.2.

NEIGHBOURLY RELATIONSHIPS



A festival of colors during the „Colors in the Garden” family festival in Gdańsk

Although the pandemic upended the Foundation's established course of action, which is to mainly provide assistance to organisations active in the areas where our offices or Distributions Centres are (or will be) located, and as part of #LPPhelps we supported institutions all over Poland, our primary goal is to be a good neighbour and activating local communities. That is why, we continued to be involved in initiatives taking place in the neighbourhood of our Gdańsk headquarters, the Dolne Miasto district, and the commune where our new Distribution Centre is being constructed, Brześć Kujawski.

COLOURS IN THE GARDEN – THE NEIGHBOUR DAYS

As in the years before, the Mrowisko Association for Preventing Addictions organised the Kolory w Ogrodzie (Colours in the Garden) family fete in Dolne Miasto. The theme of this year's event, held unusually in September, was colour fight! We supported the joyous celebration which is packed with attractions for children and young people.

GETTING TO KNOW DOLNE MIASTO

We do not just support our closest neighbourhood, we also want to popularise

its history! We donated copies of the book “Franek Błyskawica” by Agnieszka Śladkowska to Primary School No. 65 in Dolne Miasto and the Mrowisko Association for Preventing Addictions. The volumes were handed to the school's pupils and the benefactors of the foundation as prizes.

ENSURING THE SAFETY OF PUPILS

We look after the pupils of Primary School No. 65 which neighbours our offices in Dolne Miasto. We provided the school with the means to hold water safety training sessions for the children. Due to the pandemic, the training was rescheduled for 2021.

CHARITY RUN: VIRTUAL FIVE FROM THE HEART

The third edition of the charity run Piątka od Serca (Five From The Heart) of which we are had been a partner in recent years, was held in a changed formula in 2020. The participants' task was to run 5 kilometres on their own during the first two weeks of December. Our employees joined the initiative and we paid their entry fees. The money raised was donated to the Pomeranian Children's Hospice.

FOCUS ON BRZEŚĆ KUJAWSKI



Sławomir Ronkowski,
director of internal communication and CSR

Our involvement in supporting our neighbourhoods is not limited to existing locations. Ever since we signed a letter of intent with the municipality of Brześć Kujawski in 2019, we have been collaborating with the local authorities to support the development of the town and the whole commune. Last year, the actions we took in cooperation with the town hall focused primarily on supporting the education of the youngest residents of the commune. For the third year running, as part of the programme A First Grader's Starter Kit, we sponsored supply kits for 98 children about to start their primary education in five of the commune's schools. What is more, primary school pupils in Brześć Kujawski were again offered the opportunity to participate in the English with LPP programme. In the 2019/20 school year, 419 English lessons were carried out, followed by 11 classes once the schools reopened after lockdown in November

and December 2020. But that is not all – being actively involved in the life of the region, in the spring of 2020, we donated 2,000 face masks to institutions including the local Volunteer Fire Service and the Brześć Welfare Centre, and another 2,000 to the hospital in Włocławek.

FUND FOR INITIATING DEVELOPMENT GRANT COMPETITION

To us, the concert of neighbourhood extends to the whole province. That is why, we became the main partner of the 6th edition of the **Fund for Initiating Development Grant Competition**. The fund had been established by an intersectional coalition to support sustainable development in the Pomerania Province and is run by the UP Foundation for Initiating Development. The competition serves to select the best Pomeranian intersectional initiatives that can contribute to a real social-economic change in the environment. The winners receive grants for their projects' implementation.

This year, the grants went to 4 special programmes which will be launched in collaboration with partners from the business and public sector.

- **#SPÓJRZNASIEBIE (#LOOKATYOURSELF)** is a project aimed at raising teenagers' awareness of body positivity and its effects;
- **Pojąć Głębież (Fathom the Depths)** is an innovative programme for the rehabilitation of people with impaired vision through underwater diving;
- **CUMY (MOORING LINES)** – an open workshop held on the premises of the Imperial Shipyard in Gdańsk was awarded a grant to set up a craft studio and run workshops on 3D printing, among others;
- **Artystyczna Inicjatywa (Artistic Initiative)** is a therapeutic programme and social campaign focusing on mental health problems in the commune of Luzino.

Each year, we are set on selecting the most promising initiatives that have the potential to deal with significant social issues at hand and projects targeted at different social groups in the Pomerania Province. We feel that this year we managed to hand pick the most vigorous and auspicious initiatives which were all the more deserving of receiving support on their onset.

4.3. EDUCATION FOR SUSTAINABILITY IN FASHION



4.3.1. RAISING AWARENESS OF SUSTAINABLE FASHION

Our responsibility manifests itself in sustainable fashion education. For years now, we have been involved in projects that give us a platform to talk about the challenges faced by fashion and share our best practices, thus helping to shape the industry as a whole. Our actions are targeted at aspiring fashion professionals as well as consumers. As a result of the pandemic, some of the events changed form, moving from real life to the Internet.

RESPONSIBLE FASHION AWARDS

In the autumn 2020, we yet again partnered with Poland's first sustainable fashion awards held by the International School of Costume and Fashion Design (MSKPU) in Warsaw. The competition's main goal is to promote responsibility, sustainable fashion as well as ethics and ecology in the fashion industry. The awards are open to submissions of professional designers and individuals who do not work in fashion or apparel design, hailing from Poland and abroad.

The participants were asked to submit their entries (flat sketches and patterns) and justify their choice of technology to the judges. The winners will be announced in March 2021, while the graduation show will be held in July 2021. This edition's best designer will receive PLN 5,000, a yearly scholarship to study at MSKPU, eco-friendly fabrics needed to manufacture their collections from LPP and a chance to be featured at the MSKPU Graduation Show. The competition jury was composed of a sustainable fashion expert from LPP - Anna Sołtys, director of the Reserved product office in Warsaw.

MODOPOLIS: THE POLISH FASHION FORUM

Our representative took the floor at an event held at Fabryka Sztuki in Łódź. Anna Miazga, LPP's then sustainable development expert was one of the speakers during a panel discussion on sustainable fashion.

INFOSHARE

We also shared our technical fashion know how as a Gold Partner of InfoShare, the largest tech conference in Central and Eastern Europe. During the event, our representatives talked about e-commerce during lockdown. The presentation was developed together with Google. The conference participants could join in two webinars and talk to LPP's representatives at our virtual stand.

4.3.2. COLLABORATIONS WITH COLLEGES AND UNIVERSITIES

We continued our collaborations with schools of tertiary education to support young designers studying fashion and design by awarding the best ones and offering them work experience opportunities.

- August 2020 saw the finals of FASHION FUTURE, a competition launched in 2019. Cropp and LPP were the expert partner of the awards. We sponsored two special prizes for the prizewinners.
- As a partner of the Graduation Show at the International School of Costume and Fashion Design (MSKPU) we funded a special prize – a monetary award – to one of the graduates.
- We became the Strategic Partner of the Cracow Fashion Week 2020, the largest fashion event in the region of Little Poland. We presented a prizewinner of the Cracow Fashion Awards 2020 held in conjunction with the event with a monetary prize.
- We presented two prizewinners of the Władysław Strzemiński Competition Project 2020 with special prizes and monetary awards. The event was held by the Academy of Fine Arts in Łódź.
- As a sponsor of the graduation gala of the Department of Materials Technology and Textile Design of the Łódź University of Technology, we awarded a monetary prize to one of the graduates.
- In March 2020, we launched a series of workshops for the students of the Textile and Fashion Design Studio of the Academy of Fine Arts in Cracow. The project was discontinued due to the pandemic.

Our flagship project for young people, First Fitting, did not see its fourth edition this year due to the pandemic. The project helps children in care to familiarise themselves with the fashion industry, gain their first work experience and develop their skills. We hope this unique initiative will continue after the end of the pandemic.

5 RESULTS



OUR ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACT

Being one of the largest clothing companies in Central Europe, we are aware of our impact on economic development, the environment, and the social setting. In spite of the pandemic-triggered uncertainty, we continue to make subsequent responsible decisions in the chal-

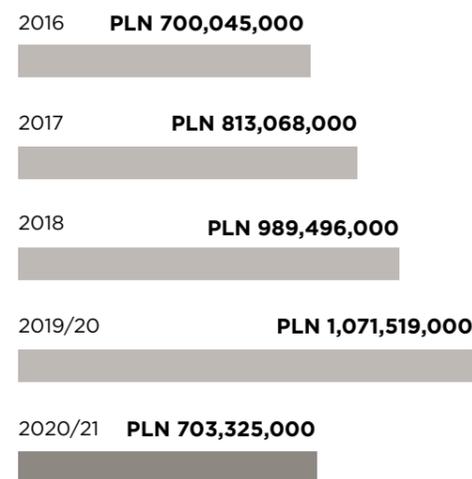


ECONOMIC IMPACT

- While our brands become increasingly recognizable around the world, we support the Polish economy by **paying taxes in Poland**.
- We are one of the biggest taxpayers in the country. Between January 2015 and January 2021 we paid **PLN 4,277,453,000** in taxes, tariffs as well as social security, health care and disability contributions.
- We are a driving force of Polish exports. In the 2019/20 reporting year our exports were worth **PLN 5,106m**, in 2020/21 they were worth **PLN 4,450m**.
- As an active investor, business partner and employer, we promote **local development** in the Pomerania Province. Despite the pandemic, we continue our **major investments** – mainly in Poland.
- **We support Polish companies.** As we develop as an organization, we buy products and services from 300 Polish businesses. We are also a co-founder of the Union of Polish Retail and Services Employees.

lenging situation. Our goal remains the same – striving steadily towards the attainment of the covenants ingrained in the LPP sustainable development strategy: **'For People For Our Planet'** 2020–2025.

LPP's contribution to the Polish budget:



ENVIRONMENTAL IMPACT

- LPP's sustainable development strategy focuses on environmental goals. One of our targets is to reduce our **CO₂ emissions by 15%** by 2025.
- We want to help our customers make conscious and responsible choices. All LPP brands have marketed **Eco Aware** collections. We are developing a more ecologically-sound manufacturing processes: **Eco Aware Production**.
- Our packaging is becoming increasingly more eco-friendly. LPP became Poland's first company to join the global initiative for a closed-loop cycle for plastics launched by **Ellen MacArthur's foundation** in association with the UN.
- Chemical safety in manufacturing is our key concern. We have joined **Zero Discharge of Hazardous Chemicals (ZDHC)**, a coalition for minimisation of chemicals used in the textile, leather and footwear industries.
- We care for the well-being of animals. We **no longer use fur, angora or mohair**. The other animal products we use are sourced from reliable suppliers or replaced with recycled materials
- In 2023 all LPP stores will be collecting used textiles, thus extending the products' life cycle.



SOCIAL IMPACT

- Nearly **22,000 people** are employed in our organization. Over 11,000 are based in Poland. **We are a stable and loyal employer.** Despite the pandemic and the ensuing closures of shopping centres where our stores are located, we are fighting to save as many jobs as possible.
- Our employees' health is our top priority and a way to build a healthier society.
- Our organization **supports local communities in its neighborhood**. In 2020 we undertook intense efforts to help many institutions and organizations fighting the pandemic. Overall, the assistance we provided as part of #LPPhelps actions was worth **PLN 6.9m**.
- Thanks to our projects, people facing the risk of social exclusion can **learn the skills needed to function in the society**, further their education and improve their living conditions.
- We **support aspiring fashion professionals** and offer experience opportunities to young designers.
- Our employee **volunteering programmes** provide those in need with the much necessary support.
- As a company that designs its products in Poland and sells them on three continents, **we promote Polish creators and fashion industry** abroad.

5.1. CONTRIBUTIONS TO THE POLISH BUDGET

Taxes and other levies paid in Poland between Jan. 2016 and Jan. 2021 [in PLN thousand].

	2016	2017	2018	JAN. 2019- -JAN. 2020	FEB. 2020- -JAN. 2021
Value Added Tax (VAT)	488,056	529,929	613,318	604,754	457,190
Corporate Income Tax (CIT)	5,692	41,703	149,611	107,893	40,458
Tariffs	143,259	157,869	131,232	239,961	115,953
Personal Income Tax (PIT)	14,256	18,994	20,275	24,459	19,656
National Fund for Rehabilitation of the Disabled (PFRON)	345	590	696	945	880
Employer social security contributions	45,209	60,373	70,570	88,925	64,267
Real property taxes	3,225	3,607	3,791	4,578	4,919
Vehicle taxes	3	3	3	4	2
TOTAL	700,045	813,068	989,496	1,071,519	703,325

Data for 2020 are forecast.

Data for 2018 and 2019 have been adjusted to the amount from the tax declaration.

5.2. KEY NON-FINANCIAL DISCLOSURES

Below is a presentation the key environmental, social and corporate governance data for three subsequent reporting periods: 2018 (12 months), the reporting period between Jan. 2019 and Jan. 2020, which exceptionally covered 13 months

(as the organization transitioned from calendar years to financial cycles) and the Feb. 2020 - Jan. 2021 reporting year (12 months). Please take that into consideration when comparing the data for respective periods.

E (Environmental)

Environmental data	2018		JAN.2019 - JAN.2020		FEB. 2020 - JAN. 2021	
	LPP SA	LPP GROUP	LPP SA	LPP GROUP	LPP SA	LPP GROUP
Electricity						
Electricity consumption [GJ]	88,442	793,077	95,473	942,701	360,876	911,560

Environmental data	2018		JAN.2019 - JAN.2020		FEB. 2020 - JAN. 2021	
	SCOPE 1&2	SCOPE 3	SCOPE 1&2	SCOPE 3	SCOPE 1&2	SCOPE 3
Greenhouse gas emissions¹						
Greenhouse gas emissions [t]CO ₂	141,008	1,072,661	153,978	1,525,369	124,698	1,170,642

Environmental data	2018		JAN.2019 - JAN.2020		FEB. 2020 - JAN. 2021	
	LPP SA	LPP GROUP	LPP SA	LPP GROUP	LPP SA	LPP GROUP
Waste						
Used cardboard given up for recycling [kg]	5,155,307	6,178,334	5,869,249	6,844,749	4,572,146	5,901,010
Plastic film given up for recycling [kg]	156,887	185,797	153,966	196,547	63,665	82,302
Wooden materials given up for recycling [kg]	Reported since 2019		178,960	179,410	117,580	118,780

¹ The LPP Group data. For details of the methodology go to p. 61

S (Social)						
Workforce data	2018		JAN. 2019 - JAN. 2020		FEB. 2020 - JAN. 2021	
	LPP SA	LPP GROUP	LPP SA	LPP GROUP	LPP SA	LPP GROUP
Employment²						
Total employee count	2,446	25,174	2,636	24,447	2,520	21,977
women	1,827	21,293	1,982	20,606	1,888	18,676
men	619	3,881	654	3,841	632	3,301
Contracts of indefinite duration	1,452	10,577	1,720	12,923	1,714	14,137
women	1,096	8,485	1,284	10,593	1,277	11,802
men	356	2,092	436	2,330	437	2,335
Other contracts ³	994	14,597	916	11,524	806	7,840
women	731	12,809	698	10,013	611	6,874
men	263	1,788	218	1,511	195	966
Full-time employees	2,420	15,623	2,607	15,106	2,487	15,019
women	1,809	12,837	1,958	12,290	1,869	12,378
men	611	2,786	649	2,816	628	2,641
Part-time employees	26	9,551	29	9,341	23	6,958
women	18	8,453	24	8,316	19	6,296
men	8	1,098	5	1,025	4	662

Workforce data	2018		JAN. 2019 - JAN. 2020		FEB. 2020 - JAN. 2021	
	LPP SA	LPP RETAIL	LPP SA	LPP RETAIL	LPP SA	LPP RETAIL
Employee turnover						
New hires	658	12,054	570	11,255	343	6,158
New hires as a percentage of all employees [%]	26	Reported since 2019	21.6	114.0	13.6	76.1
Including women	490	10,750	441	10,044	250	5,688
Including men	168	1,304	129	1,211	93	470
Including employees under 30	434	11,553	393	10,834	229	5,825
Including employees aged 30-50	218	485	169	402	113	320
Including employees over 50	6	16	8	19	1	13
Employees who left the organisation	344	12,523	380	11,913	458	8,119
The ratio of employees who left the organization to total employee count [%]	14.1	Reported since 2019	14.4	120.6	18.1	100.3
Including women	238	11,023	286	10,596	346	7,354

Including men	106	1,500	94	1,317	112	765
Including employees under 30	157	12,020	191	11,296	193	7,595
Including employees aged 30-50	182	473	179	597	246	500
Including employees over 50	5	30	10	20	19	24
Overall employee turnover [%] ⁴	14.1	114.4	14.4	120.6	18.1	100.3
Turnover for female staff	13.0	110.0	10.8	107.2	18.3	96.6
Turnover for male staff	17.1	161.8	3.5	13.3	17.7	159.3
Turnover for staff under 30	15.6	123.1	7.2	114.3	22.2	113.2
Turnover for staff aged 30-50	13.3	41	6.7	6.0	15.4	36.7
Turnover for staff over 50	7.4	107.1	0.3	0.2	30.6	82.7

Workforce data	2018		JAN. 2019 - JAN. 2020		FEB. 2020 - JAN. 2021	
	LPP SA	LPP RETAIL	LPP SA	LPP RETAIL	LPP SA	LPP RETAIL
Diversity⁵						
Executives	246	1,890	252	828	244	967
women	147	1,737	154	762	148	904
men	99	153	98	66	96	63
under 30	17	1,347	9	473	5	473
aged 30-50	217	543	232	355	228	494
over 50	12	0	11	0	11	0
foreign nationals	1	7	2	2	2	2
people with disabilities	4	4	4	2	7	2
Other employees	2,200	9,057	2,384	9,049	2,276	7,125
women	1,680	8,281	1,828	8,296	1,740	6,708
men	520	776	556	753	536	417
under 30	992	8,419	1,018	8,233	862	6,231
aged 30-50	1,152	610	1,303	781	1,363	865
over 50	56	28	63	35	51	29
foreign nationals	88	103	110	115	105	71
people with disabilities	49	119	53	117	46	96

² As on the last day of the reporting period.³ Contracts for a probationary period, fixed-term contracts, incl. internship contracts, replacement contracts and independent contractor agreements⁴ The overall employee turnover ratio is calculated as the number of employees who left the organization in the reported year, divided by the total employee count in the reported year, multiplied by 100.⁵ As on the last day of the reported period.

Workforce data	2018		JAN. 2019 – JAN. 2020		FEB. 2020 – JAN. 2021	
	LPP SA	LPP GROUP	LPP SA	LPP GROUP	LPP SA	LPP GROUP
Diversity⁶						
percentage of people with disabilities	2.0%	Not reported in 2018	4.3%	1.0%	2.1%	1.0%
total number of cases of discrimination	0	0	0	0	0	0

Workforce data	2018		JAN. 2019 – JAN. 2020		FEB. 2020 – JAN. 2021	
	LPP SA	LPP GROUP	LPP SA	LPP GROUP	LPP SA	LPP GROUP
Training and development						
Average training hours per employee	7.7 ⁷	2.9 ⁸	13.0 ⁹	4.2 ¹⁰	7.4 ¹¹	3.2 ¹²
Total training hours (face-to-face and e-learning)	18,716	Reported since 2019	36,800	98,226.5	18,752.2	70,957.9

Workforce data	2018		JAN. 2019 – JAN. 2020		FEB. 2020 – JAN. 2021	
	LPP SA	LPP GROUP	LPP SA	LPP GROUP	LPP SA	LPP GROUP
Occupational health and safety						
Job-related accidents in the reporting period	20	198	12	126	2	78
Accident rate ¹³	8.0	8.2	2.8 ¹⁴	0.8 ¹⁵	0.6	3.4
Working days lost due to job-related accidents	165	3,084	17	1,916	23	1,779

Workforce data	2020/21	
	LPP SA	LPP RETAIL
Number of serious accidents at work (except fatalities)	0	0
Ratio of serious accidents at work (except fatalities)	16	27
Number of hours worked	3,537,539.6	7,554,775.8
Main types of injuries recorded	Bruising – ca 24% Superficial injuries – ca 22% Sprains – ca 8%	

⁶ As on the last day of the reported period.

⁷ Face-to-face training.

⁸ Face-to-face training.

⁹ Face-to-face training and e-learning.

¹⁰ Face-to-face training and e-learning.

¹¹ Face-to-face training and e-learning.

¹² Face-to-face training and e-learning.

¹³ The incidence rate in 2018 equaled the number of injuries reported in a given period divided by the number of employees, multiplied by 1,000. Since the reporting year of 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 total number of hours worked by all employees, multiplied by 1,000,000

¹⁴ According to the previously used calculation method, the incidence rate was 4.6.

¹⁵ According to the previously used calculation method, the incidence rate was 5.4.

Social data	2018		JAN. 2019 – JAN. 2020		FEB. 2020 – JAN. 2021	
	LPP FOUNDATION	LPP FOUNDATION	LPP FOUNDATION	LPP FOUNDATION	LPP FOUNDATION	LPP FOUNDATION
Assistance provided to local communities						
Monetary donations	PLN 485,000	PLN 770,000	PLN 628,737			
Donations made to support local communities and projects preventing social exclusion	PLN 199,000	PLN 315,600	PLN 353,028			
Donations made to support healthcare	PLN 266,000	PLN 404,000	PLN 249,745			
Donations made to support environment protection and ecological projects	PLN 20,000	PLN 50,000	PLN 25,964			
Assistance in total (both monetary and in-kind donations)	PLN 1,543,179	PLN 2,829,275	PLN 1,978,737			
Assistance provided as part of #LPPhelps – LPP Group and LPP Foundation						
Assistance in total	The campaign was launched in the 2020/21 reporting year.					PLN 6,900,000
No. of participating volunteers						115

(G) Governance

Corporate governance data	2018		JAN. 2019 – JAN. 2020		FEB. 2020 – JAN. 2021	
	LPP SA	LPP SA	LPP SA	LPP SA	LPP SA	LPP SA
Preventing corruption						
Percentage of members of the executive bodies informed about the anti-corruption policy and procedures at the organisation	100%	100%	100%	100%	100%	100%
Percentage of employees given anti-corruption training	100%	100%	100%	100%	100%	100%
Number of employees who took part in anti-corruption meetings	658	570	331			
Percentage of suppliers informed about the anti-corruption policies and procedures at LPP	100%	100%	100%	100%	100%	100%
Confirmed corruption cases	0	0	0	0	0	0

5.3.

FINANCIAL RESULTS

Selected financial information for the LPP Group

for the period of 12 months ended on 31 January 2021

Selected consolidated financial data	IN THOUSANDS OF PLN			IN THOUSANDS OF EURO		
	2020	2019	2019*	2020	2019	2019*
	1 Feb. 2020-31 Jan. 2021	1 Feb. 2019-31 Jan. 2020	1 Jan. 2019-31 Jan. 2020	1 Feb. 2020-31 Jan. 2021	1 Feb. 2019-31 Jan. 2020	1 Jan. 2019-31 Jan. 2020
Sales revenues	7,848,079	9,221,656	9,899,243	1,746,346	2,142,827	2,301,240
Operating profit (loss)	153,024	879,246	805,672	34,051	204,310	187,292
Pre-tax profit (loss)	-116,514	737,116	665,190	-25,927	171,283	154,634
Net profit (loss)	-190,130	486,005	421,039	-42,308	112,932	97,877
Weighted average number of ordinary shares	1,838,066	1,834,192	1,834,192	1,838,066	1,834,192	1,834,192
Profit (loss) per ordinary share	-103.44	264.97	229.55	-23.02	61.57	53.36
Net cash flows from operating activities	1,074,533	1,572,551	1,848,301	239,104	365,412	429,668
Net cash flows from investing activities	-1,007,058	-753,122	-861,467	-224,089	-175,002	-200,262
Net cash flows from financing activities	-139,543	-547,013	-682,470	-31,051	-127,109	-158,651
Total net cash flows	-72,068	272,416	304,364	-16,036	63,301	70,754

	IN THOUSANDS OF PLN			IN THOUSANDS OF EURO		
	As of 31 Jan. 2021	1 Jan. 2018-31 Jan. 2019	As of 31 Jan. 2020*	As of 31 Jan. 2021	1 Jan. 2018-31 Jan. 2019	As of 31 Jan. 2020*
Total assets	10,353,768		9,605,862	2,281,319	0	2,233,402
Long-term liabilities	3,114,193		3,159,266	686,172	0	734,542
Short-term liabilities	4,171,199		3,199,120	919,070	0	743,808
Equity	3,068,391		3,247,491	676,080	0	755,055
Share capital	3,705		3,705	816	0	861
Weighted average number of ordinary shares	1,838,066		1,834,192	1,838,066	0	1,834,192
Book value per share	1,669.36		1,770.53	367.82	0.00	411.66
Declared or paid dividend per share	-		60.00	-	0.00	13.95

*audited year

Consolidated income statement of the LPP Group

for the period of 12 months ended on 31 January 2021

Comprehensive income statement (in thousands of PLN)	2020	2019	2019
	For the period of 11 months ended 31 Jan. 2021	For the period of 12 months ended 31 Jan. 2020 (unexamined)	For the period of 13 months ended 31 Jan. 2020 (transformed)
CONTINUING OPERATIONS			
Sales revenues	7,848,079	9,221,656	9,899,243
Cost of goods sold	3,764,140	4,281,497	4,753,528
Gross profit (loss) on sales	4,083,939	4,940,159	5,145,715
Selling costs	3,368,322	3,427,452	3,676,135
General costs	479,250	509,890	536,967
Other operating income	126,924	20,188	21,518
Other operating costs	210,267	143,759	148,459
OPERATING PROFIT (LOSS)	153,024	879,246	805,672
Financial income	71,508	10,747	10,914
Financial costs	341,046	152,877	151,396
Pre-tax profit (loss)	-116,514	737,116	665,190
Income tax	73,616	251,111	244,151
Net profit (loss) on continuing operations	-190,130	486,005	421,039
Net profit attributable to:			
Shareholders of the parent company	-190,130	486,005	421,039
Non-controlling interests	0	0	0
Other comprehensive income			
Items transferred to profit and loss			
Currency translation on foreign operations	-102,435	68,851	68,851
TOTAL COMPREHENSIVE INCOME	-292,565	554,856	489,890
ATTRIBUTABLE TO:			
Shareholders of the parent company	-292,565	554,856	489,890
Non-controlling interests	0	0	0
Weighted average number of ordinary shares	1,838,066	1,834,192	1,834,192
Profit (loss) per ordinary share	-103.44	264.97	229.55
Diluted profit (loss) per ordinary share	-103.44	264.84	229.44

Consolidated statement of financial position of the LPP Group

as of 31 January 2021

	2020	2019
Consolidated statement of financial position (in thousands of PLN)	As of 31 Jan. 2021	As of 31 Jan. 2020 (unexamined)
ASSETS		
Non-current assets	5,620,568	5,870,719
1. Fixed assets	2,439,778	2,312,386
2. Intangible assets	136,453	126,234
3. Right of use assets	2,589,063	3,000,237
4. Goodwill	183,203	209,598
5. Trademark	77,508	77,508
6. Other financial assets	178,864	134,795
7. Deferred tax assets	2,187	1,996
8. Prepayments	13,512	7,965
Current assets	4,733,200	3,735,143
1. Inventory	2,074,447	1,921,139
2. Trade receivables	158,055	143,783
3. Income tax receivables	102,726	7,870
4. Other non-financial assets	63,722	53,017
5. Prepayments	32,249	36,892
6. Other financial assets	71,131	114,091
7. Deposits and investment funds	953,016	96,877
8. Cash and cash equivalents	1,277,854	1,361,474
Total assets	10,353,768	9,605,862

	2020	2019
Consolidated statement of financial position (in thousands of PLN)	As of 31 Jan. 2021	As of 31 Jan. 2020 (unexamined)
LIABILITIES		
Equity and liabilities		
Equity	3,068,391	3,247,491
1. Share capital	3,705	3,705
2. Own shares	0	-41,115
3. Share premium	364,315	284,877
4. Other reserves	3,155,123	2,733,227
5. Currency translation on foreign operations	-265,238	-162,803
6. Retained earnings	-189,514	429,600
Non-controlling interest capital	-15	-15
Long-term liabilities	3,114,193	3,159,266
1. Bank loans and borrowings	190,596	171,234
2. Lease liabilities	2,523,669	2,567,953
3. Other financial liabilities	294,104	291,675
4. Employee liabilities	1,818	1,463
5. Deferred tax liabilities	22	276
6. Accruals	103,984	126,665
Short-term liabilities	4,171,199	3,199,120
1. Trade and other liabilities	2,775,815	2,053,635
2. Contract liabilities	18,566	19,929
3. Customer refund liabilities	42,711	27,207
4. Bank loans and borrowings	521,097	109,451
5. Lease liabilities	654,010	680,184
6. Employee liabilities	33,676	80,483
7. Income tax liabilities	67,664	174,363
8. Provisions	1,384	9,097
9. Accruals	56,276	44,771
TOTAL EQUITY AND LIABILITIES	10,353,768	9,605,862

Consolidated cash flow statement of the LPP Group

for the period of 12 months ended on 31 January 2021

	2020	2019	2019
	For the period of 12 months ended 31 Jan. 2021	For the period of 12 months ended 31 Jan. 2020 (unexamined)	For the period of 12 months ended 31 Jan. 2020
Consolidated cash flow statement			
A. Cash flows from operating activities - indirect method			
I. Pre-tax profit (loss)	-116,514	737,116	665,190
II. Total adjustments	1,191,047	835,435	1,183,111
1. Amortisation and depreciation	1,073,045	1,017,717	1,093,784
2. Foreign exchange gains (losses)	21,113	-13,249	-7,042
3. Interest and dividends	153,332	84,108	133,523
4. Profit (loss) on investing activities	204,722	8,188	10,743
5. Income tax paid	-326,724	-296,993	-295,820
6. Change in provisions and employee benefits	-52,866	-43,737	-22,357
7. Change in inventories	-218,250	-762,916	-315,200
8. Change in receivables and non-financial assets	-579,288	-78,688	-66,127
9. Change in short-term liabilities, excluding bank loans and borrowings	910,711	889,571	650,157
10. Change in prepayments and accruals	-9,673	3,458	-9,897
11. Other adjustments	14,925	27,976	11,347
III. Net cash flows from operating activities (I+/-II)	1,074,533	1,572,551	1,848,301

	2020	2019	2019
	For the period of 12 months ended 31 Jan. 2021	For the period of 12 months ended 31 Jan. 2020 (unexamined)	For the period of 12 months ended 31 Jan. 2020
B. Cash flows from investing activities			
I. Inflows	373,880	429,527	480,047
1. Disposal of intangible and fixed assets	156,748	134,925	185,440
2. Repayment of loans	99	89	70
3. Interest and other financial assets inflows	1,309	1,507	1,531
4. Other investing inflows (investment funds)	215,724	293,006	293,006
II. Outflows	1,380,938	1,182,649	1,341,514
1. Purchase of intangible and fixed assets	824,777	944,929	1,003,794
2. Stocks purchased		2,628	2,628
3. Loans granted	137	92	92
4. Other investing outflows (investment funds)	556,024	235,000	335,000
III. Net cash flows from investing activities (I-II)	-1,007,058	-753,122	-861,467
C. Cash flows from financing activities			
I. Inflows	1,325,321	891,316	949,239
1. Proceeds from issuance of shares	112,347	2	2
2. Loans and borrowings	1,212,974	591,563	649,486
3. Issuance of bonds	0	299,751	299,751
II. Outflows	1,464,864	1,438,329	1,631,709
1. Dividends and other payments to owners	0	110,065	110,065
2. Repayment of bank loans and borrowings	768,492	537,215	663,512
3. Payment of lease liabilities	538,564	663,373	721,137
4. Interest	157,685	127,676	136,995
5. Other financial outflows	123	0	
III. Net cash flows from financing activity (I-II)	-139,543	-547,013	-682,470
D. Total net cash flows (A.III+/-B.III+/-C.III)	-72,068	272,416	304,364
E. Balance sheet change in cash, including:	-83,620	291,137	316,505
- change in cash due to foreign currency translation	-11,552	18,721	12,141
F. Opening balance of cash	1,348,311	1,075,895	1,043,947
G. Closing balance of cash (F+/- D)	1,276,243	1,348,311	1,348,311

5.4. COMMENTS ON THE FINANCIAL RESULTS

The year 2020/21 was a time when the whole retail sector faced considerable challenges and was forced to fight to maintain liquidity and continuity of operations, while trying to save as many jobs as possible. The outbreak of the COVID-19 pandemic made it necessary to temporarily put physical sales on hold in almost every country, which resulted in a sudden change in customer shopping habits and dramatic hike in online sales.

For many, e-commerce became a viable alternative to traditional shopping. Abrupt increases in Internet sales forced retailers to swiftly expand the capacity of their online channel and improve their logistic flexibility and effectiveness. This is what determined the results of e-commerce networks around the globe.

In this situation, LPP was forced to revise most of its plans and focus on optimising the areas that supported the company's operations when physical outlets were closed and after restrictions on retail were lifted. The first lockdown, introduced in the spring of 2020, showed in particular that customer expectations may evolve overnight, setting new trends as regards the products on offer and the operations of the whole sales, logistic and marketing infrastructure. Seeing this, LPP decided to considerably **speed up its implementation of the omnichannel model.**

As a result, the Group recorded a **triple-digit growth in online sales revenue**, which did not, however, fully compensate its lost business opportunities resulting from lockdown. Before the pandemic, physical sales accounted for 90% of the Group's total revenue. Subsequent lockdowns declared in Poland and abroad resulted in the Group's **overall sales falling by ca. 15%** as compared to the previous year.

As a consequence of the shutdowns of brick-and-mortar stores, their inventory levels increased. By decreasing its orders and moving some collections to future seasons, the Group significantly improved its inventory levels, yet this also resulted in bigger YoY sales once the physical stores reopened, and more vigorous sales promotions in the online channel. Due to both of these factors, as well as the fact it was not possible to translate unfavourable currency exchange rates into prices in selected quarters, the Group's **gross profit margin was down by 1.5 percentage points** as compared to the same period last year.

The pandemic affected the Group's **operational costs** which in 2020/21 **went down by 2.3% YoY**. The drop resulted from lower rental costs as the company was released from paying the obligation to pay retail spaces rented from shopping centres during both lockdowns based on the Polish government's decision. What is



more, LPP managed to negotiate discounts with shopping centre owners abroad.

Another factor that contributed to lower operational costs were temporary pay cuts faced by all employees of the Group.

Importantly, the **decrease in operational costs recorded in 2020/21 was smaller than the drop in the Group's sales** at the same time, which was due to the fact that fixed costs constitute a relatively large share of the Group's total operational costs.

The remaining operational costs and revenue were untypically affected by write-downs updating the value of non-profitable stores (PLN 70.6m) and valuation allowances related to changed classification of rental agreements (PLN 30.4m), as well as subventions, mainly wage subsidies and grants for pay related social insurance deductions (PLN 83.3m).

Last year also saw **less favourable impact of the Group's net financial operations**, which was the consequence of bigger losses incurred due to currency rate differences resulting from IFRS'16 in the 2020/21 financial year.

Despite the difficulties faced by the whole retail sector, our end of year net loss was smaller than expected at the beginning of the pandemic. This was due to effective and flexible streamlining of our sales, logistic and marketing infrastructure and making use of the advantages offered by our Fashion Tech strategy imple-

mented by the organisation for years. All in all, in the 2020/21 financial year, the LPP Group recorded a **net loss of PLN 190m**, as compared to the profit of PLN 486m earned the previous year.

The period of the pandemic assured us that the future of retail lies in the omnichannel approach to customer sales. That is why, in the upcoming years, we plan to develop this business model: we will continue to develop the network of our physical stores, while improving our e-commerce, streamlining our offer of products, and investing in logistics and the supply chain. We intend to implement further technological innovations in the Group's different areas of operations, which will mean, among others, more automation in e-commerce and the use of AI algorithms at the stores, distribution centres and Internet order fulfillment centres. We believe this approach will make it possible for us to effectively adapt to the dynamic changes observed in the retail sector and build the Group's competitive advantage in the new market reality.

6

BACKSTAGE: HOW THIS REPORT WAS PREPARED



6.1. APPROACH TO REPORTING

6.1.1. SCOPE OF REPORTING

This LPP integrated report includes financial and non-financial disclosures of the LPP Group and its dominant entity, LPP SA, LPP Retail Sp. z o.o. and its foreign subsidiaries for a reporting year beginning on 1 February 2020 and ending on 31 January 2021, covering 12 months of operations. This is the LPP Group's fourth integrated report. The scope of reporting or methodologies of presenting numeric data pertaining to the disclosure indices have not changed significantly.

We publish the reports annually. The previous cycle marked a shift from a calendar year to a financial year. As a result, the report for the 2019/2020 reporting period, which was published in May 2020, unusually covered 13 months of the company's operations. Please take that into consideration when comparing numeric data presented in this and the previous LPP reports.

The previous report is available on our website at: www.lppsa.com/wp-content/uploads/2018/02/LPP-Integrated-Report-2019-Online-EN.pdf

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. The consolidated financial statement of the LPP Group for 1 February 2020–31 January 2021 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.

6.1.2. REPORTING PROCESS

The 2020/21 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 selection and presentation of the reporting topics. When prioritising the topics for disclosure, we took into consideration the opinions of stakeholders, employees and executives. To reevaluate the relevance of the reporting topics, we analysed the conclusions reached during a series of online meetings with LPP managers and employees. We also took into account the views of the participants of a stakeholder panel held in late 2019 and one-on-one interviews with experts carried out in 2020. Unfortunately, the epidemic which broke in the country made it impossible for us to meet a wider group of stakeholders for discussions, but we plan to continue these meetings and make use of these valuable exchanges with our social and business partners in the years to come. 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. After a multi-stage analysis and a series of consultations, we selected 11 most important non-financial reporting topics to be disclosed by the LPP Group for the period between 1 Feb. 2020 and 31 Jan. 2021, including detailed descriptions of how the organisation fulfills its commitments made in its sustainable development strategy "For People

For Our Planet" 2020–2025, and our approach to corporate responsibility.

The report also includes:

- non-financial disclosures required by the Polish Accounting Act;
- disclosures that we agreed to make when joining the UN Global Compact in 2019.

Throughout the process, we were assisted by an independent consulting firm, CSRinfo. To confirm the credibility of the report we used external assurance provided by Bureau Veritas.

Table 29. Revised key reporting topics¹

Key reporting topics		
FEB. 2020–JAN.2021	JAN. 2019–JAN. 2020	2018
Sustainable fashion (p. 58-90)	Legality of operations	Legality of operations
LPP as an employer (p. 96-127)	Investments in advanced technologies	Investments in advanced technologies
LPP economic and social impacts during the pandemic (p. 40-45, 79-80, 128-137)	Customer satisfaction	Customer satisfaction
New business model and omnichannel development (p. 12, 18-23, 83-89)	The company's business strategy and future plans	The company's business strategy and future plans
Product safety (p. 81-82)	Product safety	Product safety
Product quality (p. 81-82, 95)	Product quality	Product quality
Legality of operations (p. 30-36)	Conditions of work at LPP	Conditions of work at LPP
Customer satisfaction (p. 91-95)	Employee satisfaction	Garment production in Poland
Assessment of suppliers' workplace conditions (p. 41, 77-80, 114-115,)	Assessment of suppliers' workplace conditions	Recruitment
Investments in advanced technologies (p. 18-19, 83-90)	Employee development	Employee satisfaction
Development of the retail network (p. 21, 85-89, 94)	Conditions of work at points of sale (LPP Retail)	Promotion of fashion occupations
	Sustainable fashion	Assessment of suppliers' workplace conditions
	Development of the retail network	Employee development

¹ The issues are not listed in the order of significance. All the issues are considered highly significant.

[GRI 102-45] [GRI 102-46] [GRI 102-47] [GRI 102-48] [GRI 102-49] [GRI 102-50] [GRI 102-51] [GRI 102-52] [GRI 102-56]

6.2. INDICES AND TABLES

6.2.1. LIST OF NON-FINANCIAL DISCLOSURES

List of reporting disclosures required by the Polish Accounting Act with relevant page numbers.

TOPIC	Page number	
	LPP SA	LPP GROUP
1. LPP business model	18-27	18-27
2. Key performance measures	10	10
3. Politics, procedures, regulatory documents at LPP:		
• employee matters	23, 30-31, 114-116, 124	23, 30-31, 114-116, 124
• social matters	81	81
• environmental matters	26, 60-61, 74	26, 60-61, 74
• protection of human rights	77-78, 113-114	77-78, 113-114
• anti-corruption	30-31	30-31
4. Non-financial risks and their management	31-36	31-36

6.2.2. 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	164
Human rights	
Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	77-78, 113-114
Principle 2. Businesses should make sure that they are not complicit in human rights abuses.	77-78, 113-114
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. 98-127 of the report.
Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	These are very important principles for LPP in the context of the organisation's co-operation with its suppliers and ones that we stand by unconditionally. Our requirements for suppliers state that explicitly. For more on this, go to p. 77-78 and 113-114 of the report.
Principle 5. Businesses should uphold the effective abolition of child labour.	
Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	112-115
Environment	
Principle 7. Businesses should support a precautionary approach to environmental challenges.	26-29, 36, 39, 58-59
Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.	26-29, 39, 58-59
Principle 9. Businesses should support the development and diffusion of environmentally friendly technologies.	58-60, 69-75
Anti-corruption	
Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	30-31, 34

6.2.3. CLIMATE-RELATED DISCLOSURES

LPP is also in the process of adjusting its environmental disclosures to TCFD reporting recommendations and will be developing this approach in the future. Here are some of the disclosures recommended by TCFD:

Corporate governance	<ul style="list-style-type: none"> The organisation's governance around climate-related risks and opportunities – p. 23, 31–36. The management's role in assessing and managing climate-related risks and opportunities – p. 13, 60.
Strategy	<ul style="list-style-type: none"> Goals for reducing greenhouse gas emissions – p. 26–29, 61. The impact of climate-related risks and opportunities on LPP's businesses, strategy, and financial planning – p. 26–27, 36, 63–66.
Risk management	<ul style="list-style-type: none"> Approach to identifying climate-related risks are the process's integration into the organisation's overall risk management – p. 31–36.
Metrics and targets	<ul style="list-style-type: none"> Targets used by LPP to manage greenhouse gas emissions – p. 26–29, 61. Metrics used by LPP to assess greenhouse gas emissions – p. 61–65.

6.2.4. GRI CONTENT INDEX

THE LIST OF DISCLOSURES INCLUDED IN THE REPORT

Disclosure no.	GRI standard title	Disclosure name	Comments / reported	Page no.
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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.		14, 162
GRI 102-2	GRI 102. General Disclosures 2016	Activities, brands, products, and services.		8-12, 18-26, 49-53
GRI 102-3	GRI 102. General Disclosures 2016	Location of headquarters.	LPP SA, ul. Łąkowa 39/44, 80-769 Gdańsk	14
GRI 102-4	GRI 102. General Disclosures 2016	Location of operations.		8-12, 14-15, 20-21
GRI 102-5	GRI 102. General Disclosures 2016	Ownership and legal form.		16
GRI 102-6	GRI 102. General Disclosures 2016	Market served by the group and its brands.		11, 15, 21
GRI 102-7	GRI 102. General Disclosures 2016	Scale of the organization:		10
Own measure	Not applicable	Retail space in sq. meters for the whole Group and the percentage increase YoY.		10
		Store count and YoY increase for the whole Group.		10
		E-commerce revenue - share in the Group's total revenue and percentage increase YoY		10
		LFL sales in the reporting year.	Distorted by two lockdowns and therefore not used in the 2020/21 report.	-

GRI 102-8	GRI 102. General Disclosures 2016	Information on employees and other workers.		98-100, 148-150
		Total employee count by gender and type of employment contract at LPP SA and the LPP Group.		99-100, 148-149
		Total employee count by the form of employment (full-time vs. part-time) by gender at LPP SA and the LPP Group.		99-100, 148
GRI 102-9	GRI 102. General Disclosures 2016	Description of the supply chain.		20-21, 76-88
Own measure	Not applicable	Foreign suppliers' percentage share in the overall procurement value by country (all products).		20, 77
		Percent share of European-based production.		77
		Suppliers' percentage share by country.		77
GRI 102-10	GRI 102. General Disclosures 2016	Significant changes to the size, structure or ownership of the organization and its supply chain.		12, 14
GRI 102-11	GRI 102. General Disclosures 2016	Precautionary Principle or approach.		31, 36, 60
GRI 102-12	GRI 102. General Disclosures 2016	A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.		28-29, 39
GRI 102-13	GRI 102. General Disclosures 2016	Membership of associations.		39
GRI 102-14	GRI 102. General Disclosures 2016	Statement from senior decision-maker.		4-5
GRI 102-15	GRI 102. General Disclosures 2016	Key impacts, risks, and opportunities.		23-25, 28-29, 31-36
GRI 102-16	GRI 102. General Disclosures 2016	Values, principles, standards, and norms of behavior.		22, 30, 116
GRI 102-18	GRI 102. General Disclosures 2016	Governance structure of the organization, including committees of the highest governance body.		13
GRI 102-40	GRI 102. General Disclosures 2016	List of stakeholder groups.		37-39
GRI 102-41	GRI 102. General Disclosures 2016	Collective bargaining agreements.	No such agreements in the organization.	-
GRI 102-42	GRI 102. General Disclosures 2016	Identifying and selecting stakeholders.		37-39, 162-163
GRI 102-43	GRI 102. General Disclosures 2016	Approach to stakeholder engagement.		37-39, 44-45, 162-163
GRI 102-44	GRI 102. General Disclosures 2016	Key topics and concerns raised.		163
GRI 102-45	GRI 102. General Disclosures 2016	Entities included in the consolidated financial statements.		14, 162
GRI 102-46	GRI 102. General Disclosures 2016	Defining report content and topic Boundaries.		162-163
GRI 102-47	GRI 102. General Disclosures 2016	List of material topics.		163
GRI 102-48	GRI 102. General Disclosures 2016	Restatements of information – the effect of any restatements of information given in previous reports, and the reasons for such restatements.		162
GRI 102-49	GRI 102. General Disclosures 2016	Changes in reporting – Significant changes from previous reporting periods in the list of material topics and topic Boundaries.		61, 162
GRI 102-50	GRI 102. General Disclosures 2016	Reporting period.	Reporting period beginning on 1 Feb. 2020 and ending on 30 Jan. 2021.	162

[GRI 102-55]

GRI 102-51	GRI 102. General Disclosures 2016	Date of most recent report.	May 2020.	-
GRI 102-52		Reporting cycle.	Yearly.	-
GRI 102-53		Contact point for questions regarding the report.		180
GRI 102-54		Claims of reporting in accordance with the GRI Standards.	This report has been prepared in accordance with the GRI Standards: Core option.	-
GRI 102-55		GRI content index.		166
GRI 102-56		External assurance.	The report was subject to an external audit.	162, 175

II. Specific disclosures on key reporting topics

The reporting topic: New business model and development of omnichannel operations

GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.		10, 18–36, 83
GRI 103-2		The management approach and its components.		
GRI 103-3		Evaluation of the management approach.		
Own measure	Not applicable	Description of the new business model and development of omnichannel operations.		

The reporting topic: Investments in advanced technologies

GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic.		23, 33, 36, 83–89
GRI 103-2		The management approach and its components.		
GRI 103-3		Evaluation of the management approach.		
Own measure	Not applicable	Description of the goals and scope of investments in advanced technologies.		9–10, 18–19, 23, 83–89

The reporting topic: Legality of operations

GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic.		30–34
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).		30–31, 151
GRI 205-3		Confirmed incidents of corruption and actions taken.		151

The reporting topic: Development of the retail network

GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic.		32–33
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.		86
		Percent share of different modes of transportation in the reporting year.		21

Environmental topics

The reporting topic: Sustainable fashion

GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic.		26–29, 33, 36, 58–61, 69–71
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.		26–27, 58–59,
		Percent share of Eco Aware products in LPP collections.		59, 70

Energy

GRI 302-1	GRI 302. Energy 2016	Energy consumption within the organization.		65, 147
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Emissions

GRI 305-1	GRI 305. Emissions 2016	Direct (Scope 1) GHG emissions.		62–63, 147
GRI 305-2		Energy indirect (Scope 2) GHG emissions.		62–63, 147
GRI 305-3		Other indirect (Scope 3) GHG emissions.		62–63, 147
GRI 305-4		GHG emissions intensity.		64

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].		74–75
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Waste

GRI 306-2	GRI 306. Effluents and Waste 2016	Waste by type and disposal method.		66–68, 147
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Social topics

The reporting topic: LPP as an employer

GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic.		98, 102, 107–114, 118, 124–125
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.:		104, 108, 148–149
		Employees who left the organization by gender and age at LPP SA and LPP Retail.		104, 148–149
		New employee hires by gender and age at LPP SA and LPP Retail.		104, 148–149
GRI 401-2		Benefits provided to full-time employees that are not provided to temporary or part-time employees.		117

Diversity			
GRI 405-1	GRI 405. Diversity and Equal Opportunity 2016	Diversity of governance bodies and employees.	99, 113, 149-150
Own measure	Not applicable	Percentage share of employees with disabilities	113, 150

Occupational Health and Safety			
GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic.	77-79, 124-127
GRI 103-2	GRI 103. Management Approach 2016	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.	124-125
GRI 403-2	GRI 403. Occupational Health and Safety 2018	Hazard Identification, risk assessment, and incident investigation.	124-125
GRI 403-3		Occupational health services.	127
GRI 403-4		Worker participation, consultation, and communication on occupational health and safety.	125
GRI 403-5		Worker training on occupational health and safety.	124-127
GRI 403-6		Promotion of worker Health.	126-127
GRI 403-7		Prevention and mitigation of occupational health and safety impacts directly linked by business relationships.	77-79
GRI 403-9		Work-related injuries.	126, 150
Own measure	Not applicable	Description of the conditions of work in points of sale - descriptive measure.	110-111

Training and education			
GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic.	118-123
GRI 103-2	GRI 103. Management Approach 2016	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).	119, 123, 150
GRI 404-2	GRI 404. Training and education 2016	Programs for upgrading employee skills and transition assistance programs.	120-123

The reporting topic: Customer satisfaction

GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic.	23, 32, 35, 81, 91-95
GRI 103-2	GRI 103. Management Approach 2016	The management approach and its components.	
GRI 103-3		Evaluation of the management approach.	
Own measure	Not applicable	Sales revenue.	10

The reporting topic: Product quality			
GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic.	32, 81-82
GRI 103-2	GRI 103. Management Approach 2016	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.	82

The reporting topic: Product safety

GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic.	33, 81-82
GRI 103-2	GRI 103. Management Approach 2016	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.	82

The reporting topic: Assessment of suppliers' workplace conditions

GRI 103-1	GRI 103. Management Approach 2016	Explanation of the material topic.	31, 33, 77-79
GRI 103-2	GRI 103. Management Approach 2016	The management approach and its components.	31, 33, 77-79
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.	78
Own measure	Not applicable	Number of inspections concerning occupational health and safety, workplace conditions and human rights in the reporting Year.	79

Local Communities			
GRI 413-1	GRI 413. Local communities 2016	Operations with local community engagement, impact assessments, and development programs.	100% 130-141
Own measure	Not applicable	Donations in the reporting year.	135
		Community service projects supported by the LPP Foundation.	135
		Number of volunteers involved in community service projects in the reporting year.	115 involved in #LPPhelps, 59 involved in other projects 135
GRI 415-1	GRI 415. Public policy 2016	Political contributions.	LPP does not make any monetary or in-kind contributions towards political initiatives. -

The reporting topic: LPP economic and social impact during the pandemic

GRI 103-1	GRI 103. Management	Explanation of the material topic.	3-4, 40-45, 79-80
GRI 103-2	Approach 2016	The management approach and its components.	
GRI 103-3		Evaluation of the management approach.	
Own measure	Not applicable	Main actions taken in connection with the COVID-19 pandemic and their outcomes.	40-45, 79-80

6.2.5. LIST OF TABLES AND CHARTS

Table	Chapter	Page no.
Sales channels across the world.	1	11
LPP brands across the world.	1	12
LPP Group subsidiaries.	1	14
Risks identified at LPP SA and the LPP Group.	1	31
Contributions to the Polish budget in 2016-2020/21 [PLN thousands].	1	42, 144
Social media followers by brand.	2	54
Greenhouse gas emissions produced by the LPP Group in tonnes of CO ₂ e.	2	62
Total electric energy consumption at LPP SA.	2	65
Total packaging out on the market.	2	66
Total waste by type and management method.	2	66
Management of other types of waste at LPP SA and LPP Retail.	2	68
Eco Aware products by LPP brand.	2	70
LPP net revenue by brand.	2	83
Online sales net revenue.	2	85
Changes in LPP brand stores in the reporting year.	2	94
Total employee count by gender at the LPP Group.	3	99
Total employee count by the type of employment contract at the LPP Group.	3	99
Total employee count by the form of employment (full-time vs. part-time) and gender at the LPP Group.	3	100
LPP SA and LPP Retail employees hired in the 2020/21 reporting year by gender and age.	3	104
LPP SA and LPP Retail employees who left the organisation in the 2020/21 reporting year by gender and age.	3	104
LPP SA and LPP Retail employee turnover in the 2019/20 and 2020/21 reporting years.	3	108
LPP SA and LPP Retail employees by gender, age and other diversity indices.	3	113
LPP SA and LPP Retail employees by nationality.	3	113
Overall number of training hours (in-person and remote) by employment category.	3	119
Average number of training hours (in-person and remote) by gender.	3	119

Employee development activities at the LPP central headquarters in the 2020/21 reporting year.	3	119
Training at the LPP central headquarters in the 2020/21 reporting year.	3	119
Job-related injuries in LPP SA, LPP Retail and foreign subsidiaries in the 2020/21 reporting year.	3	124

6.2.6. KEYWORDS

Word/phrase	Explanation	Page no.
ACCORD	The Accord on Fire and Building Safety in Bangladesh.	75, 115
Bangladesh	One of the markets where LPP clothes are manufactured.	75, 77
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.	124
UN Sustainable Development Goals 2015-2030	17 goals of the 2030 Agenda for Sustainable Development adopted by all UN countries in September 2015.	28-29
China	One of the markets where LPP clothes are manufactured.	75
Supplier	An entity that provides goods or services.	75-77
Eco Aware	LPP's environmental protection standard.	67-73
Stakeholder	An entity that may influence the organisation or is influenced by the organisation's actions.	38
Investor	An individual or legal person that invests financial resources expecting a return.	15, 38
Logistics	The process of planning, implementation and supervision of the flow of materials and end-products along the value chain.	21, 83-90
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).	18-21
Omnichannel	Integrated multichannel trading using different yet synchronised tools and methods of customer service (both physical and online)	12, 18
Taxes	Compulsory non-refundable monetary contributions to state revenue required by law and made without consideration.	42, 146
Pandemic	The COVID-19 pandemic which spread from China to Europe in the first half of 2020, significantly altering the social and economic life on the continent and the whole globe.	40
Employee	A person who works for an organisation, a worker.	98-127
Human rights	Fundamental, inalienable and universal rights inherent to every human being.	112-115
Designing	Creating clothes designs.	20
RFID	Radio-frequency identification used to identify and track tags attached to an object along the supply chain.	19, 22, 81
Diversity in the workplace	All attributes that make people (employees) different, e.g. diversity in terms of age, gender, views, ethnicity and culture.	112
Strategy	The direction and scope of activity chosen by a company and implemented over a long term to achieve competitive advantage.	23, 26-27

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 online sales and offices, and building consumer engagement.	58-59
Sewing	For the purposes of this report, the process of manufacturing LPP clothes.	20
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.	12, 18-19, 26-27, 36, 58
Clothes	For the purposes of this report, products sold by any of LPP brands.	48, 66, 71
Values	For the purposes of this report, the norms and principles of behaviour governing LPP's operations.	22
Social engagement	Business involvement in community initiatives through financial participation, in-kind support or the employees' activity.	128

EXTERNAL ASSURANCE



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 FOR 2020/21" (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 February 2020 to 31 January 2021

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.



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: Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Finland, Germany, Hungary, Kazakhstan, Latvia, Lithuania, Romania, Russia, Serbia, Slovakia, Slovenia, Ukraine, United Kingdom;

Level of Assurance: Limited

Data and information supporting the Scope 1, 2 and 3 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 (electricity consumption in showrooms in Poland, transport of products to stores, use of sold products).

There was no biogenic GHG emissions identified.

ENERGY CONSUMPTION	2020/2021
Electricity – gigajoule (GJ)	673 341
Heat - GJ	178 654
Natural gas - GJ	35 125
Diesel oil - GJ	16 969
Petrol - GJ	7 470
Total - GJ	911 560



GHG Emissions	2020/2021
Scope 1 – tonnes of carbon dioxide equivalents (t CO2e)	3 721
Scope 2 (Location-Based) – t CO2e	120 977
Scope 3 – Total – t CO2e	1 170 642
Scope 3 – Purchased goods and services – t CO2e	854 306
Scope 3 – Fuel and energy-related Activities (not included in scope 1 or scope 2) – t CO2e	15 490
Scope 3 – Upstream transportation and distribution –t CO2e	30 654
Scope 3 – Waste generated in operations – t CO2e	600
Scope 3 – Business travels – t CO2e	1 904
Scope 3 – Downstream transportation and distribution – t CO2e	16 778
Scope 3 – Use of sold products – t CO2e	250 911

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 190 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 TIC Council³, cross 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, 13th May 2021

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 TIC Council Compliance Code EDITION 1 December 2018

LET'S STAY IN TOUCH

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.

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The LPP Integrated Report was printed on 100% post-consumer recycled Nautilus SuperWhite paper with FSC certification which has been bleached without any type of chlorine.

This helped to reduce the environmental footprint in the following way:



73 kilos of waste did not end up in a land fill,



greenhouse gas emissions were reduced by **10 kilos**,



the product's travel footprint shrank by **96 km** on average (medium-sized European car),



2825 litres of water were saved,



166 kWh of energy were saved,



116 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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