



**LPP**

SUSTAINABILITY  
REPORT  
FOR 2021/22

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WITH ESG BROUGHT TO THE FORE

RESERVED

CROPP

 **house**

MOHITO

**sinsay**

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# With ESG brought to the fore

GRI 102-14, GRI 102-15

Only a year ago, the whole world was led to think that the omnipresent pandemic that had dominated the previous 18 months of our lives was one of the toughest periods of modern history – both from a social and economic perspective. However, no one suspected that even more difficult events were about to unfold early in 2022 that would transform reality as we know it....

Despite the pandemics, disrupted supply chains and difficulties in sourcing raw materials for production, we can proudly consider the past year a successful one for LPP. After a tough 2020 and numerous lockdowns, the customers finally resumed their old habits, although within the pandemic regime. On almost all markets, we could observe a trend of the so-called deferred demand. The return to schools and offices triggered people's desire to refresh their wardrobes again. Interest in the collections of our brands increased. Customers were eager to visit our stores –

both physical and online ones. Today, almost a third of all transactions concerning LPP brands are carried out online. Therefore, during the year we had been consistently improving our technological and logistical solutions in order to meet our customers' expectations. We expanded our distribution network by almost a half. We launched further logistics construction projects. We designated a separate IT company from our structures – Silky Coders – to boost our operational efficiency in the area of state-of-the-art technologies. Our customers were also offered the first Reserved mobile app, and – at the beginning of the year – we accelerated the implementation of RFID technology in Mohito, Cropp, and House brands.

Regardless of the pace of changes, we did not let up on implementing our business strategy, as well as our efforts in the area of sustainable development. We knew that consistent and gradual development in the

spirit of the omnichannel model, with full development of our business digitisation and respect for LPP's closer and more distant environment, constitutes a good and reliable signpost on the road to further growth.

The world is moving forward, but today the title of a good and strong company is no longer reserved only to those who prioritise only financial results. A forward-looking company is characterised by its awareness of climate challenges and ability to respond to them by following a clear action plan. This is the result of the ongoing evolution of the market in which three letters – ESG – have come to the fore. In today's reality, companies are assessed through the perspective of their values. Keeping that in mind and at the same time remaining faithful to our business philosophy, we consistently worked towards achieving the successive goals enshrined in our sustainability strategy „For People For Our Planet”.

One of them consists in complete elimination of single-use plastics and entails acting in full respect for natural resources. For several years now, we have been pursuing a new packaging policy of transitioning from plastics towards cardboard solutions. In parallel, we are increasing the share of ecologically-sound fabrics, including cellulose ones, in our collections. Naturally, following up on that approach, in the middle of last year we decided to start cooperating with Canopy – an organisation that aims to develop practices for the sustainable use of the world's forests.

Last year, we also partnered with Cotton made in Africa – a renowned international standard for sustainable production of African cotton. Not only was this move driven by our commitment to continually increasing the share of ecologically-sound products in our collections. It was also our response to the desire to implement best practices and social standards. In fact, by joining this initiative, we are contribut-



ing to improving the social conditions of around one million farmers in Sub-Saharan Africa.

Last year also saw fully measurable outcomes of our joining the global Zero Discharge of Hazardous Chemicals (ZDHC) initiative for sustainable chemical safety in the textile industry. At present, up to 70% of LPP garments produced in Bangladesh and Pakistan meet ZDHC's stringent sustainable chemical safety standards.

Over the past 12 months, we effected many changes on the path to improving LPP and responding to the climate challenges of today. We added more facilities to our portfolio that meet BREEAM certification for sustainable construction. We signed the largest renewable energy purchase contracts in Poland. Our Distribution Centre in Brześć Kujawski got equipped with photovoltaic power supply, and we were continuously expanding the range of sustainable collections with the Eco Aware label.

Aware of the enormity of challenges still ahead of us, in December 2021 we decided to create, within the structures directly reporting to me, the position of ESG director. We have entrusted them with the responsibility for planning and coordinating the implementation of responsible business standards in all three pillars – environmental, social and corporate governance of LPP.

As the president of LPP, but also the founder, I know that it is on my shoulders that the responsibility for our future and the next generations rests. However, with a team that for years has been proving an unparalleled level of professionalism and drive, I am convinced that despite the spectrum of challenges and new goals ahead of the company, we are ready to meet them. Still, life wrote a very difficult scenario, the root of which dates back to 24 February 2022. On that day we were all deprived of the most precious thing – world peace. For us as LPP it was an unimaginable blow and a testimony of responsibility for our colleagues in Ukraine. In 2023, we would have celebrated the 20th anniversary of our presence in this country. Meanwhile, on the eve of the jubilee and in the face of hostilities across our eastern border, we proceeded to fight for the safety of nearly 2,000 of our

Ukrainian employees and their families. As an act of solidarity with Ukraine and in the wake of sanctions imposed on the aggressor country, we have decided to suspend our over 20-year-long operations in Russia – the second most important market for our brands after Poland. This difficult decision has at the same time become an impulse for us to change our current business strategy and set new directions for our further development. Today, we are having a closer look at the countries of the European Union, where we want to strengthen our presence, but also to open new perspectives that will allow us to popularise Polish fashion on other European markets.

I do believe that the reality we knew at the beginning of this year will return, although undoubtedly in a changed form. I also believe that when I will be preparing the foreword to next year's report, it will be possible to write about the war in the past tense, recalling it only as a warning for future generations, and we will be richer in experiences that teach humanity and genuine social responsibility in the world.

**Marek Piechocki**  
President of the management board LPP



# 1. Profile and strategy of LPP Group



# Business model and scale of the organisation

GRI 102-2, GRI 102-4, GRI 102-6, GRI 102-7, Own measure: Store count, Own measure: Description of the business model and development of omnichannel operations



We are a reliable Polish family company operating in the clothing industry which we created over 30 years ago in the region of Pomerania. Ever since, we have been investing intensively in the development of our business, systematically expanding our retail network and increasing the availability of our online stores. We have been effectively implementing Polish creative ideas wherever we devise and sell the collections of our fashion brands. It is in Poland where we develop our brand concepts and make all the strategic decisions.

We are the largest Polish clothing producer in Central and Eastern Europe.

- We employ over **31.8 thousand** people.
- Commercial brands in LPP's portfolio are: **Reserved, Cropp, House, Mohito** and **Sinsay**.
- Our brands are available to our customers in **39** markets – including offline in 26 and online in 33 countries.
- We are a driving force of Polish exports: in the reporting period in question they were worth **PLN 8.5bn**.
- Already **60.7%** of our **PLN 14bn** revenue is generated outside of Poland.
- Our headquarters are located in **Gdańsk**, where the design departments of, among others, Reserved, Cropp, and Sinsay operate. Mohito and House collections are devised in LPP offices in Cracow.
- Over the year, we cooperate with **1,115** suppliers of clothes and accessories.
- We are a **Fashion Tech** company with its own analytical resources. There is a 600-person IT team operating within LPP Group – Silky Coders – of the size comparable with the largest IT companies in Poland.
- In the reporting year, our contribution to the Polish budget amounted to **PLN 1,590m**.
- We have been continuously investing in our logistics network – 2021 saw the completion of the construction of the Distribution Centre in Brześć Kujawski – which accounts for additional **75,000 m<sup>2</sup>** of warehouse space.
- **PLN 1,325m** is the total investment in 2021/22 reporting year (CAPEX).

MARKETS AND SALES CHANNELS OF LPP GROUP BRANDS ACROSS THE WORLD  
(as of 31 Jan. 2022)

Sales channels	No. of markets	Markets
Physical locations and online sales	<b>20</b>	Poland, Czech Republic, Slovakia, Hungary, Lithuania, Latvia, Estonia, Russia <sup>1</sup> , Ukraine, Bulgaria, Romania, Croatia, Slovenia, Germany, UK, Finland, UAE, Kuwait, Qatar, Israel
Physical locations only	<b>6</b>	Belarus, Kazakhstan, Serbia, Bosnia and Hercegovina, North Macedonia, Egypt,
Online sales only	<b>13</b>	Ireland, Denmark, Sweden, Austria, the Netherlands, Belgium, Luxembourg, Italy, France, Greece, Spain, Portugal, Saudi Arabia

In selected markets in the Middle East we use franchise agreements.

GRI 102-1, GRI 102-10

The LPP SA Group (hereinafter: “the LPP Group”) is formed by 34 companies: the parent company, LPP SA; 8 Polish subsidiaries and 25 foreign subsidiaries. In 2021, within the structures of the LPP Group we designated, among others, **a technology company – Silky Coders** – established by and for experts in the broadly defined IT industry and specialising in this area. The Silky Coders team implements innovative solutions providing services for the parent company – LPP.

Foreign subsidiaries are mostly companies responsible for the distribution of Reserved, Cropp, House, Mohito, and Sinsay products outside of Poland. Foreign companies are headed by country managers.

 A full list of LPP Group companies can be found in Chapter V.

<sup>1</sup> In the first quarter of 2022, we suspended LPP Group’s operations in Russia and Ukraine.

<sup>2</sup> As of 31 Jan. 2022



We are available to our customers in **39** markets.

# Creating value model of the LPP Group

GRI 102-15, GRI 102-9

Our business operations rest on four values *Fire-fueled, Ambition-driven, Socially-responsible, Team-oriented*

## ASSETS

 <p><b>Natural capital</b></p> <p>including raw materials used to produce fabrics and natural resources, such as energy and water.</p>	 <p><b>Financial capital</b></p> <p>namely equity and liabilities.</p>	 <p><b>Human and intellectual capital</b></p> <p>meaning the contribution of our employees and suppliers into the creation, development and production of our collections, their distribution and sales.</p>	 <p><b>Social and relational capital</b></p> <p>in other words the inspirations and growth which we owe to our relations with investors, business and social partners, customers and other stakeholders.</p>	 <p><b>Manufactured capital</b></p> <p>that is products, their distribution and sales.</p>
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## OUR BUSINESS MODEL



<p>➔ <b>STEP 1: DESIGNING</b></p> <p><b>3</b> design offices in Poland (Gdańsk, Cracow, Warsaw)</p> <p>Above <b>300</b> designers</p> <p><b>5</b> diverse brands</p>	<p>➔ <b>STEP 2: SEWING</b></p> <p>Over <b>1,100</b> suppliers from Asia and Europe</p> <p><b>2</b> representative offices in Asia (Shanghai, Dhaka) that support the manufacturing process</p> <p>About <b>7%</b> of our brands' collections are manufactured in our close neighbourhood, while <b>93%</b> are produced in Asia. We do not own manufacturing plants</p>	<p>➔ <b>STEP 3: SHIPPING</b></p> <p><b>371,000</b> m<sup>2</sup> of total warehouse space</p> <p>DC and FC-type warehouse facilities<sup>1</sup> in Poland and abroad.</p> <p>About <b>41m</b> online orders fulfilled in the reporting year</p>	<p>➔ <b>STEP 3: SELLING</b></p> <p>Our collections are available (in physical stores and online) in <b>39</b> countries on <b>3</b> continents</p> <p><b>2 244</b> stores with the combined space of <b>1,888,000</b> m<sup>2</sup> across <b>26</b> countries</p> <p>Online sales in <b>33</b> countries</p>
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<sup>3</sup> DC i FC - distribution centres and warehouse facilities of a Fulfillment Centre type.



**Natural capital**



**Financial capital**



**Human and intellectual capital**



**Social and relational capital**



**Manufactured capital**

**OUR RESULTS IN THE 2021/22 REPORTING**

**5,496,883 GJ** of energy used.  
**100%** of green energy powering our online stores.  
**3,034,151 tCO<sub>2</sub>e** of carbon dioxide emitted.  
**27** factories covered by the Eco Aware Production scheme.

**PLN 3,272,100.1:** equity.  
**PLN 10,863,000:** for long-term and short-term reserves and liabilities.

**31.8 thousand** employees of the LPP Group.  
**1,115** suppliers on three continents.

Partnerships for sustainable development goals joined: Zero Discharge of Hazardous Chemicals (ZDHC), Polish Plastics Pact, Canopy, and Cotton Made in Africa.  
 Continued membership in International ACCORD ( The Bangladesh Accord on Fire and Building Safety).  
 Supporting a sector-specific initiative: Union of Polish Retail and Services Employers (ZPPHiU).  
 Operations of the LPP Foundation, including the "Fashion for a Better Start" project.

About **412m** items of clothing sold annually.  
**26%** proportion of Eco Aware products in our brands' collections.  
**1,888,000 m<sup>2</sup>** of combined retail space of all LPP Group stores.

**STAKEHOLDER VALUE**

Reduction of negative environmental impacts of the industry.  
 A step towards delaying climate change.  
 Limiting harmful chemical substances and single-use plastics in the environment  
 Wider choice of products that are more environmentally-friendly to facilitate more responsible consumer decisions.

Financial results appreciated by investors.  
 Ability to adequately remunerate employees.  
 Strengthening of the economy through, among other things, taxes and cooperation with suppliers from the region.

Convenient working conditions for thousands of LPP employees.  
 Opportunities for employees to develop professionally and improve their skills.

Help offered to suppliers with regard to managing their environmental impacts and increasing their competitive advantage.  
 Help offered to suppliers with regard to working conditions and human rights protection.  
 Assistance for local communities and the society at large.

More innovation and better access to advanced technologies in the fashion industry.  
 Availability of products and convenience of safe shopping for customers.

# Strategy and key results

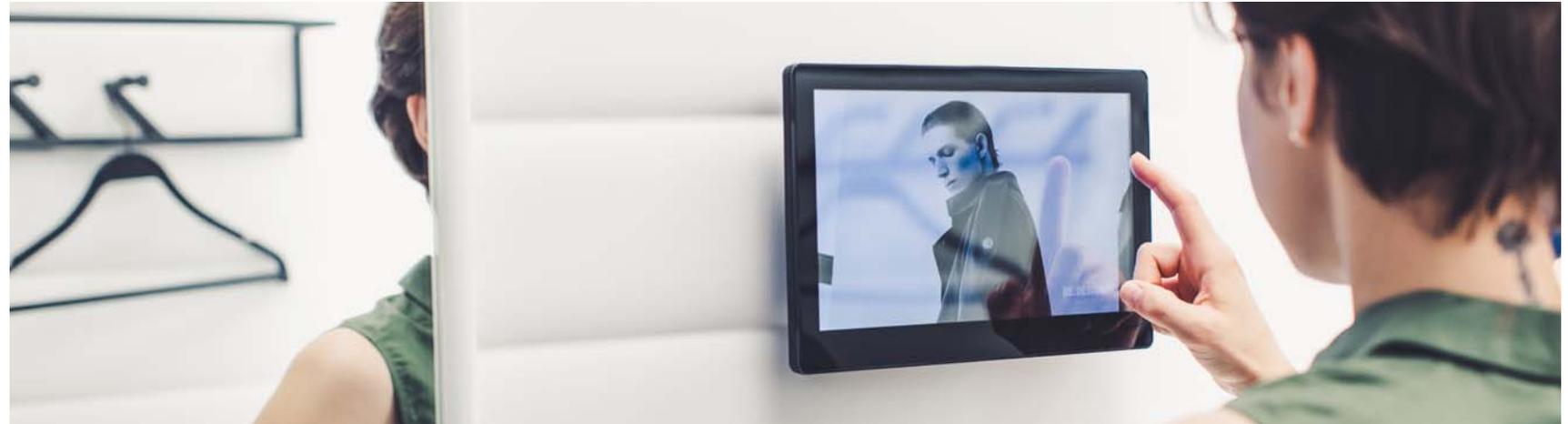
GRI 102-15, GRI 103-1, 103-2 and 103-3 reporting topics Omnichannel and new technologies, Customer satisfaction, Development of the distribution network

## Our mission:

*We help our customers express their emotions and fulfil their dreams through the way they look.*

## Our vision:

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



## Strategy

Our goal is to continuously develop LPP and transform our company into an increasingly sustainable organisation that responds to the climate challenges of today. We are incessantly improving our offer and adapting it to the ever-changing customer expectations. Our collections are more and more accessible thanks to the extension of our physical stores network

(increasing retail floorspace YoY), as well as online stores. We are driving our development towards the omnichannel concept to ensure that our customers have full access to the products, regardless of the sales channel. At the same time, we are constantly responding to the challenges posed by the world around us in both technological and environmental context. We have undergone a profound transfor-

mation in terms of technology, logistics, and sales. The strategy of strengthening our position as an omnichannel organisation is an effective response to the challenges faced by businesses in the post-covid era, as demonstrated by our results. We founded our strategy on three pillars: the omnichannel model, digitisation and sustainable development.

## LPP business strategy pillars

1. Omnichannel organisation
2. Digitisation of the organisation
3. Sustainable development

### Pillar 1.

#### Omnichannel organisation

LPP is an omnichannel organisation where offline and online sales are fully integrated. We are committed to providing our customers with the best possible shopping experience, regardless of whether they choose to purchase our collections in physical stores or online. That is why we develop both channels simultaneously, while ensuring a coherent presentation of our offer.

Our priorities are as follows:

- further development of the five clothing brands (Reserved, Cropp, House, Mohito, and Sinsay) in our portfolio in the mid-price range or Affordable Fashion Retail segment, dedicated to different target groups;
- increased accessibility of our brands' offer by way of simultaneous development of the traditional retail network and the online offer so that our customers interact with the brand wherever, whenever and however they wish thanks to integrated channels.

### Pillar 2.

#### Digitisation of the organisation

We operate in the area of fashion, but at the same time, in response to the revolution happening in the clothing industry, we have become a tech-oriented company. We create our own original IT solutions tailored to our needs. We implement state-of-the-art technologies in the area of Fashion Tech, throughout the value chain: from the product, through logistics and sales. We have our own analytical resources which allows us to understand megatrends and customer expectations. This, in turn, makes us respond flexibly and quickly to changes in consumer preferences and design collections in tune with the current needs of our customers. Without the digitisation of our organisation, the implementation of LPP's business strategy would not be possible.

As part of our Fashion Tech activities, we focus our efforts on using modern technology to:

- continuously improve our collections in line with our customers' expectations,
- expand our range of sales and after-sales services in line with global retail trends,
- increase the flexibility of our distribution network,
- fully integrate traditional and online channels in the spirit of the omnichannel strategy.



### Pillar 3.

#### Sustainable development

In the times of growing awareness as to the importance of responsible business, elements of our concern for our surroundings – the environment and people alike – are reflected in the LPP strategy. For years now, the company's development has been successively based on sustainable rules for all processes within the company.

Our sustainable development strategy is tantamount to responsible fashion, which means thinking about our collections not only from the perspective of clothing design, its production, distribution and use, but also giving our clothes the so-called second life after the end of the process of their use by customers.

Such a comprehensive approach is our response to current climate challenges. We want to systematically and effectively reduce the negative environmental impact of LPP but also to educate our customers and business partners how we can make joint efforts to effectively take care of the planet for our own sake and for the future generations.

We carry out semi-annual reviews of the strategy and implementation status of our business plans. This is linked to the cycles that occur in the apparel business. At the close of the half-year, senior and middle management analyse the company's financial performance. The operating results of the company, individual commercial departments and even particular stores are subject to monthly analyses.

### Strategic investments

We have become a fully omnichannel organisation that harmoniously combines its two sales channels: an international chain of physical stores and a dynamically developing e-commerce. Due to our dynamic growth we are significantly increasing the usable warehouse space.

Strategic activities in this area include:

- continuation of the construction of the Distribution Centre in Brześć Kujawski
- renting of a new Fulfillment-type warehouse in Pruszcz Gdański,
- preparation to launch of a new Fulfillment Centre in Rzeszów.

### Sustainable development strategy

GRI 103-1, 103-2 and 103-3 of the reporting topic: Sustainable development and climate impact

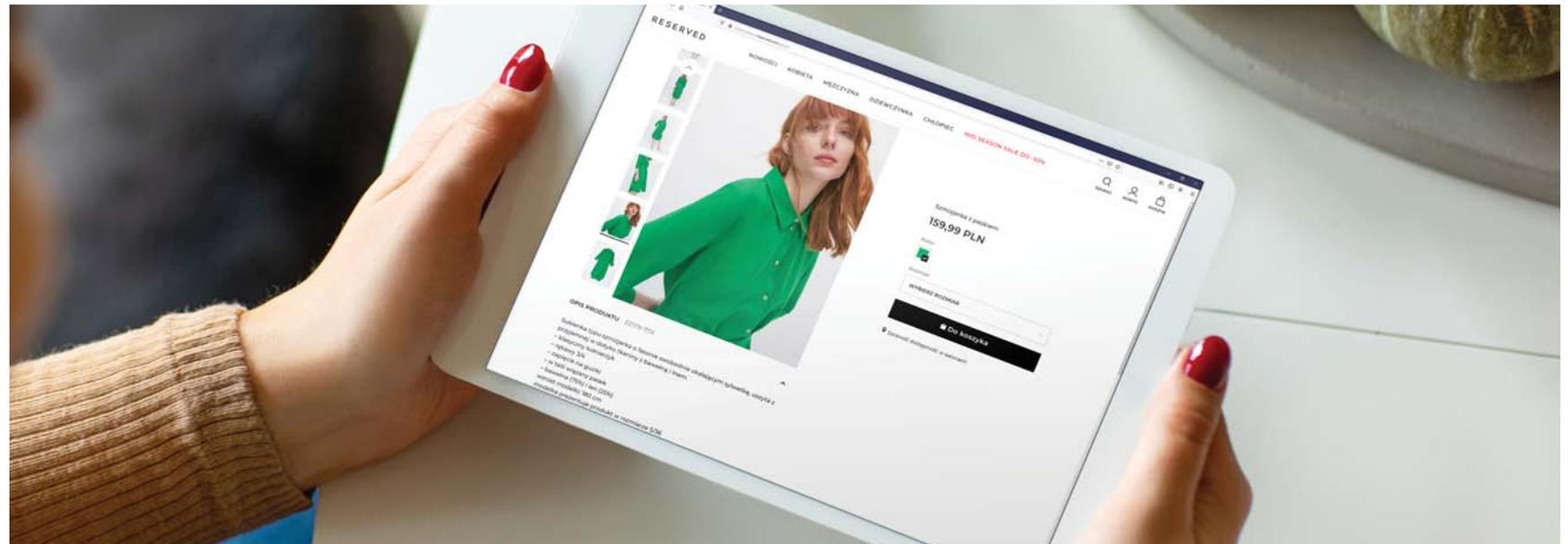
In pursuit of our business ambitions, we continue to implement our sustainability strategy “For People For Our Planet”. Its objectives revolve around climate challenges and reducing the environmental impact of our operations. In parallel to the actions highlighted as strategic sustainability objectives, we are continuously improving our approach to managing social issues and to complying with organisational governance.

#### PLANS FOR THE 2021/22 REPORTING YEAR

1. Dynamic increase in online sales.
2. Double-digit growth in retail space.
3. RFID implementation in more brands: Cropp, House, Mohito.
4. Further investments: CAPEX estimated at PLN 1,1bn.
5. Maintaining a secure financial position.

#### PLANS FOR THE 2022/23 REPORTING YEAR

1. Strengthening omnichannel sales: strengthening e-commerce sales, and in subsequent years - implementing a plan to increase sales in the traditional channel.
2. Development of physical sales networks of younger brands, especially Sinsay, Cropp and House, in smaller towns.
3. Greater concentration on e-commerce development of Reserved and Mohito brands.
4. Possible achievement of PLN 16bn in sales according to sales plans for the 2022/23 financial year (excluding the Ukrainian and Russian markets).
5. High level of investment commitment in the amount of PLN 1bn, including ca. PLN 630m for the development of the physical stores network.



#### 4 DIRECTIONS AND 21 STRATEGIC OBJECTIVES IN THE AREA OF SUSTAINABLE DEVELOPMENT

	 <b>Product and production</b>	 <b>Chemical safety</b>	 <b>Plastics under control</b>	 <b>Buildings of the headquarters and retail network</b>
2020	<ul style="list-style-type: none"> <li>✔ Implementing Eco Aware Production programme in the areas of water management and energy sourcing.</li> </ul>	<ul style="list-style-type: none"> <li>✔ ZDHC membership.</li> </ul>	<ul style="list-style-type: none"> <li>✔ 100% of online orders packaging of Mohito and Reserved without single use plastics.</li> <li>✔ 100% of film for House, Cropp and Sinsay online orders shipment from recycling.</li> <li>✔ Limiting single-use film for commercial samples packaging by 50%</li> </ul>	<ul style="list-style-type: none"> <li>✔ Implementing Eco Aware STORES programme.</li> </ul>
2021	<ul style="list-style-type: none"> <li>✔ 25% of clothes produced by LPP are Eco Aware collections.</li> <li>✔ 30% of factories in Southern Asia covered by Eco Aware Production programme.</li> </ul>	<ul style="list-style-type: none"> <li>✔ 100% of products containing wool or down with RDS/RWS certificate.</li> </ul>	<ul style="list-style-type: none"> <li>✔ 100% of price tags film-free.</li> </ul>	<ul style="list-style-type: none"> <li>✔ 100% of green energy powering our servers and online stores.</li> </ul>
2023	<p>100% of denim production factories covered by Eco Aware Production programme.</p> <p>Used garments collection system in 100% of stores.</p> <p>PLN 1m on investment in new technologies allowing for textile waste utilisation.</p>		<p>100% of our cardboard boxes recycled or FSC certified.</p> <p>100% of store packaging recycled.</p>	<p>All new buildings with environmental certification (BREEAM/LEED)</p>
2025	<p>50% of Reserved garments in Eco Aware collection.</p> <p>CO<sub>2</sub> reduction by 15%.</p>	<p>Full compliance with ZDHC standards.</p>	<p>100% of plastic in packaging suitable for re-use, recyclable or biodegradable.</p>	<p>100% of stores covered by Eco Aware STORES programme.</p>

✔ Objectives attained

# Key results

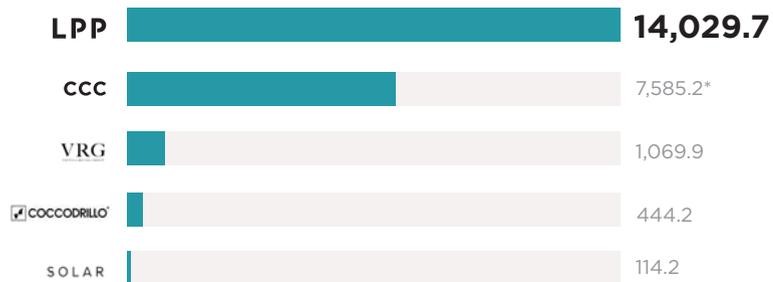
Own measure: Group's net sales revenues for the reported year and % YoY growth, Own measure: e-commerce revenues, Own measure: store floor space in m<sup>2</sup>

We are a fully omnichannel organisation that brings together physical sales and e-commerce while offering our customers a unique buying experience.

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

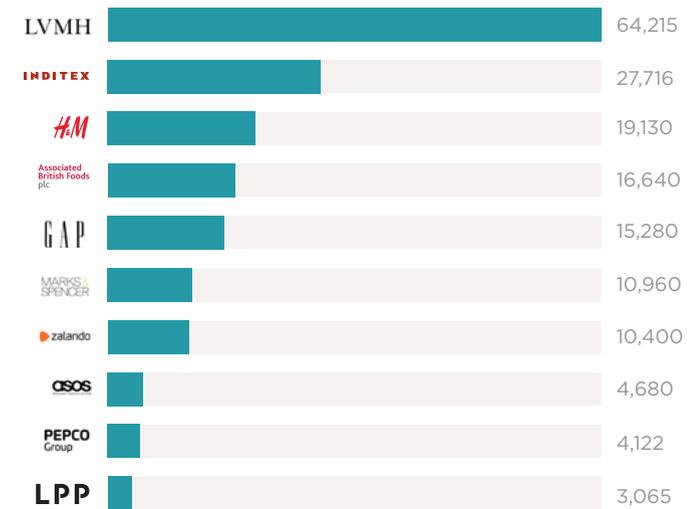
### Leader in the Polish clothing market

Revenues in PLN m



### LPP vis a vis the top international clothing market

Revenues in EUR m



\* Estimated data

## KEY PERFORMANCE MEASURES IN THE REPORTING YEAR 2021/22

Own measures: Number of garments sold; E-commerce revenue; Store count; Retail space for the whole Group

**2,244** stores in 26 countries on 3 continents (21% increase YoY)<sup>4</sup>

**476** newly opened stores (94% increase YoY)

**31,800** employees all over the world (44% increase YoY)

**15,163** employees in Poland

Including **5,082** persons hired under an employment contract of indefinite duration in Poland

**1,888,000 m<sup>2</sup>** combined retail space of the LPP Group (31.5% increase YoY)

**PLN 14bn** revenues (79% increase YoY)

**PLN 3,961.1m** e-commerce revenues (78% increase YoY)

**28.2%** proportion of e-commerce sales

Ca. **412m** items of clothing and accessories sold annually. Including 26% of clothing meeting Eco Aware criteria

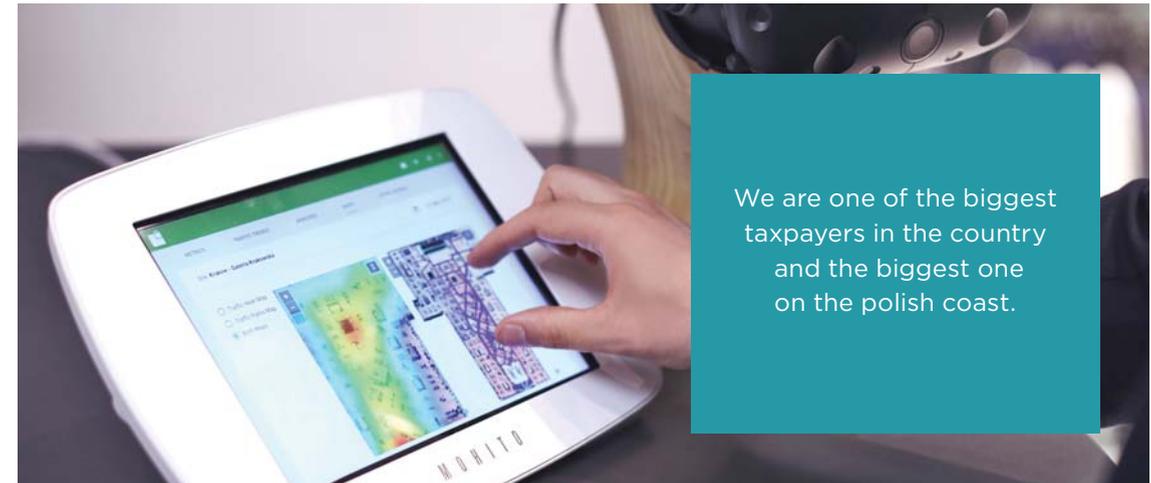
**PLN 1,325m** total investment in the 2021/22 reporting year (CAPEX)

More than **173m** retail transactions (86% increase YoY)

## LPP's contribution to the Polish budget (including taxes)



In the Forbes ranking, LPP was placed among the TOP4 largest private companies in Poland.

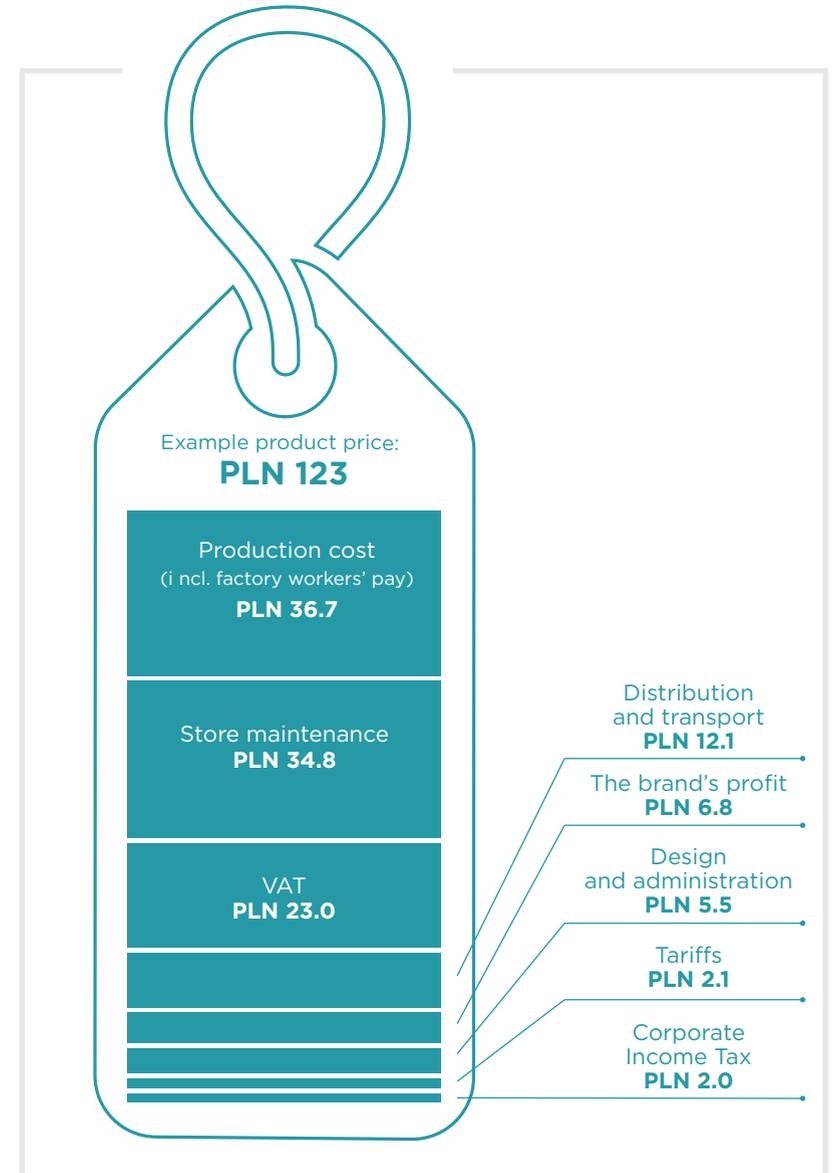


We are one of the biggest taxpayers in the country and the biggest one on the Polish coast.

<sup>4</sup> Increase in net store count after deduction of closed stores.



More than **173m** retail transactions.



## KEY ACTIVITIES COMPLETED AND RESULTS GENERATED AS PART OF THE SUSTAINABLE DEVELOPMENT STRATEGY IN 2021/22



### Product and production

Implementing **Eco Aware Production scheme** in the areas of water management and energy sourcing.

**26% of the clothes offered by all LPP brands** (7% increase YoY) and **38% by Reserved** (6% increase YoY) are **Eco Aware collections**.

Joining the group of partners of **Cotton made in Africa** – a renowned international standard for sustainable production of African cotton.

**The result:** 20% of the LPP brands collections scheduled for sale in 2023 will be made from cotton originating from sustainable cultivation.

Joining **Canopy** initiative

**The result:** in the purchases, we are aiming to increase the proportion of cellulose fabrics that contain at least 50% of recycled fibres or agricultural residues.



### Chemical safety

Further cooperation with **Zero Discharge of Hazardous Chemicals (ZDHC)**.

**70% of LPP garments** produced in Bangladesh and Pakistan compliant with the ZDHC's sustainable chemical safety standards. **25 factories in Pakistan and 72 in Bangladesh** produced our collections in line with the ZDHC standards.

100% of products containing down with RDS certification.



### Plastics under control

Standardisation of the size and durability of bulk cardboard boxes, thereby increasing reusability – **50% of packaging recovered**.

Only recycled plastics used in the e-commerce packaging of House, Cropp and Sinsay orders.

Continued cooperation with the **Polish Plastics Pact** and the **New Plastics Economy Global Commitment initiative**.



### Buildings of the headquarters and retail network

Implementing **Eco Aware Stores** scheme.

Start of the **telemetry system installation** project in stores. Replacement of lighting – energy-efficient LED.

**Four thousand photovoltaic panels** on the roof of the LPP Distribution Centre in Brześć Kujawski.

Signing a Power Purchase Agreement with Figene Energia securing the energy needs of the majority of LPP office buildings in Poland and the Distribution Center in Pruszcz Gdański for the period of **10 years**.

## AWARDS AND RANKINGS

The title of **Climate Aware Company** in the 3rd edition of the study by the Stock Exchange Issuers Association, Reporting Standards Foundation, and Bureau Veritas Polska.

**Silver CSR Leaf** – an award granted by Polityka Magazine editorial board to companies implementing best practices and solutions in the area of CSR and sustainable development.

The **Best Office in the Tri-City** title in the Office Superstar competition for the new LPP office building in Gdańsk. The jury appreciated, among others, the combination of tradition and modernity in architecture, as well as the use of elements supporting employee welfare and user experience, spatial and material-related solutions implemented in the building.

Distinction in the **“Innovation and Technology”** category of the Office Superstar competition for the new LPP office building in Gdańsk. The jury appreciated the pro-environmental solutions applied in the building.

As every year, our projects featured in the prestigious report prepared by the Responsible Business Forum: **“Responsible Business in Poland 2021. Good Practices”**.

Second place in the general classification of the best WIG20 and mWIG40 listed companies reporting on climate issues: **“Climate Strategy Benchmark”**.

In the **CDP Climate Change 2020** study conducted by the international organisation Carbon Disclosure Project, LPP **ranked high with “B-” grade**.



## 2. Organisational governance

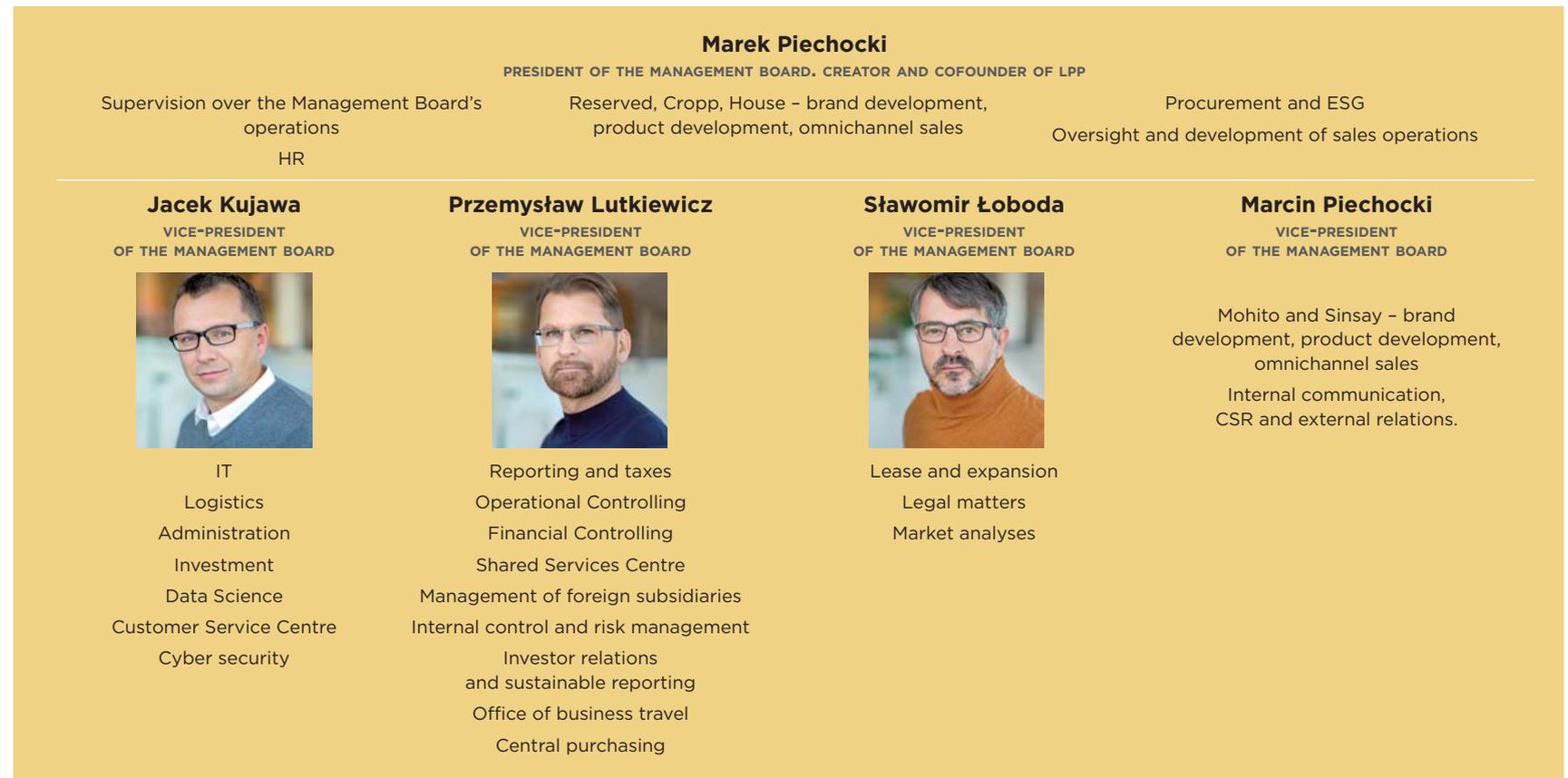


# Governance structure

GRI 102-18, GRI 103-1, 103-2 i 103-3 reporting topic: Improving ESG management processes

The Management Board of LPP SA consists of two to six persons appointed and recalled by the AGM for a period of five years. The composition of the Management Board is as follows: President of the Management Board and between one to five vice-presidents of the Management Board. The current set-up of the Management Board consists of five persons.

The composition of the Management Board was changed at the Annual General Meeting of the Company of 29 June 2021 as Marcin Piechocki was appointed vice-president of the Management Board.





### Corporate governance

The operations of LPP SA, which is the parent company of the LPP Group, are governed in particular by:

- “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 2021/22 reporting year LPP SA followed the new rules of corporate governance announced by Warsaw Stock Exchange in 2021, entitled “Code of Best Practice for WSE Listed Companies 2021” (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 2021/22” available on [www.lppsa.com](http://www.lppsa.com) in the “Investor Relations” section.

### Shareholder structure

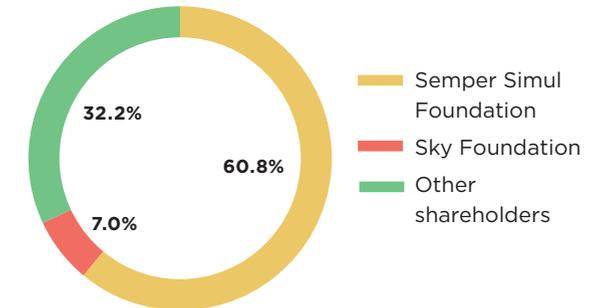
GRI 102-5

LPP SA, the parent company in the LPP Group, is listed on the Warsaw Stock Exchange (WSE) and included in the WIG, WIG20, WIG30, WIG-odzież, WIG-ESG and WIG-Poland indices. It is also included in the MSCI Poland, CECE Composite EUR

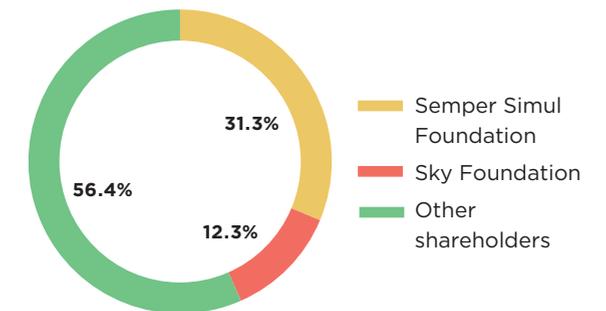
and FTSE Russell indices, which are important for international investors. LPP is a Polish family company which, as provided for by its founders, will never be divided or sold. The controlling interest is owned by the Semper Simul (Always Together) Foundation, which is closely linked to Marek Piechocki.



### VOTING SHARE AT THE GENERAL SHAREHOLDER MEETING



### STOCK OWNERSHIP



# Risk management

GRI 102-11, GRI 102-15



In 2021/22, the Internal Control and Risk Management Department conducted 17 audits (11 in foreign companies and 6 in LPP SA departments) completed with internal audit reports with recommendations.

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 organisation, ways to prevent

them and control procedures. The risks are described in detail in an internal company document - "Risk Management System" - and will be subject to regular verification and approval by the Management Board of LPP SA. The transformation of the former

Internal Audit Department into the Internal Control and Risk Management Department was driven by the new challenges posed by stakeholders - with particular emphasis on ESG issues and climate risks.

In 2021, a new organisational unit was established at LPP SA - **the Internal Control and Risk Management Department** operating on the basis of the "Internal Control System" procedure. This department performs the duties of the former Audit Department. At the same time, the Management Board of LPP SA has entrusted it with broader responsibilities for the ongoing identification and mitigation of risks in the LPP Group. The Supervisory Board has a control function over the Internal Control and Risk Management Department.

We systematically analyse financial and non-financial risks in all areas of our business. Both the Management Board and senior management play a key role in identifying and responding to material risks.

Our managers are responsible for controlling the activities of their departments in terms of operational risks. We also pay particular attention to identifying and assessing risks associated with the process of financial and non-financial reporting in a fair, reliable and manner, in compliance with legal regulations.

We apply an internal control system adapted to the needs and specificity of the LPP Group operations. Its efficient functioning ensures, among others:

- adequate protection of sensitive information and prevention of uncontrolled information outflow from the company;
- efficient and quick identification of irregularities that have occurred;
- identification of material risks and appropriate responses to them.

 Details of the internal control system at LPP SA are included in the „Consolidated Annual Report for 2021/22“.

## IDENTIFIED KEY ESG RISKS

Risk description		LPP SA	LPP Group	Risk impact on issues indicated in the Act <sup>6</sup>
<b>E - environmental</b>				
Physical climate risk	Limited availability of raw materials for production and their increasing price Disruption of production processes Disruption of logistic processes Increased store maintenance costs Mismatch between the type of collection and current weather conditions	+	+	Environmental issues
Climate risks associated with the transition to a low-carbon and climate-resilient economy	Changing customers' purchasing patterns The need to cooperate solely with suppliers who meet the requirements for environmentally neutral production The need to comply with legislative requirements in production and distribution countries The need to introduce environmental resources consumption measurement	+	+	
<b>S - social</b>				
Human rights violation risk		+	+	Human rights, social and labour issues
Supplier reliability risks and dependence on a single supplier		+	+	Social issues
Employee risk		+	+	Employee issues
Reputation damage risk		+	+	Social, employee, human rights, anti-corruption and environmental issues
Risk of restrictions due to political and economic crises, armed conflict or war		+	+	Social and employee issues
Epidemic and pandemic risk		+	+	
<b>G - governance</b>				
Corruption risk		+	+	Anti-corruption issues
Regulatory change risk		+	+	Social, employee, human rights, anti-corruption and environmental issues

<sup>6</sup> Polish Accounting Act, Article 49b.

Details of the risks and their mitigation are included in the „Consolidated Annual Report for 2021/22”.

# Ethics and compliance

102-16, GRI 102-17, GRI 102-11, GRI 102-16, GRI 102-17, GRI 103-1, 103-2 and 103-3 reporting topic: Business ethics and legality of operations



## Ethics in the workplace

### LPP VALUES

#### Fire-fueled

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

#### Ambition-driven

We seek new challenges every day and strive to be the best. We dare for more. We expect the unexpected.

#### Socially-responsible

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

#### Team-oriented

The opinions of every member of our team are equally important. We treat everyone as we would like to be treated ourselves. Honesty, respect, fairness and tolerance are our guiding principles.



- “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<sup>7</sup>,
- “LPP Principles for store personnel” in force on the Polish market
- “Policy on Human Rights (LPP Group)”.

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

- In accordance with Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019,

we provide a secure and anonymous whistleblowing option. Whistleblowers may report misconduct by e-mail to [etykasalony@lppsa.com](mailto:etykasalony@lppsa.com) and [ethics@lppsa.com](mailto:ethics@lppsa.com). In addition, an electronic form is available on our corporate website. It allows employees, suppliers and subcontractors to report irregularities related to LPP Group activities in the European Union. Each submission is assigned an automatic identification number – “submission ID” – and a password. This way, one may log in to the tool anonymously in order to follow the processing of the report and for further communication.

- The LPP Group has ethics officers in place. In 2021, ethics officers were appointed at Silky Coders and LPP Printable. Employees can contact the ethics officers directly, the head of HR or their superiors, as well as designated members of the Management Board and – in particular cases – members of the Supervisory Board.

### Respecting the law and preventing corruption

GRI 205-2

LPP SA is a public company supervised by a number of regulatory authorities, first and foremost the Polish Financial Supervision Authority (KNF). The task of making sure that the company always acts within the law is entrusted with LPP’s various internal units, in particular the departments responsible for legal matters, licenses, intellectual property and trademarks, internal audit, investor relations and sustainable reporting, communication and sustainable development. The departments cooperate with relevant regulatory authorities and external consultants.

The procedures in place to achieve conformity with relevant Polish and EU regulations include, in particular:

- procedures of personal data protection,
- procedures of tax scheme identification,
- procedures of sharing confidential information,
- anti-corruption procedures.

Supervision exercised by the Supervisory Board and the audit committee play an important role in the system ensuring the legality of the company’s operations which entails, among other things, monitoring and assessing transactions with associated entities, remuneration of the members of cor-

<sup>7</sup> Central headquarters mean LPP SA offices in Gdańsk

porate bodies, financial reporting processes and their quality evaluation.

LPP SA internal units are regularly audited to evaluate potential conflicts of interest. What is more, all new employees become familiar with the relevant procedures during the onboarding programme devised by the HR department. A document that confirms an employee's familiarity with the "Principles of Cooperation with Business Partners" is included in their personnel file. To prevent corruption, actions are also taken along the supply chain, such as making sure that our procurement process is transparent and informing our suppliers about the relevant procedures.

In the reporting period:

- **100%** of members of the governing bodies were informed about the anti-corruption policy and procedures in the organisation,
- **100%** of suppliers were informed about LPP's anti-corruption procedures and policies.
- **100%** new employees participated in informative meetings on preventing corruption,

### Responsible supply chain

As a company operating in the apparel industry, we make particular efforts in the process of analysing ESG risks in the supply chain and addressing them responsibly.

- In 2021/22, we worked with 1115 suppliers of clothing and accessories for our brands.

We implement the „Policy on Human Rights (LPP Group)“. We apply separate specific policies and procedures in our relations with factories producing garments and accessories for our brands.

 You can read about social issues and human rights in this area [HERE](#), and about the approach to managing the environmental impact of garment production [HERE](#).

In Q2 2021, the Management Board of LPP decided to establish a central procurement function for indirect procurement (general, non-production procurement) at the company. According to the adopted approach, the procurement process is to be:

1. effective,
2. safe – transparent, auditable and accounting for risk management,
3. maintaining optimum acquisition costs (decisions may be made to purchase more expensive solutions which will bring benefits in the long term).



We introduce strategic management in the area of central procurement, laying down procurement strategies based, among other things, on risk analysis. We apply clear criteria for selecting contractors in order to ensure transparency in the imple-

mentation of procurement processes. In the reporting period, we implemented our first procurement platform to manage the process effectively. We also started work on a new policy to include ESG criteria in indirect procurement.

# Stakeholder relations

GRI 102-12, GRI 102-13, GRI 102-42

## Membership of organisations

We conduct an annual stakeholder mapping analysis and implement various forms of stakeholder engagement. The results of the stakeholder dialogue are incorporated into our relevance analysis of sustainability topics. This is an important input for ESG decision-making processes, as well as non-financial reporting.



As part of the dialogue, we have so far made use of surveys, expert interviews, and stakeholder panels.

In 2021/22, we launched two collaborations – important from the perspective of the “Sustainable Development Strategy” – with internationally recognised organisations and initiatives

In addition, we are continuing our existing partnerships in Poland and worldwide.

- Since 2013** We joined International **ACCORD** (the Bangladesh Accord on Fire and Building Safety) – an organisation 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. On 1 September 2021, a new initiative – called the International Accord for Health and Safety in the Textile and Garment Industry (in short: International Accord) – was established to replace the existing ACCORD initiative. Its aim is to continue and expand the joint efforts of the signatories together with the trade unions to ensure safety in garment factories. We are a signatory to this new agreement. PLN 34.9 million is our expenditure on safety in factories since 2013.
- Since 2016** An agreement with **Otwarte Klatki** (Open Cages) and joining an international initiative **Fur Free Retailer**. It is an expression of our lasting commitment not to use natural fur to produce our clothes and accessories.
- Since 2017** Membership of the **Family Business Network Poland**.
- Since 2018** Partnership in the **FIR Grant Fund** established to support the best interindustry initiatives bringing about real social and economic change at the local level or across the Pomerania Province. Joining **Pomeranian Employers**, the largest and oldest employer organisation in the Pomerania Province; it promotes the interests of this group to state authorities, as well as supervisory and regulatory institutions.

- Since 2019** Membership of **United Nations Global Compact** – the world's largest UN initiative for corporate social responsibility and sustainable development. Membership of the **New Plastics Economy Global Commitment** – a global initiative for a circular economy for plastics.
- Since 2020** We became the founding member of the **Union of Polish Retail and Services Employers**, 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. We became the first Polish company to join the **Zero Discharge of Hazardous Chemicals (ZDHC)** Programme which works to reduce the negative global 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. Joining 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. The Polish Plastics Pact collaborates with the **Ellen MacArthur Foundation** as part of the global Plastics Pact network.
- Since 2021** Launching cooperation with **Canopy** – an organisation that aims to develop business practices among entrepreneurs that promote sustainable use of the world's forest resources by implementing changes in the sphere of purchasing paper, packaging and pulp fabrics – and with **Cotton Made in Africa** – an internationally recognised standard for sustainable cotton cultivation in Africa.

## STAKEHOLDER MAP

GRI 102-40, GRI 102-43



### Investors and related stakeholders

- Investors
- The most relevant Polish and international analysts – ca. 70 people who take part in the earnings calls
- Warsaw Stock Exchange
- Polish Association of Listed Companies
- Polish Financial Supervision Authority



### Customers

- In-store customers
- E-commerce customers



### Employees

- Employees of the LPP central headquarters
- Employees of the distribution centres
- Employees of the retail network
- Employees' families



### Business environment

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



### Social environment

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

#### Selected communication channels

- Bilingual corporate website
- E-mail lists
- Business media
- Regular earning calls
- Investor Relations electronic contact mailbox
- Annual and integrated reports
- ESPI system for sharing operational and periodical reports
- EBI for sharing corporate governance reports
- Quarterly earnings calls
- Conference calls
- Video statements
- General Shareholder Meetings

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

- 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

- E-mail lists
- Regular earnings calls
- Press office e-mail
- 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

- E-mail lists
- Social media
- Mass media
- Direct meetings
- Stakeholder panels
- 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
- Targeted projects of the LPP Foundation
- Volunteer work projects



# 3. Environmental impact

# Managing our environmental impact

GRI 102–26, GRI 102–29, GRI 102–30, GRI 103–1, 103–2 and 103–3 reporting topic Sustainable fashion and environmental impact

Our approach to managing environmental issues is mainly laid down in the following documents:

- “For People For Our Planet” sustainable development strategy for 2020–2025,
- “LPP Code of Conduct”,
- Guidelines for factories included in our Eco Aware Production standard.

Environmental impact issues drive our expectations towards suppliers, in particular as regards the rules of cooperation with factories sewing clothes for our brands, as well as with suppliers of materials and other raw materials we use.

GRI 308-2

A key task of the **procurement and ESG department** is to develop brands and the supply chain in a sustainable manner. The department focuses on implementing the Eco Aware standard – expands the use of organic and recycled materials in collections, evaluates suppliers in terms



of energy efficiency and water consumption, and working with factories to eliminate harmful chemicals. The procurement and ESG department coordinates the works related to calculating the carbon footprint of the entire supply chain and preparing a decarbonisation strategy.

**The internal communications and CSR department** is responsible for collecting data and preparing the annual non-

financial report. The department is also responsible for aggregating information on the progress of GHG reduction, waste reduction and other sustainability goals, and subsequent communication of such information to interested NGOs, rating agencies, and journalists.

**The investor relations and sustainable reporting department** plays an important role in managing sustainable development

issues, as it takes care of the preparation of ESG data needed by representatives of financial markets, financial analysts and rating agencies interested in the impact of environmental factors on LPP’s strategy and performance.

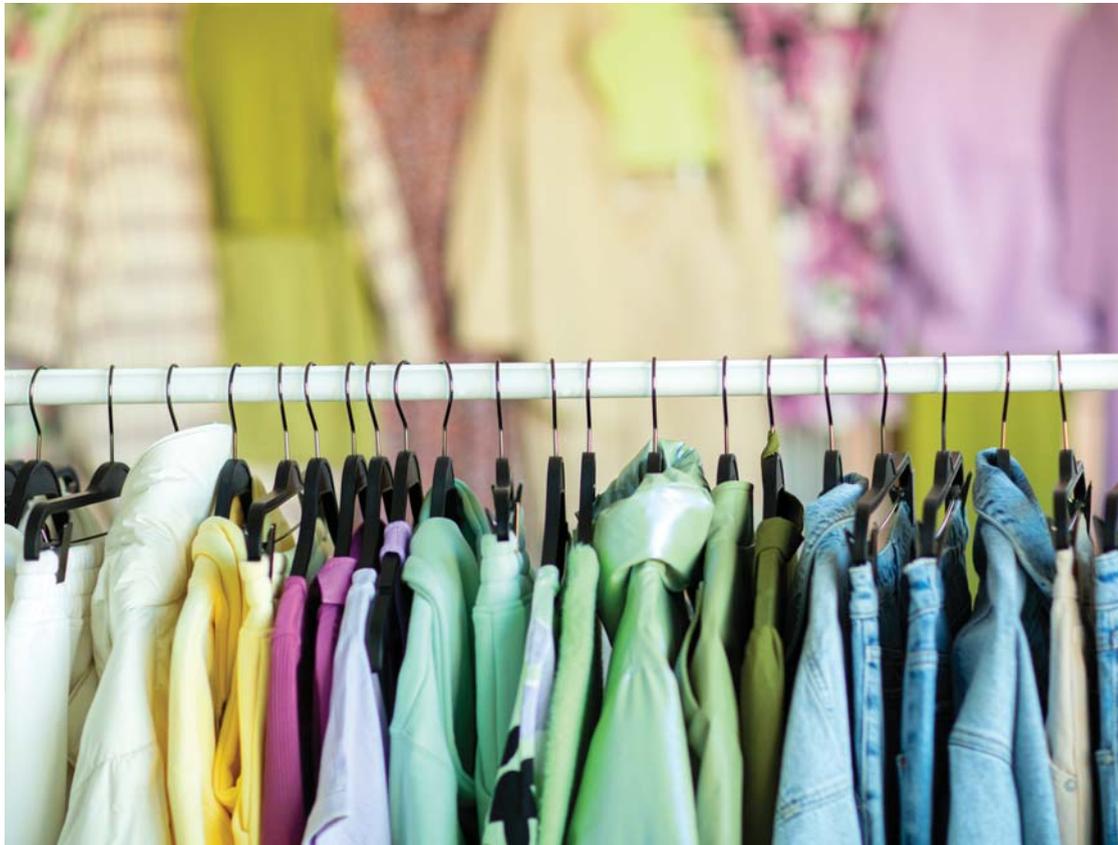
Other departments pursue specific objectives assigned to them with regard to reducing the climate and environmental impact of LPP Group’s activities. The overall management of environmental and climate issues in the LPP Group is overseen by **the director of procurement and ESG**, who reports progress **directly to the Management Board** and supports the Board in decisions on future courses of action. Environmental and climate-related performance is publicly reported on an annual basis and performance indicators are subject to external audit.



Detailed information on climate-related issues management are included in the “LPP Group TCFD Climate Report 2021/22”

# Sustainable fashion

GRI 102-9, Own measure: LPP's major sustainable fashion goals



We are consistently increasing the share of garments that meet the criteria of the Eco Aware standard in our collections, as well as the number of factories cooperating with us and meeting the goals we set in the Eco Aware Production standard. This scheme focuses on reducing water and energy consumption in the course of material processing and garment production.

- **Eco Aware Production** defines the requirements that factories are obliged to meet in terms of quality and environmental standards, reduction of natural resources used in the garments production process, including water and energy consumption. Our actions in the area of factories verification are carried out with the support of our Asian offices in Dhaka.

GRI 308-2, GRI 303-1

We aim to reduce the climate change and environmental impacts of garment manufacturing processes in our value chain. We eliminate plastics and other waste as-

sociated with the packaging process. When designing new collections, we consciously choose more environmentally friendly materials such as organic cotton, recycled wood pulp fibres or recycled polyester. We are developing practices to conserve water resources, as exemplified by LPP joining the Zero Discharge of Hazardous Chemicals initiative.

The good practices indicated in the Eco Aware Production standard include reporting energy and water consumption and applying a number of technological solutions limiting water and energy consumption in production processes. The standard also sets out the expectation to implement such solutions as the installation of rainwater harvesting systems or sanitary fittings with environmentally friendly technical parameters.



In 2021, LPP as the first Polish company started cooperation with Canopy – an organisation whose operations aim at developing business practices among entrepreneurs for the sustainable use of forest resources worldwide by implementing changes in the area of purchasing paper, packaging and pulp fabrics. By joining the international initiative, we expressed our commitment to, among other things, supporting the idea of forest protection both as regards our packaging policy and the use of more environmentally friendly cellulose-based materials.

- In 2021, we prioritised purchasing man-made cellulose products that contain at least 50% of these innovative fibre sources.
- Over the coming year, we will develop a detailed strategy to further reduce and reuse paper and packaging, with targets and specific timelines in place.
- We are in the process of confirming a 2025 procurement target for these closed-loop solutions based on innovations from viscose fibre producers.



In 2021, we joined the group of partners of Cotton made in Africa (CmiA) – a renowned international standard for sustainable production of African cotton. The activities undertaken by the Aid by Trade Foundation – the initiator of Cotton Made in Africa – are in line with our strategic goals, which include consistent increasing of the share of environmentally-friendly products, as well as implementation of best practices and production standards supporting sustainable development of the textile industry.

- Thanks to the cooperation with the Aid by Trade Foundation, we can be sure that not only is the cotton we obtain sourced in accordance with environmentally-friendly principles, but also with appropriate labour standards met by the farmers who grow it or employees in cotton processing industry.
- We contracted the purchase of CmiA-labelled cotton, the quantity of which will allow to manufacture as many as 60 million pieces of products with the composition including 95 to 100% of this raw material.



Our goal:  
By 2025, **50%** of all Reserved garments are more environmentally-friendly Eco Aware collections.



### Our strategic goals by 2025

#### Goal 1.

By 2021, **100%** of products containing wool or down with RDS/RWS certificate.

#### Goal 2.

By 2021, **100%** plastic film-free price tags.

#### Goal 3.

By 2021, **30%** of factories in Southern Asia are part of the Eco Aware Production scheme.

#### Goal 4.

By 2023, **100%** of denim production factories are part of the Eco Aware Production scheme.

#### Goal 5.

By 2023, PLN **1m** invested in new technologies of recycling textile waste.

#### Goal 6.

By 2025, **50%** of all Reserved garments are more environmentally-friendly Eco Aware collections.

#### Goal 7.

By 2025 we will have reached **full conformity** with ZDHC standards.

### Outcomes in 2021/22

- **100%** plastic film-free price tags.
- **100%** of products containing down with RDS certification.
- **26%** of clothes offered by our brands were more environmentally-friendly collections with the Eco Aware label.
- **17** factories in Southern Asia have been covered by Eco Aware Production scheme.
- We have started our collaboration with the **Canopy** and **Cotton made in Africa** initiatives, this way increasing our use of sustainable raw materials.
- KWe are continuing our engagement in the **Zero Discharge of Hazardous Chemicals** (ZDHC) initiative.
- **70%** of LPP garments produced in Bangladesh and Pakistan compliant with the **ZDHC's** sustainable chemical safety standards.

### Certification and biodiversity

We implement solutions aimed at protecting animal welfare.

- Angora – renounced in 2014.
- Natural fur – renounced in 2016.
- Mohair – renounced in 2020.
- Cashmere – not used in our 2020/21 autumn/winter and 2021 spring/summer collections. In 2021 we launched collections with recycled cashmere.
- Down – 100% of the down used with RDS certification.

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

### Zero Discharge of Hazardous Chemicals

GRI 308-2, GRI 303-1

The past year was an intense one for us in terms of fulfilling our commitments under the Zero Discharge of Hazardous Chemicals agreement – an initiative promoting chemical safety in the apparel industry. ZDHC membership is one of the most important factors we consider when selecting factories for the purpose of outsourcing our production. With our support, a total of 20 factories working directly with us in Bangladesh and 3 factories from Pakistan have joined ZDHC since 2020. LPP supports its suppliers in both countries not only in terms of chemical management, increasing the safety of the workers who are responsible for the production process, but also the proper disposal of waste such as sewage and post-production water.

- Already nearly 60% of the factories sewing garments for us in Bangladesh and Pakistan and over 82% of denim suppliers in these markets are members of Zero Discharge of Hazardous Chemicals.
- This means that the ZDHC member factories working with us already account for 70% of our production in these countries.



### The Eco Aware standard

Own measure: Percent share of Eco Aware products in LPP collections

The Eco Aware tag is put on products with more ecologically-sound composition in line with LPP's detailed criteria. This standard defines the required minimum proportion of eco-friendly fibre in order for the product to be classified as Eco Aware clothing. The tag confirms that a garment contains the required proportion of such fibres and has an appropriate certificate.

- The 2021/2022 reporting year saw a 7.4% increase in the share of Eco Aware products in collections across all our brands. Eco Aware labelled products constituted 26% of all our sales (18.6% the year before).

### Materials that comply with Eco Aware standard:

- Organic fibres such as commonly used organic cotton in our collections.
- Biodegradable cellulose fibres like Lenzing products.
- Recycled fibres 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 water based polyurethane collections.

GRI 306-1, GRI-306-2

By using recycled fibers, we want to develop a circular economy and reduce the impact of the clothing industry on the environment.

Examples of more sustainably produced materials used to manufacture our ECO AWARE collections and their required minimum proportion.

#### Organic cotton

3 categories of materials:

1. 100% organic cotton;
2. 95% organic cotton at the minimum
3. 50% organic cotton at the minimum.

Grown with the use of natural plant protection products and fertilisers only; without genetically modified seeds

- Organic cotton farming helps maintain soil fertility and protect biodiversity and is consistent with its natural life cycle. Organic fibres used in the manufacture of Eco Aware products are certified by independent bodies in line with the leading standards such as
- Organic Content Standard (OCS) or Global Organic Textile Standard (GOTS). We verify each certificate and complete documentation that confirms that the material complies with our requirements.

#### TENCEL™ Lyocell

30% TENCEL™ Lyocell at the minimum.

It is sourced mainly from eucalyptus wood from sustainably managed forests that guarantee reforestation. The production itself is carried out in 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, meeting high environmental standards in the production processes from raw material extraction to distribution and disposal. Cellulose fibres are biodegradable and do not pollute water with microplastics.

#### Recycled polyester

20% recycled polyester at the minimum.

It is a synthetic fibre produced from PET bottles and post-consumer waste. Selected plastics are cleaned, shredded and transformed into new fabrics. By using recycled textiles, we reduce waste and consume less water, energy and natural resources as compared to conventional production processes. The recycled fibres used in the production of Eco Aware models are certified by independent institutions, according to the Recycled Claim Standard (RCS) and the Global Recycled Standard (GRS). We verify each certificate and complete documentation that confirms that the material complies with our requirements.

# Stores and logistics

We reduce the environmental footprint of our brand stores, offices and warehouses. We optimise our logistics processes in terms of their environmental impact.

## Eco Aware Stores standard

Since 2020, we have been implementing the Eco Aware Stores (EAS) scheme. Its aim is to apply modern pro-ecological solutions in the stores of our brands, and this way, among other things, increase the energy efficiency of their functioning.

- We implement telemetry tools in stores that allow for monitoring their energy consumption. Additional temperature measurements are used in stores to optimise the operation of air conditioning systems, and water consumption measurements. By the end of July 2022, we will have launched this system in around 600 stores.
- We are starting to use the so-called Singu FM system (store management and maintenance system), which will be the second (next to telemetry) pillar of utility con-

sumption control. The system enables the collection and subsequent analysis of data. The process of removing and preventing failures is supported by the application. This is done through the use of extensive databases, the collection of information and its analysis in real time, the planning of inspections based on the current state of the installation, and the planning and execution of preventive maintenance.

- Singu FM as a telemetry-supporting software, which also taps into more precise analysis of alerts in the event of any operating anomalies, enables rapid response and reduction of unnecessary consumption of energy, for example.
- All newly-built LPP brand stores will be equipped with energy-efficient LED lighting. If we install display screens and video walls there, they are always energy-efficient and LED.





### Transport and logistics

GRI 102-9, Own measure: Percent share of different modes of transportation in the reporting year

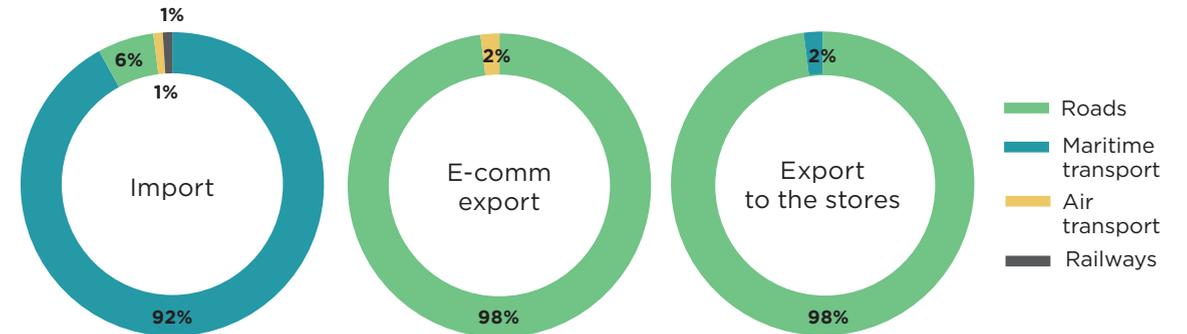
We are expanding our business in the omnichannel model. In pursuing our objectives in this area, we rely on a global, constantly evolving supply chain, distributing several hundred million garments each year. As we develop our international logistics network, we seek to reduce its environmental impact. One of our priorities is energy efficiency of transport and logistics processes.

- The implementation process of an inter-modal container delivery system at the

newly established Distribution Centre in Brześć Kujawski is underway.

- We are increasing the share of distribution using compressed natural gas (CNG) and electric vehicles transportation.
- We have increased the scale of container use by increasing the number of cardboard boxes designed in line with container dimensions.
- We aim to shorten the last mile of distribution to the stores by increasing the number of regional hubs used for cross-docking operations<sup>1</sup>.
- In 2022, we will start to analyse the solutions offered on the market by maritime shipowners.

PERCENTAGE SHARE OF DIFFERENT MODES OF TRANSPORTATION IN 2021/22 REPORTING YEAR



<sup>1</sup> Cross-docking is a method of managing the distribution of goods that involves repacking goods and picking orders as soon as they arrive at the warehouse, without the need for storage.



### Modern warehouses and distribution centres

In line with the sustainable development strategy for 2020–2025, we want all our new construction facilities to be BREEAM- or LEED-certified by 2023.

### Environmentally-friendly offices of LPP central headquarters<sup>2</sup>

Completed in the 2020/21 reporting year, the new LPP offices in Cracow and Gdańsk are environmentally friendly buildings featuring numerous improvements in terms of reducing energy consumption. The headquarters of LPP's Cracow branch, where the design offices of House and Mohito brands are located, meets the requirements for BREEAM certification. It features such solutions as

the BMS system reducing energy consumption of equipment, air recuperation system or low-emission glass in windows whose size and location allow for a maximum use of daylight.

- The building in Gdańsk is equipped with eight charging stations for electric cars.
- We launched a CarSharing system, based on a dedicated application available to all employees of the central headquarters. The system enables the employees to use

20 cars throughout Poland, including two electric cars.

- The warehouse in Brześć Kujawski and the new office building of the LPP headquarters in Gdańsk, the so-called grey water (i.e. rainwater) recovery system was put in place.
- As of January 2023, the majority of the office buildings and the Distribution Centre in Pruszcz Gdański will use only RES energy.

### EXAMPLE OF SOLUTIONS APPLIED

#### New Distribution Centre in Brześć Kujawski municipality

- **4,000 photovoltaic panels** were installed on the roof of the building.
- A recuperation system enabling up to 95% heat recovery was used in the office premises.

Additional solutions:

- BMS (Building Management System) allowing for the integration of automation, elements for monitoring equipment operation and energy consumption, as well as technical installations of the facility.
- progressive LED lighting system and skylights on the roof;
- electric car charging stations.

#### Extension of an e-commerce Fulfillment Centre warehouse in Pruszcz Gdański

- The new facility will meet the requirements of BREEAM certification, taking into account high environmental standards and solutions that improve comfort of work.
- In the already operating returns handling hall intelligent energy management systems, electric car charging stations were used among other things, along with spacious office windows (increasing access to daylight).
- Green areas and their biodiversity as well as enrichment of the ecosystem surrounding the investment were also taken care of.

#### Fulfillment Centre e-commerce warehouse under construction in Rzeszów

- The building was designed in accordance with BREEAM certification at the Excellent level.
- It will feature twilight sensors for external lighting and smart energy management systems with remote reading capabilities.
- Solutions such as fittings and sanitary fixtures equipped with a water-saving mode will allow for efficient use of resources.
- An electric car charging station and bike shelters equipped with electric sockets and repair kits will be available for warehouse users.
- In the surroundings of the warehouse, tree and shrub plantings along with flower meadows were designed. Insect and bird houses were installed.

<sup>2</sup> Central headquarters mean LPP SA offices in Gdańsk

In line with our strategy, we invest in solutions seeking to reduce greenhouse gas emissions related to our operations. Under the agreement we signed in 2021, as of 2023 FIGENE Energia will be supplying green energy to LPP office buildings and the Distribution Centre in Pruszcz Gdański for the next 10 years.

This is one of the largest PPAs (Power Purchase Agreement) for renewable energy in Poland. FIGENE Energia is currently constructing an additional wind farm for the purpose of its performance. The estimated volume of energy necessary to meet LPP's needs in this period is 358 000 MWh.



### Packaging and waste

GRI 306-1, GRI 306-2

We have made major changes to reduce the amount of packaging waste generated in the process of garment packing and repacking. Our online orders are packed using repurposed paper cardboard boxes and recycled plastic film. As of 2019, we do not use plastic void fillers and only use FSC-certified recycled paper bags in our physical stores.

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

As part of the **Control Tower project** - a platform for improving supply chain management - we implemented a cardboard boxes standardisation process. The applied solution allows for optimisation of logistic processes at the stage of transport and warehouse space management. It enables us to significantly reduce the use of bulk packaging and reuse it in the process of distributing goods to physical stores. Cardboard reuse rate **increased from 10% to 50%**. In the last six months alone, we recycled almost 900,000 cardboard boxes this way, **saving 17,000 trees from being cut down**.

Control Tower is an innovative tool we use as part of the **Supplier Portal** - an IT system implemented in 2021 that revolutionised LPP's purchasing and delivery process. Its objectives include, among other things, reducing packaging consumption and optimising the packaging of goods - better filling of cardboard boxes, containers and warehouse space.

Control Tower is:

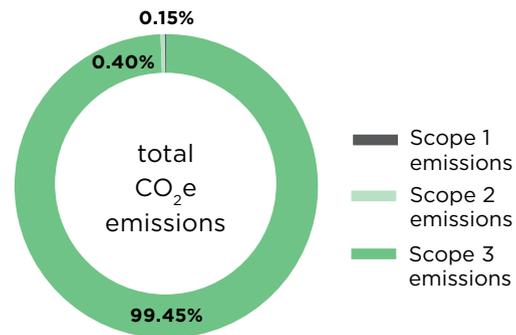
- a single platform for all supply chain processes,
- real-time visibility,
- exceptions management,
- effective collaboration with contractors.

A municipal waste segregation system is used in all our offices, warehouses and retail network. The circulation of accounting documents at LPP is carried out electronically, which reduces paper consumption and the amount of waste in this category. In the office buildings and 50 stores we placed special containers for used clothing which then reaches the homeless and other people in need across Poland through St. Brother Albert's Aid Society.

# Climate impact

GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4

The challenges of ongoing climate change – and hence the urgent need to halt this process and limit its consequences – influence LPP's goals and strategy. In 2019, we adopted a sustainability strategy "For Planet For Our People" addressing the product life cycle in a cross-cutting manner and endorsing the goal of reducing emissions across the LPP value chain. For 2022, we plan to revise the strategy and refine LPP's targets for minimising greenhouse gas emissions.



Since 2017, we have been reporting GHG emissions and developing our GHG reporting scope. In 2022, we have included all scopes and all categories defined according to the GHG Protocol method for the first time.

- **4,420.67 t CO<sub>2</sub>e** – scope 1 emissions, comprising direct emissions associated with fuel combustion and refrigerant consumption in the company's buildings and vehicles.
- **11,985.14 t CO<sub>2</sub>e** – scope 2 emissions, comprising indirect emissions associated with the consumption of purchased electricity and heat in LPP buildings.
- **3,017,744.90 t CO<sub>2</sub>e** – indirect emissions included in scope 3, related to the production and distribution of purchased goods, delivery to customers, use and disposal of sold goods, and the operation of the entire company in scopes other than those described in scopes 1 and 2.

**3,034,150.71 t CO<sub>2</sub>e**

LPP Group's total carbon footprint for the reporting period 01.02.2021-31.01.2022.

**1.15 t CO<sub>2</sub>e / PLN 1M**

GHG emissions of the LPP Group in the scope 1 and 2 in terms of revenue.

## MAIN SCOPE 3 EMISSIONS

Emissions related to the sourcing of raw materials and production processes for purchased goods (category 1)	63.36%
Emissions resulting from the operation of stores, leased warehouses and offices (category 8)	12.12%
Emissions resulting from purchases of capital goods (category 2)	8.77%



Detailed information on climate-related issues management are included in the first "LPP Group TCFD Climate Report 2021/22"



4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

# 4. Social impact

# Approach to management

GRI 103-1, 103-2 and 103-3 of material reporting topics: LPP as an employer, Customer satisfaction, Assessment of suppliers workplace conditions] Own measure: Description of the main activities to develop and improve our approach to managing ESG issues

In managing social impact, we primarily consider the following areas of our responsibility:

## Customer care

- With the quality of products and customer satisfaction in mind, we apply the principles set out in the „LPP Quality Guidebook”.
- We are implementing the „Quality Assurance System” in factories in Bangladesh.
- We conduct quality controls in factories and distribution centers.
- Our quality control department carefully analyzes the reasons for returns.

## Working conditions and relations with employees

The directions are set by LPP SA, but individual foreign companies enjoy a certain autonomy. Workplace issues at LPP are regulated by the following by-laws and procedures:

- “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 SA key processes further include:

- Employee recruitment and onboarding process called “Fit Into Fashion”,
- Employee assessment called “Team Snapshot”,
- Prevention of employee turnover and exit interview.

## Protection of human rights in the LPP Group and the supply chain

Our approach to human rights protection is primarily governed by:

- “Policy on Human Rights (LPP Group)”,
- “LPP Code of Conduct”,
- “LPP Principles – guidelines for LPP employees”,
- “Anti-mobbing Procedure”.

In 2021, we conducted a detailed analysis of human rights risks. In the coming years, we will conduct periodic reviews of the “Policy on Human Rights (LPP Group)” and systematic due diligence to update the risk map.

All employees of the Group, including employees of subsidiaries and foreign companies, are required to comply with the “Policy on Human Rights (LPP Group)”. We also expect our business partners to adhere to it. In addition, the principles concerning human rights protection in the supply chain and our expectations of suppliers in this regard are defined in the “LPP Code of Conduct”.

## Social involvement

The effectiveness and professional management of activities in the area of our social involvement rest with the LPP Foundation. Its mission is to help people in difficult life situations and to provide vocational training for young people at risk of social exclusion. The Foundation also supports health care institutions and carries out projects for the benefit of ecology and environmental protection.

The Foundation pursues its goals operating in the Pomeranian region, where the LPP central headquarters and distribution centre are located, and in Cracow and Małopolska region, where House and Mohito brands have their offices. The Foundation's tasks include coordination of employee volunteering programmes, implementing original projects and cooperating with social partners. The foundation has a public benefit organisation (PBO) status. An example social project conducted under its auspices is „Moda na lepszy start” [“Fashion for a Better Start”]. It is a comprehensive social programme addressed to the wards of children's homes of the Gdańsk Foundation for Social Innovation, “Rodzinny Gdańsk” Foundation and “Ogniska Nadziei” Foundation.

Social activities are also carried out by foreign companies of the LPP Group, with the involvement of their employees.

# Employment, diversity and employee development

GRI 405-1, GRI 405-2, GRI 406-1, Own measure: Percentage share of employees with disabilities



We are expanding intensively, hence the need for a large-scale recruitment process. At the end of the 2021/22 financial year employment in the LPP Group increased to almost 32,000 people. The dynamic development of our structures is connected with a number of activities geared towards ensuring efficiency of the processes of new employees' induction and improving workplace management. One of the biggest HR challenges in 2021 was the launch of the Distribution Centre in Brześć Kujawski and recruitment for the purposes of its operations. It is a facility that will ultimately provide employment for around 500 people.

- In 2021/22 reporting year, the number of people employed in the LPP Group increased by 44%.

Workplace management priorities also relate to supporting employees when their roles change, which results, among other things, from numerous internal recruitments and promotions.

In 2021, we implemented the HR Charter, a new tool to help Regional HR Specialists review and improve quality in key areas of store personnel management: recruitment, employee onboarding and development, team building and management.

 Detailed information on the employment structure can be found [HERE](#).

# Diversity, equality and inclusion

GRI 405-1, GRI 405-2, GRI 406-1

We are an organisation that values diversity, as evidenced by the policies we have adopted, in particular the “Policy on Human Rights (LPP Group)”. Since 2019, we have been signatories to the Diversity Charter, which expresses our commitment to actively promoting diversity. We operate in a very diverse reality and we perceive the diversity of our employees as an asset that fosters creative thinking, facilitating, among other things, a better understanding of the needs and expectations of diverse customers.

At LPP, there is an absolute ban on discrimination and mobbing. We have implemented a system which allows for anonymous reporting of all situations bearing the hallmarks of this type of irregularity. In the reporting period, no instances of any confirmed cases of discrimination were reported.

Our company operates in the creative industry which is characterised by a high percentage of women employed in our structures.

- Women account for almost 75% of the employees at LPP central headquarters<sup>1</sup>.
- 94% of people working in LPP brand stores in Poland are women.

We carry out a systematic analysis of our payroll policy and investigate the reasons for possible differences in remuneration between men and women holding similar positions. We check whether such discrepancies result from objective factual reasons. We do not accept pay differences based on any diversity characteristics, including gender.

- Gender Pay Gap in the 2021/22 reporting year in the LPP Group: -4%<sup>2</sup>.
- General Gender Pay Gap at LPP SA: -4%



- Gender Pay Gap at LPP SA management level positions: +3%<sup>3</sup>.
- Gender Pay Gap at LPP SA other positions: -4%.

For us, an important aspect of anti-discrimination is openness to people with

disabilities. In 2021/22, we employed 325 people with disabilities. At the same time, we continue to cooperate with a team of telerecruiters – people with disabilities who effectively support recruitment processes for the LPP Group.

<sup>1</sup> Central headquarters mean LPP SA offices in Gdańsk.

<sup>2</sup> The indicator takes into account all active employees with employment contracts in companies located in Poland.

<sup>3</sup> Women earn % more than men on average



Own measure: Description of the main activities to develop and improve our approach to managing ESG issues  
 LPP cooperated with experts from Diversity+ to map the DE&I areas. The key element of the analytical project consisted in in-depth interviews with a group of Polish and non-Polish speaking employees from the central headquarters and one of the subsidiaries of LPP abroad. The research formed the basis for the creation of **Diversity & Inclusion policy**, which consisted of: an audit of procedures, documents, and existing policies in terms of compliance with the principles of diversity and inclusion, getting to know and exploring the personal perspective of people em-

ployed in the company, as well as mapping, through a workshop, important areas and solutions related to diversity management and building an inclusive culture. A relevant document was implemented at LPP in the first quarter of 2022. At the same time, an extensive educational programme for 2022 has been developed, which will primarily target LPP employees from the central headquarters. The DE&I Academy is intended to strengthen the process of shaping an organisational culture that is open to diversity and non-discriminatory, but also to facilitate the implementation of uniform standards of inclusive language in communication with stakeholders.

<sup>4</sup> Benefits are available to both full-time and part-time employees.

<sup>5</sup> Central headquarters mean LPP SA offices in Gdańsk

**The satisfaction index of participants in development activities at LPP central headquarters: NPS (Net Promoter Score)** **42%**  
**Change as compared to the previous reporting year** **+4%**

**Benefits offered to employees<sup>4</sup>**

GRI 401-2

- gifts on the occasion of childbirth
- co-financing of Multisport card
- co-financing of health and life insurance
- discount codes for LPP products
- training budget
- possibility to use the company bicycles
- co-financing of sports groups
- co-financing of corrective glasses or contact lenses
- company library

At the end of 2021, it was decided that all LPP central headquarters employees would receive a 10% pay rise. At the turn of 2021 and 2022, works were also underway to set up a new payroll policy for the sales network. Due to the change of the tax model in Poland, the LPP Management Board also decided to provide compensation to all those employees who will be negatively affected by the tax changes introduced.

**Scale of training in 2021/22 reporting year**

GRI 404-1

- **18.4** - the average number of training hours per employee at LPP SA, and 4.5% in the entire LPP Group.
- At the central headquarters alone<sup>5</sup> **3,701 people** took part in our training courses and workshops.
- We invested **PLN 4,028,211** in the development of LPP employees from our central headquarters (an average of PLN 1,471 per employee).
- We provided **50% co-financing of post-graduate studies for 35 employees.**
- We implemented a modern LMS platform that supports the participation of numerous specialists in the creation of training content. This, in turn, will allow us to share knowledge more widely within the organisation. As a result of our actions in the sphere of **e-learning**, employees completed **55,000 training hours** this year.

GRI 404-2

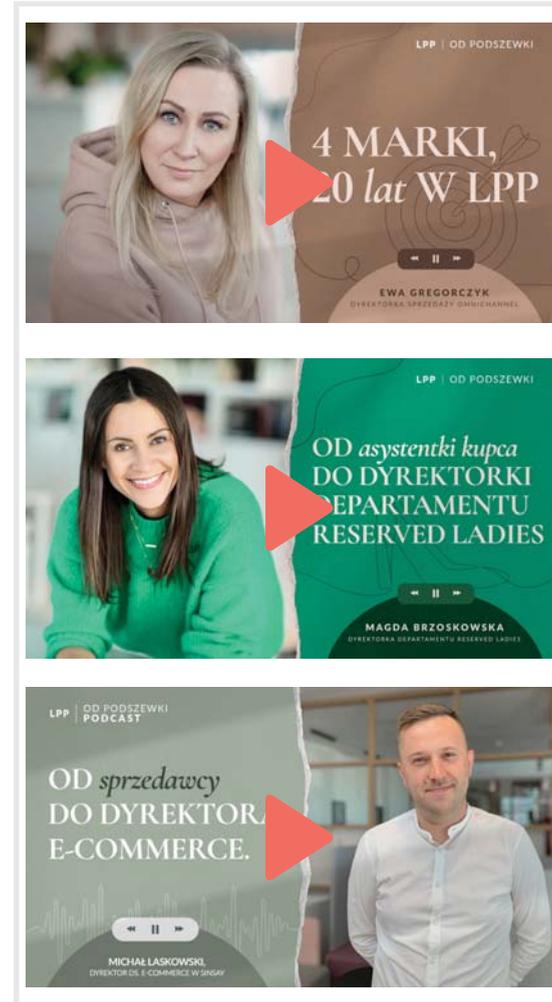
### Examples of training and development programmes conducted

- 30 workshops on cooperation within and between teams and between the manager and the team. The workshops focused on team relations, clarification of responsibilities as regards the roles performed and solutions to current team problems. In total, 200 people took part in them.
- Over 40 “Action Learning” sessions for teams. These sessions are used to generate solutions and foster collaboration.
- 39 workshop days as part of educational programmes for new managers and leaders on how to organise work, change management and motivation, constructive feedback or building greater financial awareness. 100 new leaders and team managers attended.
- 25 webinars attended live by over 500 people and watched at a later date by a further 1,000 employees.
- Training sessions as part of the programmes: “Manager’s ABC”, “Good Management Conversations”, “Team Building”, “New Approaches to Motivation”, and “How to Control Stress” addressed to regional managers.
- In response to the challenges of the pandemic times, we expanded our offer by adding workshops focused on the emotions of leaders and employees.

We organised eight workshops on this topic at the central headquarters and eleven for regional managers. We also try to incorporate the subject of managing emotions and mental tension into our other training courses and workshops.

#### TALENT LABS! - DEVELOPMENT PROGRAMME FOR THE BEST HOUSE BRAND MANAGERS

Talent Labs! is a development programme dedicated to the managers of House stores in Poland. The project is focused on employee development. The Talent Labs project team consists of experienced mentors from the regional structure and five best House brand store managers selected through Assessment Centre sessions. The aim of their joint work is to devise solutions to streamline the processes currently in place and come up with completely innovative ideas for action.



At LPP Retail, each stage of an employee's career is covered by one of the programmes: LPP Retail in Poland:

- Recruitment – providing the store employees with knowledge about recruitment through e-learning training and self-study materials.
- LPP Retail in Poland and in all foreign companies:
  - StartUp 2.0 – provides an effective, hybrid onboarding into the store operations.
  - Follow Up – a programme aimed at employee evaluation and feedback.
  - StartUp Management 2.0 – intended for candidates for higher functional or managerial positions.
  - Termination of work – developed procedures for closing down the store and reducing negative consequences for employees.
- We use an electronic exit interview survey system.

#### Internal recruitment and ambitious development paths are an asset of LPP as an employer.

In 2021/22, we conducted significantly more internal recruitment processes than at any time in our history. Our employees took part in recruitment for all levels of positions – from specialist to director. We recognise and develop talent and offer clear career paths.

# Safe workplace

GRI 103-1, 103-2 and 103-3 of material reporting topic: LPP as an employer, GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-6

The safety and health of our employees are one of our priorities, especially in pandemic times. The LPP Group has not implemented an occupational health and safety management system, but we do comply with all legal requirements in the area of occupational health and safety. These activities are regulated by, among others, employee conduct policy, orders, allocation of protective garments, footwear and personal protective equipment charts, occupational risk assessment, OHS instructions and internal OHS procedures.

- Occupational health and safety in the LPP Group is supervised by **an eight-member OHS team and two nationwide external companies**. Employees take part in obligatory initial OHS, position-specific and periodic trainings. They also have the opportunity to participate in trainings for first aid and fire protection.
- We periodically audit stores, offices and logistics centres to check whether they provide adequate and safe working conditions.

- People employed with LPP companies have the possibility to use **the ServiceDesk system**, thanks to which they can turn to for assistance and obtain help in any matter related to OHS. All OHS queries submitted by employees are recorded, monitored and resolved.

Identification of risks is carried out by way of analysing the working environment, consultation with a specialist in occupational medicine, photo documentation of the working day for specific groups of positions. We also use checklists, which indicate the basic risk factors, (harmful, hazardous and onerous). These include the the most common hazards and dangerous events. The final element of hazard identification is the occupational risk assessment, which is subject to periodic review. The risks so identified are analysed and verified, taking into account the proposed solutions, i.e. protective measures minimising the level of estimated risk.

Occupational medicine services are offered to all employees and make it possible to verify whether the identified risk factors in the work environment have a negative impact on employees' health. Conclusions from conducted examinations constitute valuable material supporting the process of occupational risk assessment, and consultations with an occupational medicine physician are an important element of verification of implemented principles of organisation, ergonomics, physiology and occupational psychology. In addition, employees of all companies have the opportunity to purchase medical packages in medical centres with 50% co-financing by the employer.

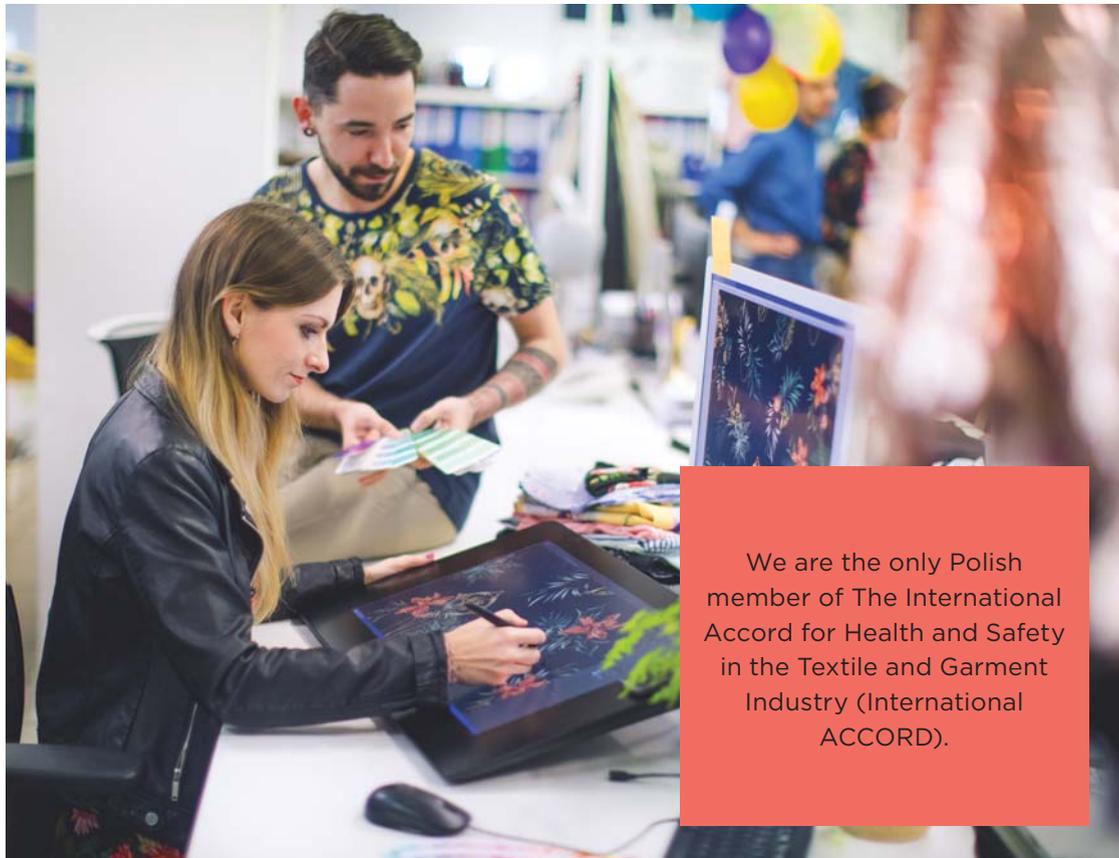
Within the framework of periodic meetings of the occupational health and safety commission, the occupational health and safety service actively cooperates with the OHS physician providing preventive health care to employees.

We organise **regular meetings of the health and safety commission**. The commission is composed of employee representatives, the employer, the OHS physician and OHS service employees. The OHS commission, taking into account the opinions of employees, introduces new initiatives to improve the area of OHS. The post-accident proceedings, as well as the investigation of the circumstances and causes of accidents, are conducted by the post-accident team.

We ensure equal and legally compliant working conditions for both temporary agency workers and LPP employees. All groups of employees undergo initial OHS training in the form of general and position-specific instruction, as well as periodic OHS training.

# Human rights in the supply chain

GRI 102-9, GRI 103-1, 103-2 i and 103-3 of the material reporting topic: Assessment of suppliers' working conditions, GRI 403-7, GRI 414-1, Own measure: Number of inspections concerning occupational health and safety, workplace conditions and human rights in the reporting year, Own measure: Description of the main activities to develop and improve our approach to managing ESG issues



We are the only Polish member of The International Accord for Health and Safety in the Textile and Garment Industry (International ACCORD).

Monitoring the protection of human rights in the supply chain is an integral part of our operations. Since 2013, we have been the only Polish member of **ACCORD** – The Bangladesh Accord on Fire and Building Safety, which acts on behalf of the fashion industry to improve working conditions in Bangladesh. We were one of the first garment manufacturers to be included on The Worker Rights Consortium's (WRC) list of companies that meet their obligations towards suppliers. In our relations with factories, we follow the **“LPP Code of Conduct”** which sets out the requirements for suppliers in the area of working and social conditions and respect for human rights. Compliance with the Code is a prerequisite for our cooperation with suppliers, and this, in turn, is monitored through regular supplier inspections carried out by our offices and by independent auditing companies.

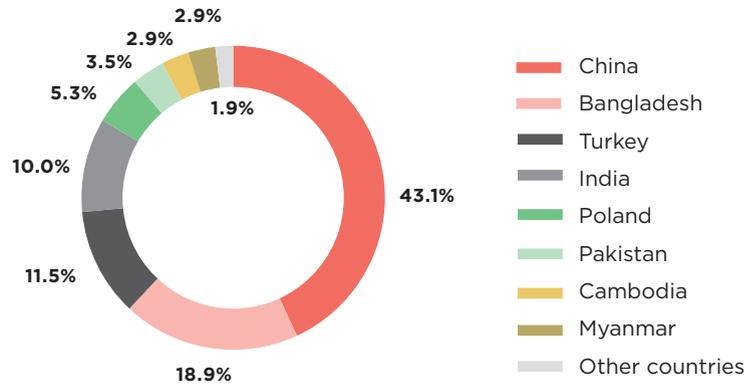
- Over the year, we cooperate with 1,115 suppliers of clothes and accessories.
- There are two LPP representative offices established in Dhaka and Shanghai dedicated to cooperation with suppliers, including conducting audits.
- In 2021/22 reporting year, we conducted 609 audits of the suppliers, which mainly related to safety rules.

#### The principles for suppliers included in the “LPP Code of Conduct”

- setting up an appropriate remuneration policy and formal conditions of employment,
- an absolute ban on child labour,
- voluntary work,
- freedom of association,
- Occupational Health and Safety standards
- equal treatment of all employees.

### SHARE IN THE OVERALL PROCUREMENT VALUE BY COUNTRY

[Own measure: Suppliers' percentage share in the overall procurement value by country]



LPP started cooperation with the Polish Institute of Human and Business Rights (PIPCB). The goal for 2021 was to broaden knowledge and competences and provide better protection for LPP Group employees and all persons cooperating with it. Managers in charge of key management areas participated in the project: HR, Shared Services Centre (OHS, HR and Payroll), Procurement and ESG, Central Procurement, Internal Communications and Logistics.

The cooperation with PIPCB comprised, among others, the analysis of work and payroll regulations, model employment

contracts or codes of conduct. A key part consisted in a series of workshops attended by LPP managers on mapping and prioritising risks (heat map and salient HR issues) in the production and non-production chain, and summarising the process. In the course of the project, a survey was also conducted among employees and associates of LPP SA and Polish subsidiaries, as well as people working at the Distribution Centre in Pruszcz Gdański.

Representatives of the Management Board of LPP, together with key managers from Poland and foreign companies, attended training and workshops on international



human rights guidelines adopted by the UN and the OECD. The workshop also covered due diligence in the area of human rights, the place of human rights issues in the EU Taxonomy, and the links between human rights and DE&I standards (Diversity, Equality and Inclusion) and the concept

of a trust-based organisation. As a result of the actions undertaken, and with the support of the Institute, in 2021 LPP developed a unified document containing a catalogue of principles and commitments to respect human rights throughout the company's value chain.

# Focus on the customer and product quality

GRI 103-1, 103-2 i and 103-3 of the material reporting topic: Customer satisfaction, Product quality

We expect suppliers to follow the detailed guidelines contained in the document entitled: "LPP Quality Guidebook". The guidebook lays down product quality standards, concentrations of chemicals used in production and a list of banned substances according to the EU-wide REACH7 regulation. In order to protect the environment and ensure that our products are completely safe for our customers, we partnered with **Zero Discharge of Hazardous Chemicals** – an international initiative for chemical safety in the apparel industry.

 **More about this initiative can be found [HERE](#).**

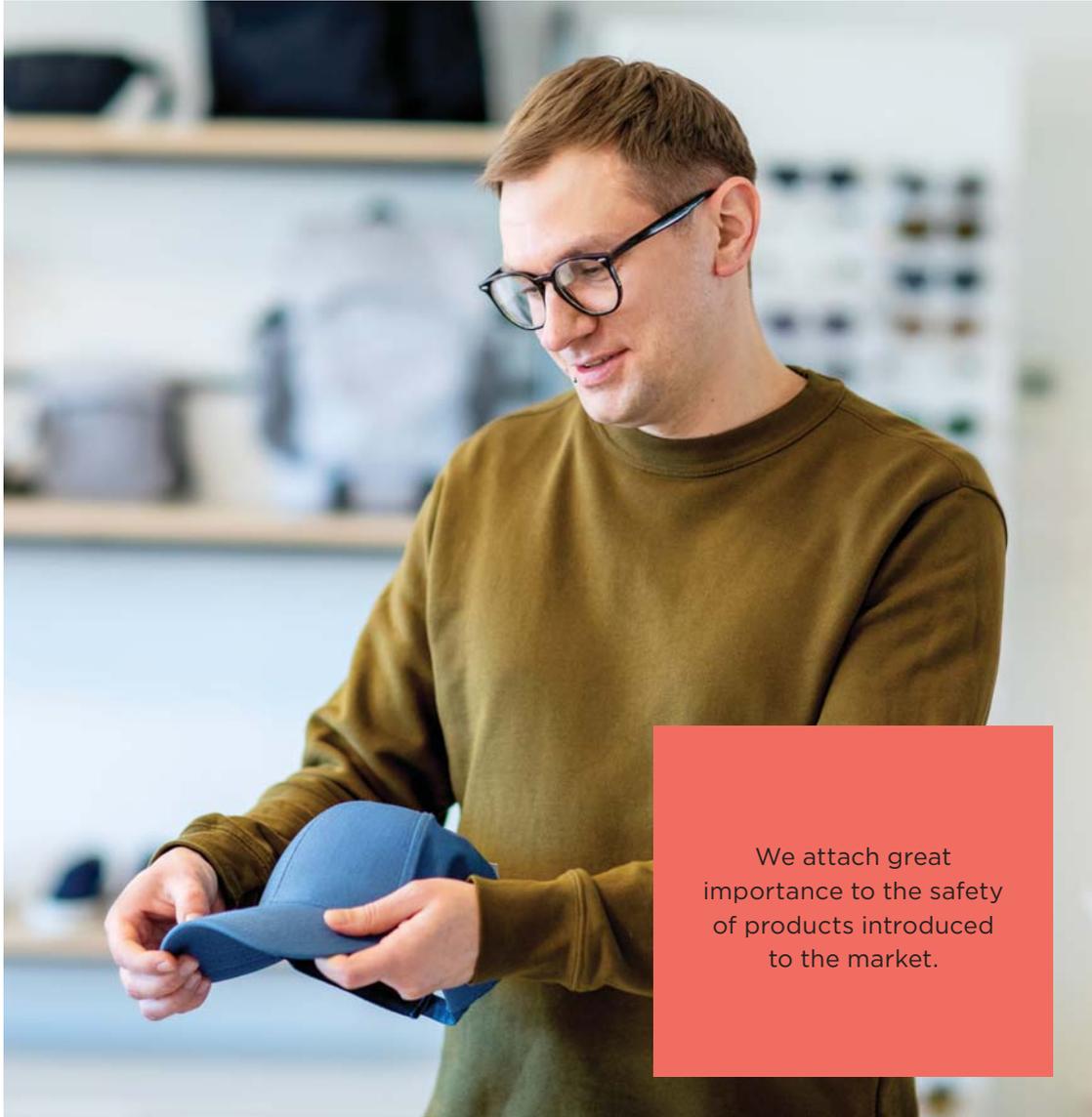
The expected quality levels for all LPP brands are set according to an Acceptance Quality Limit (AQL) standard. Before placing an order, our buyers ask suppliers to provide material and product samples in order to assess the quality of fabrics and workmanship of the clothing ordered. Our quality control department checks

the quality standards of products before they are marketed. We have expanded the range of physical tests of materials that can be carried out at our Distribution Centre in Poland.

**13,307** the number of quality checks carried out in the 2021/22 reporting year.

In 2021, we updated the detailed quality guidelines of the "LPP Quality Guidebook". The modified guidelines include, among other things, requirements for footwear and expanded requirements for functional fabrics. For example, every footwear supplier is required to have the sole binder, elasticity and sole abrasion tested by an official TÜV SÜD, UL or HQTs laboratory.





We attach great importance to the safety of products introduced to the market.

**Examples of our activities:**

All children's products are subject to metal detector tests to avoid any leftover bits from sewing needles. Zips in garments are subject to durability tests. Tests are also carried out on buttons, fasteners and protruding applications/decorative elements. On our behalf, a specialised auditing company inspects factories for mould.

We conduct quality control management audits of factories (audits according to QAS – quality assurance system). In the 2021/22 reporting year, we conducted **98 such audits. 51 factories** were covered by this scheme. The level of improvement of the quality control system in the audited factories increased by 8.5%.

The quality reporting system is centralised and managed by the office in Poland. LPP representative offices in Dhaka and Shanghai play an important role in quality control processes. Their purpose is to manage relationships with existing and new suppliers, control production quality and verify compliance with the "LPP Code of Conduct".

In 2021/22, we introduced quality control to our collaborating factories in Pakistan. Trained in terms of LPP standards, local inspectors report to our office in Bangla-

desh and further to our central headquarters in Poland.

GRI 416-2

We inform our customers about detected product defects via the „Statements for customers” website. Furthermore, we continuously analyse the reasons for garment returns in terms of quality defects. In 2021/22, we recorded 1 defect – a “plastic smell” of the silicone lid of a ceramic cup. The product was withdrawn from sale and the items returned by customers were disposed of. We did not identify any other defects, in particular defects that could have a negative impact on customers' health.

# Social engagement and assistance provided by the LPP Foundation

The LPP Foundation carries out projects in three key areas: **preventing social exclusion and supporting local communities, health protection, ecology and environmental protection.**

**The main beneficiaries of the Foundation's social activities:** children and young people from children's homes, people at risk of social exclusion, the sick or people with disabilities, people experiencing homelessness, victims of catastrophes or natural disasters. We also provide assistance to community service projects carried out in LPP's closest neighbourhood.

**Forms of social engagement used:** financial donations, in-kind donations, employee volunteering (including a mini-grant competition), substantive partnerships, original social programmes.

 Find out more about the LPP Foundation's projects.



- As part of the project implemented by Reserved, we donated funds for the **annual maintenance of a helpline for young people struggling with depression** run by the Itaka Foundation.
- As every year, we also donated funds to **help our employees and their loved ones struggling with chronic illnesses.**

- As part of our local activities in Brześć Kujawski, where our new Distribution Centre was established, we carry out regular actions for the benefit of local communities. One of these projects is "Wyprawka dla pierwszaka" ["School starter kit"] – children starting primary school receive school supplies and gifts from LPP. In 2021, such a support

was provided to 124 pupils. In addition, pupils from all primary schools participate in the "English with LPP" educational programme.

- Through the "Moda na lepszy start" ["Fashion for a Better Start"] project, we support the development of wards of 17 children's homes.

## EXAMPLES OF THE FOUNDATION'S ACTIVITIES AND THEIR BENEFICIARIES



 Find out more about the LPP Foundation's projects.

### Preventing social exclusion and supporting local communities

**Directions of activities** Supporting local social initiatives, e.g. funding the renovation of children's homes and the parents' room in hospitals and other facilities serving children in need, funding summer holidays for children, funding the organisation of Easter breakfasts for people experiencing homelessness, etc.

**Main beneficiaries** The Foundation's partners in these projects were:

Fundacja Baksztag, Fundacja Anny Dymnej "Mimo Wszystko", Fundacja Zaczytani.org, Towarzystwo Profilaktyki Środowiskowej Mrowisko, Fundacja Pomocy Rodzinom i Chorym na Mukowiscydozę MATIO, Fundacja dla Rodziny "Ogniska Nadziei", Gdańska Fundacja Innowacji Społecznej, Fundacja "Rodzinny Gdańsk", Towarzystwo Nasz Dom Krakowskie Domy dla Dzieci, Fundacja Oparcia Społecznego Aleksandry FOSA, Międzynarodowa Organizacja Soroptimist International, Stowarzyszenie Sopocki Dom, Stowarzyszenie Inicjatyw Lokalnych "Bliżej Centrum", Stowarzyszenie "Opowiadacze Historii Dolnego Miasta w Gdańsku", Szpital Copernicus w Gdańsku.

### Health protection

Supporting regular partners – hospitals and hospices, providing them with funds to purchase necessary medical equipment, carry out renovations, retrofitting of facilities, specialised workshops and consultations.

**Beneficiaries of the assistance:**

Szpital Dziecięcy Polanki im. Macieja Płażyńskiego w Gdańsku, Szpital Specjalistyczny w Kościerzynie, Fundacja Hospicyjna, Fundacja Hospicjum Pomorze Dzieciom, Fundacja z Pompą – Pomóż Dzieciom z białaczką, Fundacja 3Maliny, Fundacja Dom Hospicyjny w Pruszczu Gdańskim, Fundacja Wspierania Rozwoju Ja też, Polskie Towarzystwo Walki z Mukowiscydozą, Fundacja Anny Dymnej "Mimo Wszystko", Fundacja Avalon, Fundacja Dzieciom "Zdążyć z pomocą", Fundacja Sedeka, Fundacja Itaka.

### Ecology and environmental protection

Volunteering as part of the 2nd edition of "Do nasadzenia" ["To planting"] – planting new forest in areas affected by the 2017 storm. Supporting organisations that care for animals. The Foundation provided funds for veterinary care and the purchase of necessary equipment.

**The Foundation supported:**

Stowarzyszenie Paka dla Zwierzaka, Fundacja Zwierzętom w Potrzebie, Fundacja Kotangens.

**LPP partners with a positive impact startup (Wosh Wosh)** - we joined the spring (“Przekaż wiosnę”/“Donate Spring”) and autumn (“Shoe Collection for the Homeless”) shoe collections organised by Wosh Wosh, inviting our employees to bring their unused shoes in good condition to the LPP offices. This way, the footwear was given a new life, contributing to the initiative of caring for our planet and showing solidarity with those in need. The collected 800 pairs of shoes were sent to WoshWosh, and then, after disinfection, they were sent to, among others, St. Brother Albert's Aid Society (Gdańsk), Bread of Life Community in Warsaw and Cracow, and “Prometheus” Association for Care and Rehabilitation in Gdańsk.



**Employee volunteering**

Our employees have been involved in employee volunteering activities for years. These are both long-term activities, in cooperation with social partners, and one-off actions. In 2021, 374 LPP Group employees were involved in employee volunteering, donating 5,257 hours to this end.

Examples: renovating two Children's Homes in Malbork, running creative workshops during the Lato na Dolnym (Summer in Dolne) festival with LPP for residents of tDolne Miasto district in Gdańsk, a cyclical initiative for the benefit of wild cats called Kocie Budki [“Cat Houses”] entailing construction and renovation of cat houses in the area of the former Gdynia shipyard.

In addition, as part of the mini-grants programme for employees - volunteers, two editions of the competition were held in 2021: a summer one, in which three employee volunteering projects were implemented for a total amount of PLN 40,000, and a Christmas one - in which 11 employee volunteering projects were implemented for a total amount of PLN 55,000. In total, we provided PLN 95,000 to meet the needs of local communities as part of the mini-grants programme.

In 2021, local community service initiatives were also conducted by foreign companies of the LPP Group. They allocated a total of PLN 3,575,117.



„Moda na lepszy start” [“Fashion for a Better Start”] is one of the original programmes of the FOUNDATION LPP. The name was coined as a result of a competition addressed to the Foundation's wards who are the beneficiaries of the programme. The project aims to support these children and young people by providing financial support for activities in three areas:

- Health** - sensory, psychological, psychiatric, speech therapies, dietary consultations, purchase of braces, glasses
- Education** - tutoring, vocational courses, trainings
- Talent development** - sports, drawing, make-up, theatre, dance, floristry, horse riding jeździectwo





# 5. Data compilation

# Environmental area

E – Environmental

## ENERGY AND EMISSIONS

GRI 302-1

Energy consumption within the organization [GJ]	FEB 2021 - JAN 2022	
	LPP Group	Including LPP SA and stores in Poland
Electricity consumption	1,296,513	604,099
Heating	4,089,275	1 108,942
Natural gas	83,768	40,410
Diesel fuel	16,347	12,573
Petrol (gasoline)	10,980	6,839
<b>Total [GJ]</b>	<b>5,496,883</b>	<b>1,772,863</b>

### Method applied

Data for all LPP Group The consumption of fuels was converted into GJ using the conversion factors published by the Polish National Centre for Emissions Management (KOBiZE)

GRI 305-1, GRI 305 -2, GRI 305 -3, GRI 102-49

Emissions	Scope 1	Scope 2	Scope 3
Greenhouse gas emissions [t CO <sub>2</sub> e]	4,420.67 (0.15%)	11,985.14 (0.40%)	3,017,744.90 (99.45%)

### Method applied

Data for all LPP Group for the 02.2021 - 01.2022 reporting year. For the first time, we calculated the carbon footprint of the entire LPP Group taking into account all scopes and all categories defined according to the GHG Protocol method. In the previous year, scope 3 calculations included 7 categories out of 15, this year emissions were calculated in all categories (emissions in three categories amounted to zero). The allocation of emissions to categories and even scopes also changed due to the lack of definition of the type of consolidation in the previous year (this year consolidation based on operational control was used).

Scope 3 of emissions: emissions per source type

	t CO <sub>2</sub> e	%
<b>Scope 3</b>	<b>3,017,744.90</b>	<b>100%</b>
Cat. 1 Raw materials and services purchased	1,911,943.33	63.36%
Cat. 2 Investment goods (CAPEX)	264,768.80	8.77%
Cat. 3 Emissions related to consumption of energy and fuels not included in scope 1 and 2	54,710.36	1.81%
Cat. 4 Transport and distribution of products purchased	155,156.82	5.14%
Cat. 5 Waste generated in the course of activity	386.83	0.01%
Cat. 6 Business trips	2,390.09	0.08%
Cat. 7 Employees commuting to work	22,008.43	0.73%
Cat. 8 Assets leased – sales outlets	365,807.46	12.12%
Cat. 9 Transport and distribution of products sold (e-commerce transport)	28,945.86	0.96%
Cat. 10 Processing of products sold	0.00	0.00%
Cat. 11 Use of products sold	169,307.20	5.61%
Cat. 12 Disposal of products sold	41,036.18	1.36%
Cat. 13 Assets leased	0.00	0.00%
Cat. 14 Franchise	1,283.55	0.04%
Cat. 15 Investments	0.00	0.00%



GRI 305-4

Greenhouse gas emissions intensity	02.2021 - 01.2022
GHG emissions of the LPP Group in the scope 1 and 2 in terms of revenue [t CO <sub>2</sub> e/PLN 1 M]	1.15

**Method applied**

Data reflect the emissions of all LPP Group in scope 1 and 2 in the 02.2021 - 01.2022 reporting year per LPP Group revenue.

**PACKAGING AND WASTE**

GRI 306-3

Total packaging out on the market by LPP Group (in kilograms)	FEB 2020 - JAN 2021	FEB 2021 - JAN 2022
Cardboard	19,707,329	29,449,770
Plastic film	2,105,243	3,986,450
Wood	50,324	88,200
Glass	Reported from the 2021/22 reporting year	6,840

**Method applied**

Data relate to the weight of packaging put on the market by LPP Group companies in a given reporting year. The increase in the number of packaging put on the market is due to the dynamic development of the business and the increase in the share of e-commerce sales in total sales.

<sup>1</sup> Cardboard packaging, price tags, courier labels.

GRI 306-4

Total recycled waste (in kilograms)	FEB 2020 - JAN 2021		FEB 2021 - JAN 2022	
	LPP Group	LPP SA	LPP Group	LPP SA
Recycled cardboard <sup>1</sup>	5,901,010	4,572,146	13,168,578	10,178,430
Recycled plastic film	82,302	63,665	890,625	675,104
Recycled wood	118,780	117,580	311,240	311,240
	<b>02.2021 - 01.2022</b>			
% of cardboard boxes used in Distribution Centres reclaimed for further use.				35%
% of cardboard boxes used in Fulfilment Centres Centres reclaimed for further use.				26%
Level of plastic reduction in packaging of Reserved and Mohito brands				100%

The complete abandonment of plastic packaging in Reserved and Mohito brands made it possible to **avoid introducing 445 tonnes of plastic into the market** in 2021 alone.

**Method applied**

Data relate to recycled waste generated by all companies of the LPP Group. Data cover offices, distribution centres, as well as the stores for which separate information on the scale of waste is available (building administrators do not provide such data for stores located in shopping malls).

**WATER**

GRI 303-3

Water withdrawal [in litres]	02.2021 - 01.2022
Total amount of water withdrawn by LPP Group	11,282,622
of which:	
from municipal water supply system	11,272,619
groundwater	973
other sources	11,570

**Method applied**

Data concern water consumption by the entire LPP Group, including LPP SA. Data do not include water consumption in stores in Poland. Water intake from municipal water supply system is reported on the basis of contracts with suppliers and invoices.

# Social area

S – Social

Contributions to the state budget [in PLN thousand]	JAN 2019- -JAN 2020	FEB 2020- -JAN 2021	01 FEB 2021- -31 JAN 2022
Value Added Tax (VAT)	604,754	457,190	761,231
Corporate Income Tax (CIT)	107,893	40,458	360,180
CFC from controlled foreign companies	26,138	50,945	31,528
Retail Sales Tax (RST)	-	-	38,024
Customs duty	239,961	115,953	202,426
Personal Income Tax (PIT)	24,459	19,656	31,831
PFRON	945	880	5,022
Total ZUS	88,925	64,267	153,603
Real Property Tax	4,578	4,919	6,018
Means of Transport Tax	4	2	2
<b>TOTAL [IN PLN THOUSAND]</b>	<b>1,097,657</b>	<b>754,270</b>	<b>1,589,865</b>
<b>Change Y/Y</b>	<b>10%</b>	<b>-31%</b>	<b>111%</b>

GRI 102-8, GRI 405-1

## Employee count in LPP Group (as of 31 Jan 2022)

	LPP Group	of which	LPP SA	LPP Retail	Foreign subsidiaries	Other companies
Women	27,778		2,120	11,363	14,130	175
Men	4,020		570	723	2,515	212
<b>TOTAL</b>	<b>31,808</b>		<b>2,690</b>	<b>12,086</b>	<b>16,645</b>	<b>387</b>

### Method applied

Data include persons employed (number of persons) by the LPP Group na under an employment contract or providing work under another type of contract (civil law contract).

## Data include only persons employed by LPP Group companies under an employment contract (number of persons). Status at the end of the reporting period.

	LPP Group	of which	LPP SA	LPP Retail	Foreign subsidiaries	Other companies
Women	24,943		2,048	8,614	14,111	170
Men	3,750		553	474	2,515	208
<b>TOTAL</b>	<b>28,693</b>		<b>2,601</b>	<b>9,088</b>	<b>16,626</b>	<b>378</b>

### Of which employment contracts of indefinite duration

Women	16,223	1,339	2,989	11,774	121
Men	2,904	357	164	2,271	112
<b>TOTAL</b>	<b>19,127</b>	<b>1,696</b>	<b>3,153</b>	<b>14,045</b>	<b>233</b>

### Method applied

Data include only persons employed by LPP Group companies under an employment contract (number of persons). Status at the end of the reporting period.



#### Employee count in LPP Group per working time

	LPP Group	of which	LPP SA	LPP Retail	Foreign subsidiaries	Other companies
I. Full time						
Women	17,268		2,099	4,548	10,454	167
Men	2,986		569	286	1,922	209
II. Part time						
Women	10,500		21	6,815	3,675	8
Men	1,035		1	437	594	3
<b>TOTAL</b>	<b>31,808</b>		<b>2,690</b>	<b>12,086</b>	<b>16,645</b>	<b>387</b>

#### Method applied

Number of people, as of the end of the reporting period. The data include persons directly employed by LPP Group companies on the basis of an employment contract or providing work on the basis of another type of contract (civil law contract).

#### Employment under an employment contract in LPP Group per FTE

	LPP Group	of which	LPP SA	LPP Retail	Foreign subsidiaries	Other companies
Women	21,147		2,042	6,721	12,215	168
Men	3,187		553	373	2,055	207
<b>TOTAL</b>	<b>24,333</b>		<b>2,595</b>	<b>7,094</b>	<b>14,270</b>	<b>375</b>

#### Method applied

The data include employees of all LPP Group companies employed under a contract of employment, per FTE. Status at the end of the reporting period.

#### Employee count in LPP Group per place of employment

	Persons employed under an employment contract	Persons employed under another type of contract
I. Hires at the offices		
Women	3,086	76
Men	1,059	21
<b>TOTAL</b>	<b>4,145</b>	<b>97</b>
II. Hires in stores		
Women	21,865	2,749
Men	2,581	249
<b>TOTAL</b>	<b>24,446</b>	<b>2,998</b>
III. Other than offices or stores (including warehouse)		
Women	25	0
Men	97	0
<b>TOTAL</b>	<b>122</b>	<b>0</b>

#### Method applied

The data include persons directly employed by LPP Group companies on the basis of an employment contract or providing work on the basis of another type of contract (civil law contract). Status at the end of the reporting period.

**Number of people working for LPP Group on the basis of a contract with employment agencies** 6,253

#### Comment

Status as of the end of the reporting period. Persons employed by employment agencies are primarily those providing work for LPP Retail.

### Diversity in the composition of the Management Board and the Supervisory Board

Composition of the Management Board	<ul style="list-style-type: none"> <li>• 5 men</li> <li>• 0 women</li> <li>• 2 people aged 30-50</li> <li>• 3 people over 50</li> </ul>
Composition of the Supervisory Board	<ul style="list-style-type: none"> <li>• 5 men</li> <li>• 1 woman</li> <li>• 2 people aged 30-50</li> <li>• 4 people over 50</li> </ul>

#### Comment

Composition as of 31 JAN 2022 Data for LPP SA.

Number and percentage of people with disabilities	LPP Group	of which LPP SA
Number of employees with disabilities	325	50
Percentage of employees with disabilities	1.02%	1.86%

#### Method applied

Data concern all LPP Group companies (number of people)

#### Comment

While in the stores themselves the number of employees with disabilities is low due to the nature of the work, we work intensively with a group of teleworkers, developing our disability activation project. They assist us in numerous HR and OHS processes.

### Employment per gender, age and level at the companies in Poland

		LPP SA	LPP Retail	LPP Logistics	Silky Coders	LPP Printable
Executives	Total employee count	304	1,095	6	50	3
	Of which women	188	1,029	1	14	2
	Of which men	115	66	5	36	1
	Of which employees under 30	11	499	0	3	0
	Of which employees aged 30-50	276	595	6	46	3
	Of which employees over 50	17	1	0	1	0
Other employees	Total employee count	2,497	10,991	45	474	13
	Of which women	1,995	10,334	7	159	12
	Of which men	502	657	38	315	1
	Of which employees under 30	1,043	9,769	13	180	0
	Of which employees aged 30-50	1,387	1,193	30	286	11
	Of which employees over 50	81	29	2	9	1

#### Method applied

Number of people, as of 31.02.2022. Executives - persons who manage a minimum 2-person team. Data do not include foreign companies.



GRI 405-2

Gender pay gap	2020/21	2021/22
<b>LPP SA</b>	4% <sup>2</sup>	4%
Executive positions	2%	+3% <sup>3</sup>
Non-executive positions	4%	6%
<b>Other LPP Group companies in Poland</b>	2%	4%
Executive positions	2%	6%
Non-executive positions	3%	0

#### Method applied

The data relate to the sum of base salary and bonus for the period in question, divided by the number of months and converted to FTE.

Previously, the reported ratio was the ratio of median basic pay for women to median basic pay for men converted to FTEs for all contract and B2B employees as at the last day of the reporting period for a particular job title (5% in the 2020/21 report). In the new method we include values for the whole period. The Gender Pay Gap indicator has been determined for homogeneous job groups as the ratio of the average total pay of women to the average total pay of men (employed under a contract of employment). Total pay means the sum paid to the employee as basic salary and bonus in the period in question and then divided by the number of months and converted to FTEs. The table above gives the figures for 2020/21 as per the new method.

<sup>1</sup> Women earn 4% less

<sup>2</sup> Women earn 3% more

## TURNOVER

GRI 401-1

### Employee turnover ratio for LPP Group companies in Poland

	LPP SA	LPP Retail	LPP Logistics	Silky Coders
<b>New hires in the reporting period</b>	<b>866</b>	<b>13,505</b>	<b>51</b>	<b>334</b>
Women	672	12,480	8	155
Men	194	1,025	43	179
Employees under 30	562	12,765	13	122
Employees aged 30-50	298	725	36	204
Employees under 50	6	15	2	8
<b>Number of people who lost company employee status in the reporting period</b>	<b>424</b>	<b>9,874</b>	<b>0</b>	<b>29</b>
Women	333	9,053	0	10
Men	91	821	0	19
Employees under 30	190	9,201	0	9
Employees aged 30-50	229	655	0	19
Employees under 50	5	18	0	1
<b>Overall employee turnover ratio</b>	<b>15.76%</b>	<b>81.70%</b>	<b>0</b>	<b>9.09%</b>
Turnover ratio for women	15.71%	79.67%	0	6.58%
Turnover ratio for men	15.96%	113.55%	0	11.38%
Turnover ratio for employees under 30	18.03%	89.61%	0	4.92%
Turnover ratio for employees aged 30-50	13.77%	36.63%	0	5.72%
Turnover ratio for employees over 50	5.10%	60.00%	0	10.00%

#### Method applied

- The turnover data include the number of people employed on the basis of an employment contract or another type of contract (civil law contracts). The data concern LPP Group companies in Poland.
- The general employee turnover ratio is calculated according to the formula: total number of employees who left the organisation in the reporting year (12 months) divided by the total number of employees in the reporting year (employment as of 31.01.2022), multiplied by 100.

- Female/male turnover ratio calculated according to the formula: total number of women/men who left the organisation divided by the total number of employed women/men hired in the reporting year (as of 31.01.2022), multiplied by 100.
- Employee turnover ratio for employees of a given age calculated according to the formula: total number of employees of a given age who left the organisation divided by the total number of employees of a given age in the reporting year (as of 31.01.2022), multiplied by 100.

Level of employee turnover at LPP Retail in the 2021/2022 reporting year, by type of contract	Persons employed under an employment contract	For persons employed under a different type of contract (civil-law contracts)
<b>Overall employee turnover ratio</b>	43.57%	197.26%
Turnover ratio for women	42.80%	195.20%
Turnover ratio for men	57.59%	220.08%
Turnover ratio for employees under 30	47.47%	196.93%
Turnover ratio for employees aged 30-50	26.44%	206.93%
Turnover ratio for employees over 50	0.19%	0.14%

#### Method applied

The data concern LPP Retail, which, due to the model of its operations, is characterised by a high turnover ratio of people working for the company under a contract other than an employment contract. These are mainly young people, including students, who treat work at a store as casual and short-term work.

<sup>4</sup> 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

## TRAINING SESSIONS

GRI 404-1

Number of training days in a year per employee as per employment structure	JAN 2019- -JAN 2020		FEB 2020- -JAN 2021		FEB 2021- -JAN 2022	
	LPP Group	of which LPP SA	LPP Group	of which LPP SA	LPP Group	of which LPP SA
Average number of training day per employee	4.2	13.0	3.2	7.4	4.5	18.4
Total number of training days	98,226	36,800	70,958	18,752	142,564	50,435

#### Method applied

The data applies to the entire LPP Group, including stationary and e-learning training.

## HEALTH & SAFETY

GRI 403-9

Work-related injuries	FEB 2019- -JAN 2020		FEB 2020- -JAN 2021		FEB 2021- -JAN 2022	
	LPP Group	LPP SA	LPP Group	LPP SA	LPP Group	LPP SA
Job-related accidents in the reporting period	126	12	78	2	130	9
including fatal accidents	0	0	0	0	0	0
Accident rate <sup>4</sup>	0.8	2.8	3.4	0.6	3.7	2.3
Main types of injuries recorded	Contusions, surface injuries, sprains.					

#### Method applied

The data refers to all workplace accidents recorded by LPP Group companies in the 2021/22 financial year. This data includes the number of accidents on the way to or from work.

Accident rate: From the financial year 01.2019-01.2020, the rate is calculated according to the formula: number of accidents recorded during the reporting period divided by the total number of hours worked by all employees multiplied by 1,000,000. The indicator also captures fatal accidents.

### Accident rate in the 2021/22 reporting period

	LPP Group	LPP SA	LPP Retail	Foreign subsidiaries
Number of fatal accidents	0	0	0	0
Number of all reported accidents	130	9	78	43
Accidents women	115	8	74	33
Accidents men	15	1	4	10
Number of accidents resulting in loss of working time	118	9	78	31
Accidents women	106	8	74	24
Accidents men	12	1	4	7
Working days lost due to job-related accidents	2,024	0	0	2,024
Number of hours worked	35,267,398	3,875,334	12,495,248	18,211,218

#### Method applied

The data refers to all workplace accidents recorded by LPP Group companies in the 2021/22 financial year.

The data also includes accidents on the way to or from work.

Accident rate: From the financial year 01.2019-01.2020, the rate is calculated according to the formula: number of accidents recorded during the reporting period divided by the total number of hours worked by all employees multiplied by 1,000,000. The indicator also captures fatal accidents.

### SOCIAL

Own measures: Value of donations made, Number of volunteers involved in projects in the reported year

#### Assistance provided to local communities

	02.2021-01.2022
Monetary donations (LPP Foundation)	PLN 1,617,517
Assistance in total (both monetary and in-kind donations) (LPP Foundation + companies of the LPP Group)	PLN 6,691,542

#### Method applied

The data includes amounts allocated to social activities by the LPP Group companies in Poland and abroad and the LPP Foundation.

#### The scale of activity of the LPP Foundation

	LPP Foundation
Value of donations made in the reporting year	PLN 1,617,517
Including:	
Donations made to support healthcare	PLN 798,533
Donations made to support environmental protection and ecological projects	PLN 32,881
Donations made to support local communities nad projects preventing social exclusion	PLN 786,103
Number of organizations supported by the LPP Foundation	43
Number of volunteers involved in projects in the reported year	374
Number of items of clothing donated for social purposes	123,000
Number of entities that received clothing	120

# Organizational governance area

## G – Governance

GRI 102-1 Name of organisation, GRI 102 -45 Reporting entities included in the consolidated financial statements

### Companies comprising the LPP Group and included in this report (as at 31.01.2022)

The LPP Capital Group comprises: LPP SA (parent company), 8 domestic subsidiaries and 25 foreign subsidiaries. Foreign companies are entities which mainly distribute LPP goods outside Poland. All companies are included in this report.

- |  |   |
|--|---|
| <ol style="list-style-type: none"> <li>1. LPP SA (head office in Gdańsk)</li> <li>2. LPP Retail Sp. z o.o.</li> <li>3. DP&amp;SL Sp. z o.o.</li> <li>4. IL&amp;DL Sp. z o.o.</li> <li>5. LPP Printable Sp. z o.o.</li> <li>6. LPP Logistics Sp. z o.o.</li> <li>7. Dock IT Sp. z o.o.</li> <li>8. Silky Coders Sp. z o.o.</li> <li>9. Veviera Investments Sp. z o.o.</li> <li>10. LPP Estonia ou</li> <li>11. LPP Czech Republik S.R.O</li> <li>12. LPP Hungary Kft.</li> <li>13. LPP Latvia Ltd</li> <li>14. LPP Lithuania UAB</li> <li>15. LPP Ukraina AT</li> <li>16. LPP Romania Fashion Srl</li> <li>17. LPP Bulgaria EOOD</li> </ol> | <ol style="list-style-type: none"> <li>18. LPP Fashion Bulgaria EOOD</li> <li>19. LPP Slovakia sro</li> <li>20. RE TRADING OOO</li> <li>21. LPP Croatia DOO</li> <li>22. LPP DEUTSCHLAND GmbH</li> <li>23. IPMS Management Services FZE</li> <li>24. LPP RESERVED UK LIMITED</li> <li>25. LLC Re Development</li> <li>26. LPP Reserved DOO Beograd</li> <li>27. P&amp;L Marketing&amp;Advertising Agency SAL</li> <li>28. LPP BH DOO</li> <li>29. LPP Kazakhstan</li> <li>30. Reserved Fashion, Modne Znamke DOO</li> <li>31. Reserved Fashion BIS, Modne Znamke DOO</li> <li>32. LPP Finland OY</li> <li>33. OOO LPP BLR</li> <li>34. LPP Macedonia DOOEL</li> </ol> |
|--|---|

GRI 205-2, GRI 205-3, GRI 406-1

	01.2019-01.2020	02.2020-01.2021	02.2021-01.2022
			<b>LPP SA</b>
Percentage of members of the executive bodies informed about the anti-corruption policy and procedures at the organisation	100%	100%	100%
Percentage of employees given anti-corruption training	100%	100%	100%
Percentage of suppliers informed about the anti-corruption policies and procedures at LPP	100%	100%	100%
Number of reports of situations of potential irregularities (notifications via the ethics box) <sup>5</sup>	19	6	LPP SA: 14 LPP Retail: 58
Number of confirmed cases of corruption	0	0	0
Number of confirmed cases of discrimination in the workplace	0	0	0

<sup>4</sup> Submissions that, in the opinion of the reporting employees, require an ethics review. Submissions include issues of supervisor-subordinate relationships and social media communication policies etc.



## TAXONOMY

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 on labelling schemes, is an important part of the EU's response to climate and environmental challenges. It provides companies and investors with uniform criteria for business activities that can be considered environmentally sustainable (i.e. those that make a significant contribution to EU environmental objectives, such as climate change mitigation, without causing serious harm in terms of other environmental objectives) and thus aims to increase transparency and consistency in the classification of such activities. Having regard to the above Regulation and the Commission Delegated Regulation (EU) of 6 July 2021, the LPP Group has undertaken to disclose the percentage of business operations falling into and not falling into the scheme in the total turnover (revenue), capital expenditure (CapEx) and operating expenditure (OpEx). In addition to these key indicators, we publish the methodology developed and qualitative information.

Business operations	Turnover [PLN m]	Share
A. Operations falling into the scheme	0.0	0%
B. Operations not falling into the scheme	14,029.7	100%
<b>Total (A+B)</b>	<b>14,029.7</b>	

### Turnover

The percentage of turnover shown in the table below has been calculated as the proportion of net revenue from the sale of products or provision of services, including intangible assets, divided by net sales revenue in accordance with International Accounting Standard (IAS) 1 point 82(a). Due to the lack of guidance for the retail sector in which LPP operates, the above mentioned share is 0%.

Business operations	CapEx [PLN m]	Share
A. Operations falling into the scheme	2,503.4	61%
B. Operations not falling into the scheme	1,586.6	39%
<b>Total (A+B)</b>	<b>4,089.9</b>	

### Capital Expenditure

The percentage of capital expenditure (CapEx) was calculated by dividing the increase in property, plant and equipment, intangible assets and leases in the business areas included in the Technical Eligibility Criteria by capital expenditure as defined in International Financial Reporting Standards (IFRS), which are accounted for under:

- a) IAS 16 Property, Plant and Equipment, paragraph 73(e)(i) and (iii);
- b) IAS 38 Intangible Assets, paragraph 118(e)(i);
- c) IFRS 16 Leases, paragraph 53(h).

CapEx values relate directly to the values in the consolidated financial statements note 13 sum of acquisitions and transfers from fixed assets under construction

Business operations	OpEx [PLN m]	Share
A. Operations falling into the scheme	110.4	98%
B. Operations not falling into the scheme	2.2	2%
<b>Total (A+B)</b>	<b>PLN 112.6</b>	

### Operating expenses

The percentage of operating expenses was calculated by dividing direct, non-capitalised costs of:

- repair and maintenance services and cleaning in all offices, stores and logistics facilities,
  - salaries of employees maintaining IT equipment (Service Desk) and machinery and equipment
  - car fleet maintenance,
  - electrical fixtures,
- by the sum of expenses defined in the Taxonomy as operating expenses.



# 6. Approach to reporting

# Approach to reporting

GRI 102-42, GRI 102-44, GRI 102-46, GRI 102-47, GRI 102-52

The 2021/2022 Sustainability Report covers information on the performance of the entire LPP Group for the 01.02.2021-31.01.2022 reporting period. It was prepared in accordance with the GRI Sustainability Reporting Standards at Core level. Information on changes in the methodology of approach to some of the measures were highlighted each time in the results compilation section. Previous reports are available on the LPP website, under the “sustainable development” tab.

When analysing the material topics, we followed the principle of double relevance and the principle of incorporating the stakeholder perspective. According to the AA1000SES standard, each year the managers responsible for the reporting process, with the support of external experts, review the stakeholder map to identify the dialogue participants. The topics most frequently identified by the stakeholders as particularly important include the environmental impact of our operations

and supply chain, human rights issues, responsible employer practices and focus on product safety and quality. Taking into account the findings of our previous stakeholder dialogues, in 2022 we held an expert stakeholder panel focused primarily on environmental topics. The list of material reporting topics reflects the conclusions of internal discussions and stakeholder dialogue and includes issues identified as most important from the perspective of LPP’s socio-economic and environmental impact.

Internal perspective	LPP stakeholders' perspective	Validation of reporting topics relevance
<p>A series of seminars for representatives of LPP Management Board and executives, conducted by CSRinfo experts, dedicated to current ESG and sustainability trends.</p>	<p>Findings from the previous stakeholder panels that LPP has been conducting since 2017, as well as the results of surveys and expert interviews carried out as part of the previous reporting process.</p>	<p>A decision-making workshop where the LPP Management Board discussed and finally approves the key ESG reporting topics for 2021/22.</p>
<p>A review of LPP’s practices and policies, including the conclusions of the main improvement works of the management of human rights and environmental impact issues.</p>	<p>The results of the expert stakeholder panel in 2022. The panel addressed one of the most relevant reporting topics.</p>	



## KEY REPORTING TOPICS<sup>1</sup>

### Key topics in the report for the financial year

FEB. 2021 - JAN. 2022	FEB. 2020-JAN.2021	JAN. 2019-JAN. 2020
Sustainable fashion and climate impact	Sustainable fashion	Legality of operations
LPP as an employer	LPP as an employer	Investments in advanced technologies
Improving ESG management processes	LPP economic and social impacts during the pandemic	Customer satisfaction
Omnichannel and new technologies	New business model and omnichannel development	The company's business strategy and future plans
Assessment of suppliers' workplace conditions	Assessment of suppliers' workplace conditions	Assessment of suppliers' workplace conditions
Business ethics and compliance with the law	Legality of operations	Conditions of work at LPP
Product quality and safety	Product safety	Product safety
Customer satisfaction	Product quality	Product quality
Development of the retail network	Customer satisfaction	Employee satisfaction
	Investments in advanced technologies	Employee development
	Development of the retail network	Conditions of work at points of sale (LPP Retail)
		Sustainable fashion

## LIST OF NON-FINANCIAL DISCLOSURES

List of reporting disclosures required by the **Polish Accounting Act**

Topic	Page number
<b>1. LPP business model</b>	13, 15
<b>2. Key performance measures</b>	6, 15
<b>3. Politics, procedures, regulatory documents at LPP:</b>	
• employee matters	41
• social matters	41
• environmental matters	30-31
• protection of human rights	41, 44, 47
• anti-corruption	25-26
<b>4. Non-financial risks and their management</b>	22-23
<b>5. UE Taxonomy information</b>	64

<sup>1</sup> The issues are not listed in the order of significance. All the issues are considered highly significant.



**Un Global Compact - Communication on progress**

GRI 102-41

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.

Issue	Page number
<b>Expression of continued support for the UN Global Compact</b>	68
<b>Human rights</b>	
Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	41, 47-48
Principle 2. Businesses should make sure that they are not complicit in human rights abuses.	41, 43, 47-48
<b>Labour</b>	
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 this, go to p. 41-46.
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 cooperation with its suppliers and ones that we stand by unconditionally. Our requirements for suppliers state that explicitly. For more on this, go to p. 41, 47-48.
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.	43
<b>Environment</b>	
Principle 7. Businesses should support a precautionary approach to environmental challenges.	30-34
Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.	32-33
Principle 9. Businesses should support the development of environmentally friendly technologies.	31-34
<b>Anti-corruption</b>	
Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	25-26



## GRI CONTENT INDEX

GRI 102-55

### THE LIST OF DISCLOSURES INCLUDED IN THE REPORT

Disclosure No.	GRI Standard Title	Disclosure Name	Comments / Reported	Page No.
<b>Gri 101. Foundation 2016 essential information [it does not include any disclosures.]</b>				
<b>I. PROFILE DISCLOSURES [GENERAL DISCLOSURES 2016]</b>				
<b>GRI 102-1*</b>	GRI 102. General Disclosures 2016	Name of the organization.		7, 63
<b>GRI 102-2*</b>		Activities, brands, products, and services.		6
<b>GRI 102-3*</b>		Location of headquarters.	LPP SA. ul. Łąkowa 39/44, 80-769 Gdańsk	
<b>GRI 102-4*</b>		Location of operations.		6-7
<b>GRI 102-5*</b>		Ownership and legal form.		21
<b>GRI 102-6*</b>		Market served by the group and its brands.		6,
<b>GRI 102-7*</b>		Scale of the organization.		6
<b>Own measure</b>	Not applicable	Retail space in sq. meters for the whole Group and the percentage increase YoY.		15
		Store count and YoY increase for the whole Group.		15
		E-commerce revenue - share in the Group's total revenue.		15
<b>GRI 102-8*</b>	GRI 102. General Disclosures 2016	Information on employees and other workers.		57-59
<b>GRI 102-9*</b>		Description of the supply chain.		31, 36, 48
<b>Own measure</b>	Not applicable	Foreign suppliers' percentage share in the overall procurement value by country (all products).		48
		Percent share of European-based production.		48
<b>GRI 102-10*</b>	GRI 102. General Disclosures 2016	Significant changes to the size, structure or ownership of the organization and its supply chain.		7
<b>GRI 102-11*</b>		Precautionary Principle or approach.		22
<b>GRI 102-12*</b>		A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.		27
<b>GRI 102-13*</b>		Membership of associations.		27
<b>GRI 102-14*</b>		Statement from senior decision-maker.		3-4
<b>GRI 102-15*</b>		Key impacts, risks, and opportunities.		3-4, 6, 8-9, 10-13, 22
<b>GRI 102-16*</b>		Values, principles, standards, and norms of behavior.		24-25
<b>GRI 102-17*</b>		Mechanisms for advice and concerns about ethics		24



Disclosure No.	GRI Standard Title	Disclosure Name	Comments / Reported	Page No.
GRI 102-18*	GRI 102. General Disclosures 2016	Governance structure of the organization, including committees of the highest governance body.		19-20
GRI 102-40*		List of stakeholder groups.		28
GRI 102-41*		Collective bargaining agreements.	No such agreements in the organization.	
GRI 102-42*		Identifying and selecting stakeholders.		66
GRI 102-43*		Approach to stakeholder engagement.		28, 66
GRI 102-44*		Key topics and concerns raised.		66-67
GRI 102-45*		Entities included in the consolidated financial statements.		63
GRI 102-46*		Defining report content and topic Boundaries.		56
GRI 102-47*		List of material topics.		67
GRI 102-48*		Restatements of information - the effect of any restatements of information given in previous reports, and the reasons for such restatements.	No corrections.	
GRI 102-49*		Changes in reporting - Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	Change in emissions counting methodology, Extension with employment scale.	55
GRI 102-50*		Reporting period.	Reporting year beginning on 1 Feb. 2021 and ending 31 Jan. 2022.	
GRI 102-51*		Date of most recent report.	April 2021.	
GRI 102-52*		Reporting cycle.	Yearly.	
GRI 102-53*		Contact point for questions regarding the report.		Cover
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.		69	
GRI 102-56*	External assurance.	The report was subject to an external audit.		

## II. SPECIFIC DISCLOSURES ON KEY REPORTING TOPICS

### The reporting topic: Omnichannel business model and new technologies

GRI 103-1*	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.		10-13
GRI 103-2*		The management approach and its components.		
GRI 103-3*		Evaluation of the management approach.		



Disclosure No.	GRI Standard Title	Disclosure Name	Comments / Reported	Page No.
Own measure	Not applicable	Description of the business model and development of omnichannel.		6, 10-13
<b>The reporting topic: Development of the retail network</b>				
GRI 103-1	GRI 103.	Explanation of the material topic and its Boundary.		10
GRI 103-2	Management Approach 2016	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.		14
		Percent share of different modes of transportation in the reporting year.		36
<b>The reporting topic: Improving ESG management processes</b>				
GRI 103-1*	GRI 103.	Explanation of the material topic and its Boundary.		19, 41
GRI 103-2*	Management Approach 2016	The management approach and its components.		
GRI 103-3*		Evaluation of the management approach.		
Own measure	Not applicable	Description of the ESG management structure.		19
		Description of key activities to develop and refine the approach to managing ESG issues.		19, 41
<b>The reporting topic: Business ethics and legality of operations</b>				
GRI 103-1*	GRI 103.	Explanation of the material topic and its Boundary.		24-26
GRI 103-2*	Management Approach 2016	The management approach and its components.		
GRI 103-3*		Evaluation of the management approach.		
GRI 205-2*	GRI 205.	Communication and training about anti - corruption policies and procedures (partially disclosed).		63
GRI 205-3*	Anti-corruption 2016	Confirmed incidents of corruption and actions taken.	No such situations in the reporting period.	63
<b>ENVIRONMENTAL TOPICS</b>				
<b>The reporting topic: Sustainable fashion and impact on climate</b>				
GRI 103-1*	GRI 103.	Explanation of the material topic and its Boundary.		30
GRI 103-2*	Management Approach 2016	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).		31
		Percent share of Eco Aware products in LPP collections.		34
<b>Energy</b>				
GRI 302-1*	GRI 302. Energy 2016	Energy consumption within the organization.		55



Disclosure No.	GRI Standard Title	Disclosure Name	Comments / Reported	Page No.
<b>Emissions</b>				
GRI 305-1*	GRI 305. Emissions 2016	Direct (Scope 1) GHG emissions.		39, 55
GRI 305-2*		Energy indirect (Scope 2) GHG emissions.		39, 55
GRI 305-3*		Other indirect (Scope 3) GHG emissions.		39, 55
GRI 305-4		GHG emissions intensity.		39, 55
<b>Supplier environmental assessment</b>				
GRI 308-2*	GRI 308: Supplier environmental assessment 2016	Negative environmental impacts in the supply chain and actions taken (descriptive) [partially disclosed].		33
<b>Waste</b>				
GRI 306-3*	GRI 306. Waste 2020	Waste generated [partially disclosed].		56
GRI 306-4*		Waste diverted from disposal		56
<b>SOCIAL TOPICS</b>				
<b>The reporting topic: LPP as an employer</b>				
GRI 103-1*	GRI 103. Management Approach 2016	Explanation of the material topic and its Boundary.		41
GRI 103-2*		The management approach and its components.		
GRI 103-3*		Evaluation of the management approach.		
<b>Employment</b>				
GRI 401-1*	GRI 401. Employment 2016	New employee hires and employee turnover, incl.:		60-61
		Employees who left the organization by gender and age.		60-61
		New employee hires by gender and age.		60-61
GRI 401-2		Benefits provided to full-time employees that are not provided to temporary or part-time employees.		44
<b>Diversity</b>				
GRI 405-1	GRI 405. Diversity and Equal Opportunity 2016	Diversity of governance bodies and employees.		57-59
GRI 405-2		Ratio of basic salary and remuneration of women to men.		60
Own measure	Not applicable	Percentage share of employees with disabilities.		59



Disclosure No.	GRI Standard Title	Disclosure Name	Comments / Reported	Page No.
<b>Occupational Health and Safety</b>				
GRI 103-1*	GRI 103.	Explanation of the material topic and its Boundary.		46
GRI 103-2*	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 management system.		46
GRI 403-2	Occupational Health and Safety 2018	Hazard Identification, risk assessment, and incident investigation.		46
GRI 403-3		Occupational health services.		46
GRI 403-4		Worker participation, consultation, and communication on occupational health and safety.		46
GRI 403-5		Worker training on occupational health and safety.		46
GRI 403-6		Promotion of worker Health.		46
GRI 403-7*		Prevention and mitigation of occupational health and safety impacts directly linked by business relationships.		46
GRI 403-9		Work-related injuries.		61
<b>Training and education</b>				
GRI 103-1*	GRI 103.	Explanation of the material topic and its Boundary.		43-45
GRI 103-2*	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).		61
GRI 404-2		Programs for upgrading employee skills and transition assistance programs.		43-45
<b>The reporting topic: Customer satisfaction</b>				
GRI 103-1	GRI 103.	Explanation of the material topic and its Boundary.		49-50
GRI 103-2	Management Approach 2016	The management approach and its components.		
GRI 103-3		Evaluation of the management approach.		
Own measure	Not applicable	Sales revenue.		15
<b>The reporting topic: Product safety and quality</b>				
GRI 103-1*	GRI 103.	Explanation of the material topic and its Boundary.		41, 49
GRI 103-2*	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.		49-50



Disclosure No.	GRI Standard Title	Disclosure Name	Comments / Reported	Page No.
GRI 416-2*	GRI 416. Customer health and safety 2016	Incidents of non-compliance concerning the health and safety impacts of products and services.		50
<b>The reporting topic: Assessment of suppliers' workplace conditions</b>				
GRI 103-1*	GRI 103. Management	Explanation of the material topic and its Boundary.		26, 47
GRI 103-2*	Approach 2016	The management approach and its components.		
GRI 103-3*		Evaluation of the management approach.		
GRI 414-1*	GRI 414. Supplier social assessment 2016	New suppliers that were screened using social criteria.		47
Own measure	Not applicable	Number of inspections concerning occupational health and safety, workplace conditions and human rights in the reporting Year.		47
<b>Lokalne społeczności</b>				
GRI 413-1	GRI 413. Local communities 2016	Operations with local community engagement, impact assessments, and development programs.	100%	62
Own measure	Not applicable	Donations in the reporting year.		62
		Number of volunteers involved in community service projects in the reporting year.		62
GRI 415-1	GRI 415. Public Policy 2016	Political contributions.	LPP does not make any monetary or in-kind contributions towards political initiatives.	

\* Indicators subject to external verification.

# External verification



**Independent Limited Assurance Report on Indicators Presented in the Sustainability Report of LPP S.A. for the period from 1.02.2021 – 31.01.2022**

**To the Management Board of LPP S.A.**  
 Łąkowa 39/44  
 80-769 Gdańsk

**Scope of work performed and applicable criteria**

We have been engaged by the management of LPP S.A. to provide independent assurance in respect of LPP Group Sustainability Report 2020/21 ("the ESG Report"). The scope of our work included:

- A limited assurance on the indicators presented in the Sustainability Report of LPP Group for the year from 31<sup>st</sup> February 2021 – 31<sup>st</sup> January 2022, developed by LPP S.A. (the "Company"). The scope of our work covered all of the Company's reported General Disclosures presented in the GRI index and selected Topic Specific Disclosures: 205-2, 205-3, 302-1, 305-1, 305-2, 305-3, 306-3, 306-4, 308-2, 401-1, 403-7, 414-1 and 416-2. The indicators included in the GRI index presented in the ESG Report have been reported in the "Core" option in the manner defined in the GRI Standards - Sustainability Reporting Guidelines, issued by the Global Reporting Initiative (GRI).
- Limited assurance on the preparation and presentation of LPP indicators for greenhouse gas (GHG) emissions reported under GRI 305-1, 305-2 and 305-3 indicators, in accordance with the GHG Protocol issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD)

Our limited assurance engagement has not extend to the other information included in the report nor the report as a whole. Accordingly, our conclusion below applies only these GRI indicators and not all data presented or any other information included in the ESG Report.

**Responsibility of the Management Board of the Company**

The Management Board of the Company is responsible for the preparation and presentation of the indicators presented in the Sustainability Report in accordance with Sustainability Reporting Guidelines GRI Standards for "Core" option, issued by Global Reporting Initiative (GRI). This responsibility includes establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. The Management Board of the Company is also responsible for reliable, correct and fair information and for correct preparation of the documentation provided to us.

**Our Independence and Quality Control**

In performing the service, we have complied with the independence and other ethical requirements set out in the International Code of Ethics for Professional Accountants (including International Standards of Independence) developed and approved by the International Ethics Standards Board for Accountants, which includes independence requirements and other requirements based on integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

In accordance with International Quality Control Standard No 1, issued by the International Federation of Accountants IFAC, we maintain a comprehensive system of quality control that includes documented policies and procedures for ensuring compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

**Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the selected GRI indicators in the scope pf our work presented in the ESG Report based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standards on Assurance Engagements (ISAE 3000 revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and

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**Assurance Engagements on Greenhouse Gas Statements (ISAE 3410), issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform this engagement to obtain limited assurance about whether the selected GRI indicators presented in the ESG Report are not inconsistent with the GRI Standards Guidelines for Sustainability Reporting and that the indicators presenting GHG emissions data are not inconsistent with the GHG Protocol's guidelines for measuring GHG emissions**

The procedures performed under the limited assurance engagement are different in nature and limited in scope both in terms of risk assessment procedures, including an understanding of internal control, and in terms of the procedures performed in response to the risks assessed compared to the reasonable assurance engagement. As a result, the level of assurance obtained through an assurance service providing limited assurance is significantly lower than the level of assurance that could be obtained through an assurance service providing reasonable assurance.

The procedures we performed were based on our professional judgement, our assessment of the risk of material misstatement of the indicators due to intentional actions or misstatements, and included interviews, observations of the processes performed, examination of documents, analytical procedures, assessments of the appropriateness of calculation methods and reporting policies, and agreeing or reconciling with underlying records.

In order to form our conclusion on the indicators as marked in the GRI index presented in the ESG Report, we undertook in the period 25<sup>th</sup> March 2022 – 20<sup>th</sup> April 2022 the following procedures:

- through inquiries, obtained an understanding of Company's control environment and information systems relevant to reporting the indicators under review, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness;
- obtained an understanding through inquiries, analytical procedures, observation and other applicable evidence gathering procedures on a sample basis on the key structures, systems, processes, procedures and internal controls relating to collation, aggregation, validation and reporting of data for the indicators under review;
- evaluated whether the Company's methods for developing estimates are appropriate and had been consistently applied. However our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate LPP S.A. estimates;
- compared the information included in the ESG Report to internal documentation of the Company;

The process the organization adopts to define, gather and report data on its non-financial performance is not subject to the formal processes adopted for financial reporting. Therefore, data of this nature is subject to variations in definitions, collection and reporting methodology with no consistent, accepted standard. This may result in non-comparable information between organizations and from year to year within the organization as methodologies develop. The accuracy and completeness of the information disclosed in the Sustainability Report are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information.

**Conclusion**

Based on our work, we find that nothing has come to our attention, in all material respects, that would make us believe that:

- GRI indicators within the scope of our work included in the GRI index presented in the ESG Report prepared by LPP S.A. do not comply with the GRI Standards for the preparation of sustainability reports for the "Core" option issued by the Global Reporting Initiative, and that
- the data presented under GRI indicators 305-1, 305-2 and 305-3 on Green House Gas emissions and methodology used to calculate emissions is not consistent with the GHG Protocol guidelines.



Deloitte Audit sp. z o.o. sp.k.  
 Warsaw, 20<sup>th</sup> April 2022

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# LPP

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