

A woman with long dark hair, wearing a white lace blouse with ruffled sleeves and a brown braided belt, stands in a lush jungle. She is looking slightly to the left. The background is filled with large green leaves and tree trunks.

LPP

SUSTAINABILITY
REPORT
FOR 2022/2023

TOWARDS A CIRCULAR ECONOMY

RESERVED

CROPP

HOUSE

MOHITO

sinsay



This Report is an English of the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

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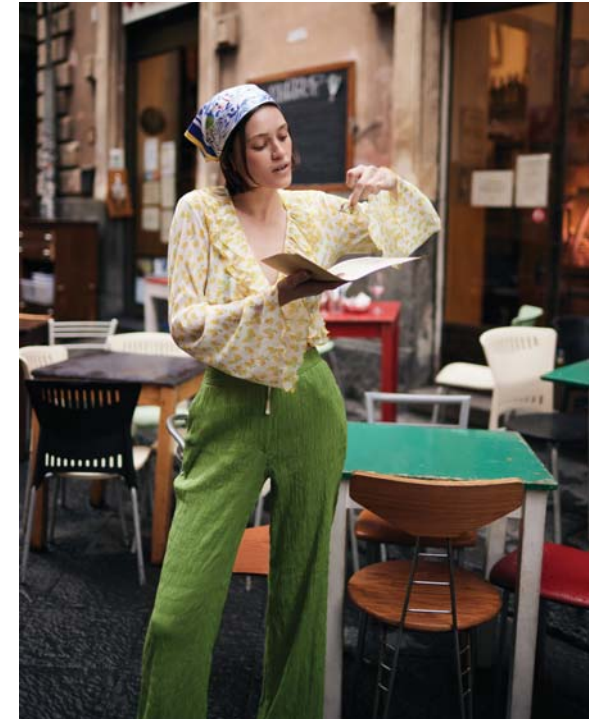
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Towards a circular economy

GRI 2-22, GRI 2-23, GRI 2-24

Amidst ongoing war in Ukraine, the most difficult macroeconomic conditions in many years – is there space to talk about climate challenges and a more rational use of resources? I think there is. In LPP, regardless of the circumstances, we stick to the adopted sustainable development strategy.

The ongoing battle we have been waging for the third year in a row, first with the pandemic and now with the war crisis across our eastern border, has made us absolutely determined to confront the pressing problems of our generation. The war in Ukraine has made everyone even more acutely aware of the need to respect our scarce assets. They don't draw our attention on a daily basis, yet they are the very things that determine our existence, especially at a time of general disruption in a hitherto relatively stable world. How do we ensure our energy security when we still rely on non-renew-

able sources for most of the economy? How do we make better use of the resources we have at our disposal in the face of their inevitable shortages? Finally, how do we save what we have in order to cope with an increasingly unpredictable reality? These types of questions and dilemmas, some of them economic and some environmental in nature, were the focus of our operations and discussions over the past year which brought concrete conclusions and results. It is those findings that we would like to share with you on the pages of this report, which I am pleased to hand over to you.

The war in Ukraine and the subsequent economic sanctions imposed on Russia, and, consequently, almost complete block of our two most important foreign markets, were a huge blow to our business last year. The struggle to stabilise the company and for the people, suddenly deprived of the most precious thing –





safety, were at the heart of our activities for a considerable part of the year. Social responsibility and humanity were once again put to the test.

So from the very first days of the war, we launched a project to help Ukraine. We fought a parallel battle – for our employees and their relatives in Ukraine who found themselves in a position of imminent threat to their lives and for the rest of Ukrainian society in need of almost everything at that moment.

We provided our colleagues and their families in Ukraine with safe passage to Poland. We organised temporary accommodation and full board for them, but also guaranteed financial, psychological and legal support. We knew that it was

our duty to equip them with the necessary resources to give them hope and a real chance to restart their lives. At the same time, together with our social partners, we ran an intensive campaign to provide in-kind and financial support to refugees reaching our country. In total, we allocated a substantial amount of PLN 20 million to this end. In parallel, our employees opened the doors of their homes to those most in need. The scale of support from each of our teams exceeded my expectations.

In the face of this tragedy, we could make no other decision than to withdraw our business from the Russian market. After 20 years of presence in that country, we completed the sale of a Russian company. We were aware of the impact this would

have on our company because the Russian and Ukrainian markets generated over a quarter of our revenue.

Determination and the will to fight for the stability of jobs for our teams, just like during the pandemic, became the driving force behind our actions. So we took the decision to change our business strategy. From the markets of Eastern Europe, we redirected our focus to the south and west of Europe. This is where we want to develop our presence, strengthen our brands, open more stores and showcase Polish creativity. We launched further online markets and started an intensive search for attractive locations for our stores in the UK, Italy or Greece, among others. We also strongly expanded our distribution network and, at the same time, fought an intense battle against rising costs, the effects of rampant inflation and the geopolitical instability that still hasn't let up.

A few years ago, when defining our commitments to the world and the next generations, we placed a strong emphasis on circular economy issues. When we developed the LPP sustainability action plan in 2019, we knew that environmentally safe renewable energy was the future. Hence, in 2021, we signed the largest long-term PPA contract in Poland for the purchase of wind energy to cater for the

needs of our offices, logistics and some of our stores. Today, we can observe the positive results of those actions. The first wind farm is already supplying us with renewable energy, and two more will reinforce us soon. This has given us a great deal of energy independence and protection from the drastic increase in energy costs and guarantees energy supplies for the next 10 years. First and foremost, it is 100% green energy, which is a crucial factor allowing us to decarbonise our infrastructure in real terms. In this vein, we have also continued to develop the telemetry system in our stores, which allows for precise monitoring and management of electricity. Today, we already use it in over 800 stores in 12 countries, thanks to which we are increasingly able to control our energy intensity and implement further solutions to reduce the use of this valuable resource.

Speaking of resources, let us not forget the most valuable aspect of our business – fashion, which is becoming increasingly sustainable in all our brands' universes. As in the previous years, we are continuing our production based on modern and increasingly low-emission fabrics and processes. We rely heavily on organic and cellulose fibres, but also on recycled fabrics. In the latter in particular, we have decided to take a quantum leap towards their circular use. In 2022, we signed an





agreement with a Polish start-up which has been conducting intensive laboratory work ever since to develop an innovative technology for producing yarn from polyester textile waste. The first promising results in this matter have inspired us to go further and continue this cooperation to improve the techniques already developed. Ultimately, we want to gain a scalable tool for the complete conversion of textile waste into new yarn. The possibility of fully reusing used clothing and creating brand new clothes of unimpaired quality out of it, with minimal environ-

mental impact, is a pioneering project of which I am particularly proud. It is an initiative carried out by Polish scientists who, just like us, are proof of the uniqueness of our Polish creativity. The past year also brought us the first results of a pilot project undertaken with the Sustainable Fashion Institute in the search for an effective method of processing multi-grade materials.

Finally, 2022 was the moment when we decided to reach out to our customers for the first time with an educational

campaign aimed at increasing environmental sensitivity among them. As it turns out, each and every one of us can contribute to the reduction of the world's carbon footprint. Very few people realise, however, that they can do so through proper clothing care. Over the course of a six-month campaign called "Look after your clothes. Read. Check. Care", we equipped our customers with the tools and knowledge of how to better protect their garments so that they last longer, how to change their habits to put less strain on the environment when looking after their clothes. Finally, what to do when our clothes are no longer wearable. Until now, most of us have thrown them away instead of bringing them to our stores where we have already held collection of unwanted clothes all over Poland. The clothing that is still usable is sent to people in need. The rest can become a valuable resource for us to produce brand new clothes in the future in the spirit of circular fashion.

It is by closing the loop that we can get closer to our desired goal of successively reducing our carbon footprint. In particular, during the first half of last year, our attention and time were focused on working out key decarbonisation targets, which we submitted for professional scientific evaluation. To this end, as the first Polish apparel company we joined the

global Science Based Targets initiative supporting the private sector in its efforts to combat global warming. We will know the results of this assessment in 2023, which will, in turn, allow us to develop a reliable decarbonisation strategy and realistically fulfil the demands of a carbon-free economy.

Personally, I cannot get over how many beautiful things we can do together and how much we have achieved in the past year despite the omnipresent and so multifaceted economic, geopolitical, human, and climate crisis. For all this – I wish to sincerely thank my team. Your sensitivity to others and your closest surroundings is touching and at the same time drives us in the ongoing fight for a better tomorrow. I am hopeful about that and believe that none of us will lack the determination to carry out further projects of equal importance in this next difficult year.

Marek Piechocki
President of the Management
Board LPP



1. Profile and strategy of LPP Group



Brand full of values

GRI 2-1, GRI 2-6, Own measure: Number of stores

Own measure: Description of the business model and omnichannel development

LPP is a Polish clothing company, the largest in Central and Eastern Europe. We have been operating for 30 years in Poland and – currently – in dozens of other countries. We offer clothing, accessories and footwear of five brands – Reserved, Cropp, House, Mohito, and Sinsay – to customers in our physical stores, as well as those visiting online. In addition, the offer of Reserved and Sinsay brands includes home articles and interior decor.

Our main headquarters are located in Gdańsk and so are the design departments of Reserved, Cropp, and Sinsay. Mohito and House collections are devised in the LPP office in Cracow. We implement innovations and export the Polish creative thought from London through Helsinki to Tel Aviv. We are a Fashion

Tech company with its own analytical resources. Our IT team equals the size of the largest IT companies in Poland, while our potential and global experience in running warehouse facilities puts our logistics at the forefront of logistics operators in the market.

In 2022/2023 the LPP Group consisted of 35 companies – 9 in Poland (parent company and 8 subsidiaries) and 26 abroad. We employ nearly 30,000 people.

Welcome to LPP!



¹ Fashion Tech - modern technologies used in the fashion industry.



LPP IN 2022/2023 FINANCIAL YEAR

29,930
employees

Availability of our brands in

39
markets,
including 27 offline and 34 online

Almost
PLN 1,711 million
contribution to the Polish state budget

PLN 16 billion
revenue

PLN 1,157 million
Capex

1,962
stores

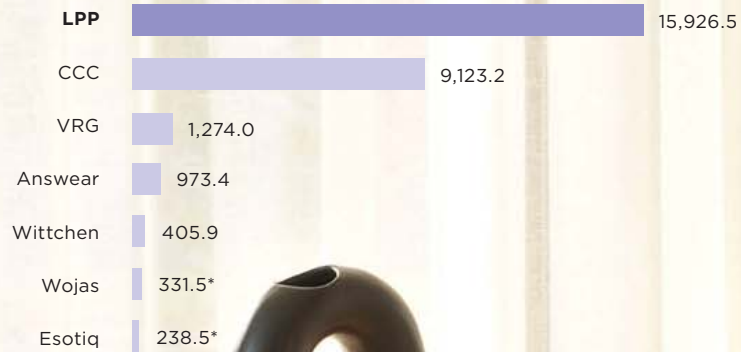


LPP IN THE POLISH MARKET AND VIS A VIS THE TOP INTERNATIONAL CLOTHING

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

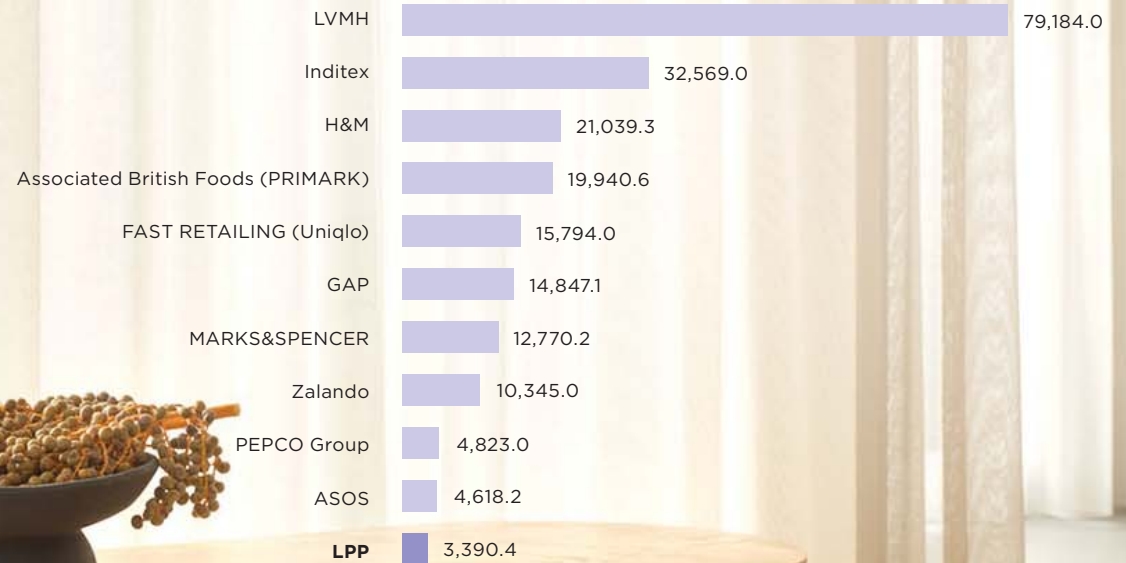
LPP in the Polish market (2022)

Revenues in PLN m



LPP vis a vis the top international market (2022)

Revenues in EUR m, for the period 2022 or comparable



*estimated data



LPP SA, listed on the Warsaw Stock Exchange, is the dominant company in the LPP Group. LPP's foreign subsidiaries are mostly engaged in the distribution of our brands' products outside Poland. Polish companies, on the other hand, deal with the operation of domestic stores, logistics, construction of logistics centres and management of IT projects for the LPP Group.

The products of our brands are purchased – in stores and online – by individual customers who seek fashionable and comfortable clothing at moderate prices. Subsidiaries create retail networks of individual brands in their territories and are supplied with goods by LPP SA. On the other hand, in some locations in the Middle East, sales operations are entrusted to franchisees, mainly due to the legal specifics in Middle Eastern countries and their experience and knowledge of the local market. We set the pricing policy together, and the supply of goods is carried out on the same basis as in our own stores, taking into account the climatic and cultural specificities.

LPP'S BUSINESS MODEL GRI 2-1, GRI 2-6²

STEP 1: DESIGN

- **3** design offices in Poland and **1** in Spain
- **338** designers
- **5** diverse brands

STEP 2: PRODUCTION

- **1,238** suppliers from Asia and Europe
- We do not own manufacturing plants

STEP 3: SHIPMENT AND LOGISTICS

- Centrally managed global procurement and distribution network
- **3** Distribution Centres and **5** Fulfillment Centre³ warehouses
- **459,000 m²** of combined warehouse space

STEP 4: SALES

- **27** markets – physical locations
- **34** markets – online sales
- **39** markets – physical locations and online sales
- Almost **430 m** items of clothing sold annually

BUSINESS STRATEGY



Sustainable Development Strategy „For People For Our Planet”

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

1. More sustainable product, production and sales
2. Chemical safety in production
3. Packaging aware – plastics under control
4. Sustainable infrastructure the headquarters and retail network buildings



LPP VALUES






Fire-fueled, Ambition-driven, Socially-responsible, Team-oriented



² The LPP Group is not associated with business relations outside its value chain.
³ Warehouses responsible for swift handling orders made by customers via our online store.



OUR ASSETS

| | | | | |
|--|--|---|--|--|
| <p>Natural capital</p>  <p>Raw materials used to produce fabrics and the use of natural resources, such as energy and water.</p> | <p>Financial capital</p>  <p>Equity and liabilities.</p> | <p>Human and intellectual capital</p>  <p>Meaning the contribution of our employees and suppliers into the creation, development and production of LPP brands' collections, their distribution and sales.</p> | <p>Social and relational capital</p>  <p>The inspiration and growth we owe to our relationships with investors, business and community partners, customers and other stakeholders.</p> | <p>Manufactured capital</p>  <p>Products, distribution and retail network.</p> |
|--|--|---|--|--|

Our results in 2022/2023

| | | | | |
|--|--|--|---|---|
| <ul style="list-style-type: none"> • 4,432,935.7 GJ of energy used. • 100% of green energy powering our online stores. • As of 01.2023, offices, distribution centres and selected stores are powered by wind energy from Figene. • 8% CO₂e less greenhouse gas emissions y/y. | <ul style="list-style-type: none"> • PLN 3,984.400: equity. • PLN 8,936.700: amount for long-term and short-term reserves and liabilities. | <ul style="list-style-type: none"> • 29,930 employees of the LPP Group. • 1,238 suppliers on three continents. | <ul style="list-style-type: none"> • Partnerships for sustainability goals: Zero Discharge of Hazardous Chemicals (ZDHC), Polish Plastics Pact, Canopy, Cotton made in Africa, International Accord, amfori BSCI. • Supporting sector-specific initiatives of the Union of Polish Retail and Services Employers (ZPPHiU). • The scale of the LPP Foundation's activities and partnerships. | <ul style="list-style-type: none"> • 430 m items of clothing sold annually. • Increased use of cotton labelled Cotton made in Africa – 2,661 tons in 2022/2023 vs 22 tons in 2021/2022. • Increased use of more sustainable materials – 19,569 tons in 2022/2023 vs 13,362 tons in 2021/2022. • 1,673,400 m² total floor area of all stores. |
|--|--|--|---|---|

Stakeholder value

| | | | | |
|---|---|--|---|---|
| <ul style="list-style-type: none"> • Reduction of negative environmental impacts of the industry. • 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. | <ul style="list-style-type: none"> • 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. | <ul style="list-style-type: none"> • Convenient working conditions for thousands of LPP employees. • Opportunities for employees to develop professionally and improve their skills. | <ul style="list-style-type: none"> • 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. | <ul style="list-style-type: none"> • More innovation and better access to advanced technologies in the fashion industry. • Availability of products and convenience of safe shopping for customers. |
|---|---|--|---|---|



Strategy in the face of war in Ukraine

GRI 2-6

We founded our strategy on three pillars: the omnichannel model, digitisation and sustainable development.

We want customers to have access to our 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.

The achievement of strategic objectives was not disrupted by the difficult 2022/2023, so heavily dominated by the war in Ukraine. We closed all physical stores and discontinued online sales in the Russian market, which accounted for nearly 25% of revenues. Our business response was a decision to rapidly strengthen the availability of LPP brand offer in Western and Southern European countries – both in stores and through e-commerce.

OUR PRESENCE IN EUROPE IN 2022/2023



1,962 stores

1,673,360 m² of retail space

+ 2 new countries with physical stores (Greece, Italy)

+ 40% of sales revenue on continuing operations

LPP BUSINESS STRATEGY PILLARS

GRI 3-3, Own measure: Description of the business model and omnichannel development

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 5 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 develop-

ment 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.

In 2022, we continued to expand our product offer in the e-commerce channel within the so-called common stock, which is the stock of products available in the warehouse and stores. The combined stock of our e-commerce warehouse in Poland and Reserved stores in Poland is made available for all Western European markets, countries in the Baltic region and the online store in Ukraine. We applied a similar solution in Romania, where the goods from the e-commerce warehouse in Bucharest and all local stores are on offer in the online store there. We also decided to combine the stock of two e-commerce warehouses (in Poland and in Slovakia) which enabled us to expand the range of goods on offer in the online



store for the Czech and Slovak customers.

We are also optimising logistics costs by distributing customer orders to individual locations (warehouses or stores) in a way that ensures the fastest and most cost-effective delivery.

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.

In 2022, we made our mobile Reserved app available to customers in Germany and Romania. We are continuing its promotion in Poland – at the end of 2022/2023, 45% of domestic online sales

were made through the app. 55% of customers showed the mobile app when shopping in physical stores and got the chance to enjoy the benefits such as a virtual receipt or extended returns within 365 days without the need to show proof of sale. The end of 2022 also saw intensive preparations for the app's launch in the Czech Republic, Slovakia, and Hungary.

An important event for the Reserved brand was the launch of the Home⁴ collection. Work on the merchandise offer, logistics and the preparation of the online store for sale continued throughout 2022. Reserved Home features products

in three styles – Black (classic, timeless), Grey (minimalism, functionality), and White (artistic, in harmony with nature). The collection will only be available online.

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.

⁴ In February 2023.



Sustainable development strategy

GRI 3-3

In the Sustainable development strategy, set out in 2019, we focused on environmental objectives. Work on its revision is underway. The planned changes result, among other things, from a multi-stage process of social and environmental risk analysis and work on decarbonisation targets according to the SBTi methodology. The new strategy will be announced in 2023.

MAIN ACTIVITIES FOR SUSTAINABLE DEVELOPMENT IN 2022/2023

- we continued our activities under the **“Roadmap to Zero”** initiative led by ZDHC
- we joined **amfori BSCI**,
- we defined **ambitious decarbonisation targets** and submitted them to SBTi for verification,
- we reduced energy consumption in stores by **10%**,
- in e-commerce, we replaced boxes with lighter envelopes,
- we have reduced the use of plastic by another **567 tons** – purchases from

- Reserved and Mohito are no longer shipped in extra polybags,
- we were exploring the market for recycled fabrics – we started collaborating with the **Sustainable Fashion Institute**,
 - we were developing polyester recycling technology with a Polish start-up **Use Waste**,
 - we increased recycling of clothing – the possibility of leaving used clothing **in every store in Poland**,
 - we were promoting best clothing practices – **“Look after your clothes. Read. Check. Care”** campaign.





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

“FOR PEOPLE FOR OUR PLANET” SUSTAINABLE DEVELOPMENT STRATEGY OBJECTIVES FOR 2020-2025

GRI 2-22, GRI 2-24, GRI 3-3

2020

2021

2023

2025

PRODUCT AND PRODUCTION

- Launching a programme to support our suppliers in implementing best practices that reduce the use of natural resources in the garment production process.

- 25% of the garments produced by LPP are collections made from more sustainable materials.
- 30% of suppliers in South Asia are factories using technologies that reduce water and/or energy consumption in the garment production process.

- 100% of the denim factories covered by the programme use technologies that reduce water and/or energy consumption in the garment production process.
- Second-hand clothing collection system in 100% of stores in all countries (in 2022/2023 we achieved 100% in Poland)
- PLN 1m on investment in new technologies allowing for textile waste utilisation.

- 50% of Reserved clothing made from more sustainable materials (i.e. organic, cellulose or recycled fibres).
- CO₂ reduction of 15% (target in revision according to SBTi methodology).

CHEMICAL SAFETY IN PRODUCTION

- ZDHC membership.

- 100% of products containing wool or down with RDS/RWS certificate.

- Full compliance with ZDHC standards.

PACKAGING AWARE: PLASTICS UNDER CONTROL

- 100% of online orders packaging of Mohito and Reserved without single-use plastics.
- 100% of foil for House, Cropp and Sinsay online orders shipment from recycling.
- Limiting single-use film for commercial samples packaging by 50%.

- 100% of price tags film-free.

- 100% of cardboard boxes with FSC certificate or recycled.
- 100% of store packaging recycled.

- 100% of plastic in packaging suitable for re-use, recyclable or biodegradable.

SUSTAINABLE DEVELOPMENT IN HQ BUILDINGS AND RETAIL NETWORK

- Implementing an energy efficiency programme in stores, as well as solutions to reduce emissions.

- 100% of green energy powering our servers and online stores.

- All new buildings with environmental certification (BREEAM/LEED).

- 100% of stores covered by store energy efficiency programme and emission reduction solutions.

● Objective attained



**look after
your clothes**

AWARDS AND RANKINGS

- Yet again, LPP has been recognised for its actions geared towards sustainable development and ESG in “the CSR Leaves” poll organized by “Polityka” weekly. This year, the Polish apparel company received two awards – the Golden Leaf for all its activities from an environmental, social and corporate governance perspective, and the Green Leaf, awarded for the first time to companies for which reducing their negative climate impact is a key element of their business operations.
- LPP hailed the best WIG20 index company in the “Bulls and Bears” competition organised by Rzeczpospolita magazine.
- Title of the best exporter and employer in the “TOP 100 POMORSKIE” ranking.
- First place in the survey of investor relations in WIG30 companies as assessed by analysts and financial institutions.
- New Warehouse of the Year 2022 award of the Eurobuild Awards for the LPP SA Distribution Centre in Brześć Kujawski. It has been recognised as the Best New Warehouse of the Year in Central and Eastern Europe.
- Golden Clips award for the “Look after your clothes” campaign.



**Eurobuild
Awards**

ZŁOTE SPINACZE



Stakeholder relations

GRI 2-29

We conduct an annual stakeholder mapping analysis and implement various forms of stakeholder engagement. We supplement the current forms of dialogue with an annual meeting, the so-called stakeholder panel, which is conducted according to the principles of the AA1000 standard. The results of the stakeholder dialogue are incorporated into our relevance analysis of ESG topics. This is an important input for ESG decision-making processes, as well as non-financial reporting. Communicating with stakeholders and providing them with appropriate channels to contact us is also a part of the due diligence process.

STAKEHOLDER MAP



INVESTORS AND RELATED STAKEHOLDERS

- Investors
- The most relevant Polish and international analysts – ca. 130-180 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



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



INVESTORS AND RELATED STAKEHOLDERS

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



BUSINESS ENVIRONMENT



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



CUSTOMERS

- Brand websites
- Customer Service Centre
 - Social media
 - Newsletter
 - Store spaces
 - Mass media

EMPLOYEES



- 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

SOCIAL ENVIRONMENT



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



Membership in organisations

GRI 2-28

In 2022/2023, we continued our cooperation – important from the perspective of the sustainable development strategy objectives – with internationally recognised organisations and initiatives. In addition, we launched a partnership with amfori BSCI, described in more detail [HERE](#).

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.

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.

Since 2022 Collaboration with [amfori BSCI](#) – an initiative supporting a transparent management of ethics and human rights issues in the supply chain.



LPP for Ukraine

The outbreak of war in Ukraine stands in fundamental contradiction to the values of LPP. The Russian attack affected our friends, colleagues and their loved ones, and we launched our relief efforts in the very first days after the Russian invasion. First and foremost, we tried to ensure the safety of our Ukrainian employees. We immediately launched assistance to help those of our Ukrainian employees and their families who chose to come to Poland to safely reach our country. We also helped in finding temporary accommodation and implementing shelter measures – from financial to legal support.

In response to the Russian aggression, we withdrew operations from the Russian market. All stores in Russia were closed, transport of goods halted, as were investments and development plans, and online sales of our brands.

In the six months since the outbreak of war, around 300 employees and their relatives received aid worth almost **PLN 3 million**.

The total value of our in-kind and financial assistance to those affected by the war in Ukraine exceeded **PLN 20 million**.



At the end of January 2022, we employed 1,885 people in Ukraine. At the end of January 2023, the number of LPP employees in Ukraine was 1,600. Within just one month of the outbreak of the conflict, we set up tools to enable fast and efficient communication – **an internal helpline, a dedicated email box operated in Ukrainian and a special**

HelpUkraine app developed by our IT team. The solutions introduced allowed for constant contact with our Ukrainian employees, who received ongoing support from us when needed. Those who decided to leave the country could count on transport from the border to safe locations organised by us, along with accommodation in hotels and resorts.



We organised **accommodation** not only in Poland. In cooperation with our subsidiaries from the following countries: Slovakia, Romania, Hungary, the Czech Republic, Lithuania, and Germany, we assisted with transport employees to other EU countries. All persons were provided with psychological and social assistance, as well as supplies of necessities and pre-paid cards and vouchers for the purchase of clothes.

LPP employees in Gdańsk held **information meetings** on, among other things, legalisation of residence and other legal issues, CV writing and job searching, the principles of medical assistance or further education in Poland, and the offer of Polish language courses.

Ukrainian employees of the headquarters and retail network in Poland could also count on help from LPP. We offered each of them **a non-refundable fortuitous aid** of up to PLN 3 thousand and simplified the procedures related to its receipt. The funds could be used to help organise relocation of the employees' families to Poland and provide them with basic necessities during the initial period of their stay in our country. We also organised a unique clothing **"sale for 0 PLN"** action for over 200 Ukrainian employees at the Distribution Centre in Pruszcz Gdański.

We combined the activities aimed at the employees with **a wide-ranging campaign to help Ukrainian society** – both refugees and those who remained in Ukraine. We carried out our activities through social partners cooperating with the LPP Foundation and by joining other charitable campaigns, such as the **#Power4Ukraine** collection coordinated by the Polish Trade and Services Employers' Association. Financial donations were granted to the Gdańsk Foundation and the Polish Centre for International Aid. Overall, in 2022 at LPP we donated nearly 300,000 pieces of clothing to over 50 organisations. These, in turn, reached approximately 50,000 people. As part of our volunteering activities, we also supported an aid campaign organized by the World Central Kitchen foundation entitled **#ChefsforUkraine**. As part of it, together with the local authorities in Pomerania, we organized food assistance for refugees staying in temporary residence centers in the first months of the war, providing them with over 41,000 meals.

We were also engaged in providing assistance by **cooperating with other brands**. This was the case of the "Open Hearts – Open Wardrobes" project organised by WoshWosh with LPP as the main partner. As part of the nationwide action, clothes and shoes were collected and were hand-

ed over to people in need from Ukraine via Caritas and other charity organisations. The collection was organised at 48 stores of Reserved, Mohito, and House brands.

We helped people from Ukraine to find their way more quickly into the new reality. We knew that there were specialists in our key fields among them, so we facilitated the recruitment procedures surrounding employment at LPP. We launched a dedicated **Jobs For Ukrainians** page on the English-language version of our website. This allowed English speakers from Ukraine to apply for positions in creative departments or logistics.

We were proud to **observe and support our employees' initiatives** – over 300 people from various LPP departments were involved in helping refugees. Information and ideas were exchanged on the LPP communication platform – thanks to this every employee could learn about the collections and aid activities organised, and many people felt encouraged to undertake further projects. Among the employee initiatives, it is worth mentioning the collection of hygiene products for mothers with children who came to our country from Ukraine – within a week, we managed to collect as many as 20 cardboard boxes filled with necessities. One



of the collections also involved helping animals affected by the war. Moreover, as part of this year's edition of the internal Mini-grants project, which supports employees in their non-professional social and charitable activities, an art workshop was organised, integrating children from Ukraine and Poland. The LPP Foundation made its contribution to individual initiatives by, among others, donating shopping vouchers for LPP brand stores to employees who offered accommodation to refugees from Ukraine, and clothes to people involved in aid campaigns outside the company.

A man with dark hair and a light beard is looking slightly to his left. He is wearing a black trench coat over a white V-neck sweater. The background is a grey, textured wall with several thick, green, gnarled vines growing over it. The lighting is soft and even.

2. Organisational governance



Corporate governance

Our corporate governance supports effective management and supervision, respect for shareholders' rights and transparent communication between LPP and the market. The implemented principles are applied in the daily operations of the company - they strengthen the transparency of LPP SA as a listed company and ensure a balance between the interests of all capital market entities. LPP SA, the parent company of our Group, applies the principles laid down in the Best Practice for GPW Listed Companies 2021. They primarily aim at enhancing the transparency of listed companies, improving the quality of communication between companies and investors, and strengthening the protection of shareholders' rights.

The operations of LPP SA are regulated in particular by the Articles of Association, the Internal Rules and Regulations of the Management Board, the Supervi-

sory Board, and the General Shareholders' Meeting, as well as the Remuneration Policy.

+ These documents are public and available on our website under the Corporate Governance tab.

The authorities of the company - according to the Articles of Association - are the Management Board, the Supervisory Board and the General Shareholders' Meeting.

THE MANAGEMENT BOARD

GRI 2-9, 2-11, GRI 2-12

The Management Board conducts all company affairs not reserved by law or the Articles of Association. The detailed powers and rules of operation of the Management Board are set out in the Code of Commercial Companies and Partnerships, the Articles of Association and the Internal Rules and Regulations of

Marek Piechocki

PRESIDENT OF THE MANAGEMENT BOARD, CREATOR AND CO-FOUNDER OF LPP

| | | |
|---|--|---|
| Supervision over the Management Board's operations HR Procurement and ESG | Reserved, Cropp, House - brand development, product development, omnichannel sales | Oversight and development of sales operations LPP Printable (Promostars) |
|---|--|---|

| | | | |
|---|---|--|---|
| Jacek Kujawa <small>VICE-PRESIDENT OF THE MANAGEMENT BOARD</small> Silky Coders (IT) LPP Logistics Administration Investment Customer Service Centre | Przemysław Lutkiewicz <small>VICE-PRESIDENT OF THE MANAGEMENT BOARD</small> Reporting and taxes Operational controlling Financial controlling Shared Services Centre Management of foreign subsidiaries Internal audit and risk management Investor relations Office of business travel Central procurement Treasury | Sławomir Łoboda <small>VICE-PRESIDENT OF THE MANAGEMENT BOARD</small> Lease and expansion of Reserved, Cropp, House, and Mohito Legal matters Market analyses | Marcin Piechocki <small>VICE-PRESIDENT OF THE MANAGEMENT BOARD</small> Mohito and Sinsay - brand development, product development, omnichannel sales External communications Internal communications and EB Social policy, diversity and inclusion Lease and expansion of Sinsay |
|---|---|--|---|



the Management Board. There were no changes to the composition of the Management Board in 2022/2023.

GRI 2-10

The appointment of the members of the Management Board, as well as the Supervisory Board, falls within the competence of the General Shareholders' Meeting. Decisions on the composition are made on the basis of criteria defined by the shareholders. LPP is committed to ensuring the versatility and diversity of the company's bodies by selecting candidates with relevant experience. The main criteria for the selection of members of the Management and Supervisory Boards are the candidate's education, knowledge and competence.

GRI 2-17

Members of the Management Board regularly expand their knowledge on ESG. To this end, they take part, among other things, in regular meetings concerning ESG and sustainability issues prepared on behalf of LPP by external expert entities, as well as in external ESG-related seminars and conferences. In 2022, members of the Management Board participated in the development of the ESG management approach, including the definition of new climate targets and the decarbonisation

⁵ Status as at 31 January 2023.

pathway, as well as the improvement of the LPP Group's risk management system, including ESG risks.

THE SUPERVISORY BOARD


GRI 2-12, GRI 2-18

In 2022/2023 LPP Supervisory Board composition included⁵ Miłosz Wiśniewski (president), Wojciech Olejniczak, Piotr Piechocki, Magdalena Sekuła, Grzegorz Maria Słupski.

The Supervisory Board exercises permanent supervision over LPP's operations in all areas. The Board's powers and duties include the following: preparation and presentation to the General Meeting an annual written report for the previous financial year. This evaluation shall cover all relevant control mechanisms, including those related to financial reporting and operations, preparation and presentation to the General Meeting of an assessment of the manner in which the Company fulfills its disclosure obligations regarding the application of corporate governance principles, preparation and presentation to the General Meeting of an assessment of the reasonableness of the company's charitable and sponsorship policy.

The Board may express its opinions on all matters relating to the Company's operations, including putting forward requests and proposals to the Management Board.

As part of the Supervisory Board structure, there is an Audit Committee whose tasks include monitoring of, inter alia, financial reporting, internal control systems, risk management and the independence of the statutory auditor and the entity authorised to audit financial statements. Once a year, the Supervisory Board obtains from the Management Board comprehensive information on the ESG-related activities implemented by the company and may issue an opinion in that respect.

 On our website, we publish detailed information presenting the experience and competences of the Supervisory Board and the Management Board.

GRI 2-15

Members of the Management Board are obliged to inform the Management Board and the Supervisory Board of any conflict of interest in relation to their function or the possibility of such a conflict arising. A member of the Management Board should refrain from taking part in discussions and from voting on a resolution on a matter in which a conflict of interest has arisen. Analogous rules apply to members of the Supervisory Board with the reservation that they do not have to inform the Management Board, but only the Supervisory Board, of a possible conflict of interest.

GRI 2-19, GRI 2-20

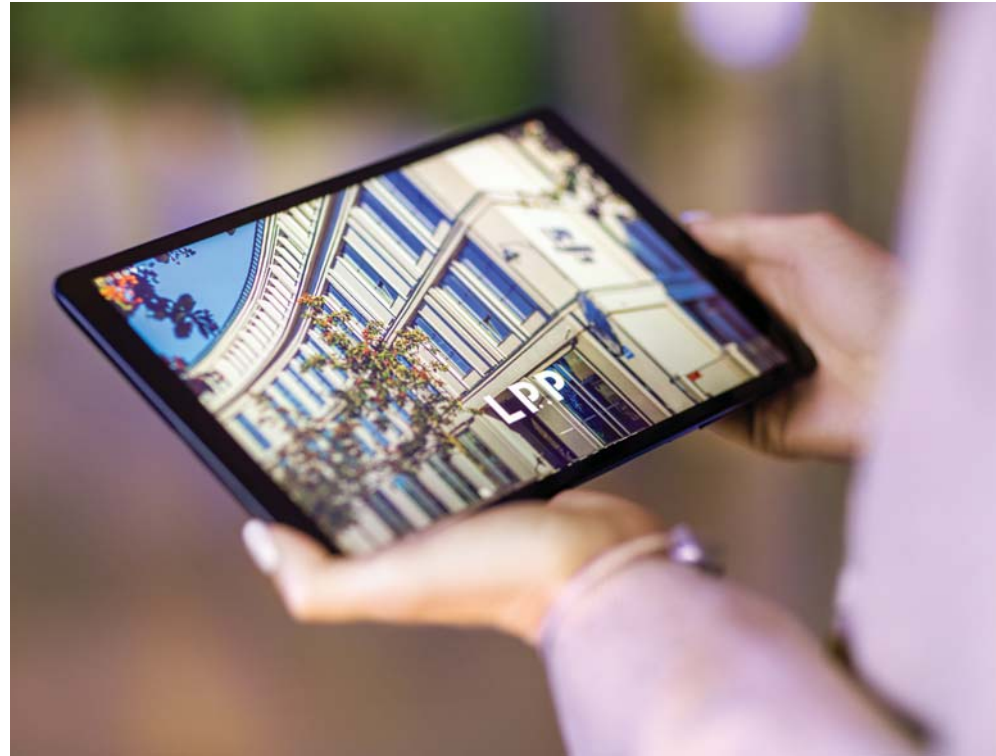
The principles of remuneration of the Management Board and the Supervisory Board of LPP SA are regulated by the Remuneration Policy of the Supervisory and Management Bodies of LPP SA, which was adopted by the General Shareholders' Meeting in 2020. The purpose of the Policy is, inter alia, to link, through the Incentive Scheme, the variable part of the Management Board's remuneration to performance. Members of the Management Board are entitled to a fixed remuneration which does not depend on performance or performance evaluation. Variable benefits in the form of entitlements to acquire company shares are based on the Incentive Scheme. Members of the Management Board may also be granted an annual bonus, the amount of which is dependent on performance. The decision to award a bonus is made by the Supervisory Board. Members of the Supervisory Board receive a lump sum remuneration.

Remuneration of other employees of LPP SA is regulated by the Remuneration Policy. The provisions laid down in the document take into account, inter alia, legal requirements, economic assumptions and objectives of the company strategy. The Management Board is responsible for gathering the information contained in the Remuneration Policy, implementing and updating the content of the Policy.



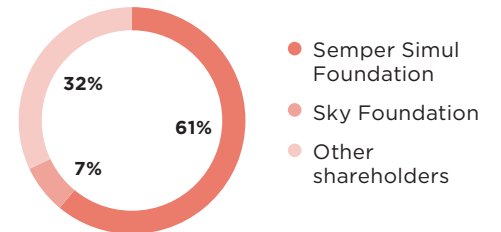
Form of ownership and legal structure of LPP

LPP SA is listed on the Warsaw Stock Exchange and is included in the WIG, WIG20, WIG30, WIG-odzież, WIG-ESG and WIG-Poland, as well as WIG20TR, WIG30TR and WIG140. In addition, the company has been classified in the segment of family companies listed on the WSE, which was launched in 2021. LPP SA is also included in the following indices considered important by international investors: MSCI Poland, CECE Composite EUR, and FTSE Russell. LPP is a Polish family company which, as provided for by its founders, will never be divided or sold. The controlling interest is owned in 31.2% by the Semper Simul (Always Together) Foundation, which corresponds to 60.8% of votes at the General Shareholders' Meeting.

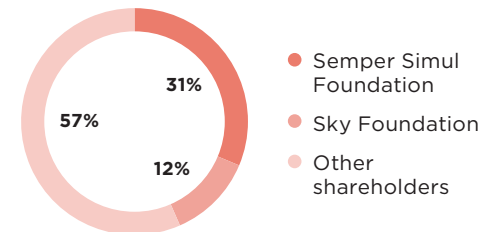


FORM OF OWNERSHIP AND LEGAL STRUCTURE OF THE ORGANISATION

Voting share at the General Shareholders' Meeting



Stock ownership






Human and labour rights due diligence

GRI 3-3, GRI 2-23, GRI 2-25, GRI 2-26, GRI 2-27

At LPP, we implement a human and labour rights due diligence process in business relationships and across the value chain. The purpose of the process is to continuously identify the impact we exert, counteract and minimize the risks associated with it by implementing appropriate remedial and corrective actions. We monitor their effectiveness, stay in touch with stakeholders affected by the business activities of the LPP Group and provide a mechanism for reporting irregularities. Find out more about it [HERE](#). In implementing the process, we rely on the involvement of our stakeholders.

Our commitment to the implementation of the human and labour rights due diligence process is part of the adopted **Human Rights Policy (LPP Group)**.

 More information on policies and principles on ethics and human rights issues may be found [HERE](#).

The implementation of the due diligence process is overseen by a dedicated team established in 2023 within the **ESG Committee**.

We base our activities on:

- The OECD Due Diligence Guidance for Multinational Enterprises for Responsible Supply Chains in the Garment and Footwear Sector,
- the provisions of the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work,
- other information, including reports of international NGOs and scientific reports.

HUMAN AND LABOUR RIGHTS DUE DILIGENCE PROCESS





As a result of the analysis carried out in 2021 in cooperation with the Polish Institute for Human Rights and Business (PIHRB) and representatives of key areas of our activity, the Management Board of LPP, managers, employees of the head office, Polish companies and the Distribution Centre in Pruszcz Gdański, we identified the most significant risk areas on human and labour rights in the value chain. These are:

- forced labour;
- safe and healthy working conditions (including the right to rest);
- health (right to health);

- equal treatment and non-discrimination;
- the right to family life (work-life balance);
- child labour;
- social insurance;
- living wage.

The assessment of the risks related to these areas is updated every two years and presented at meetings organised by the Procurement and ESG department.

THE REMEDIAL AND CORRECTIVE ACTIONS IMPLEMENTED IN 2022/2023 RELATED TO THE HUMAN RIGHTS AND LABOUR DUE DILIGENCE PROCESS

- Updating the **LPP's Code of Conduct** – strengthening the protection of workers in the value chain in Poland and worldwide.
- Conducting a survey for domestic manufacturers and suppliers on ethics and anti-corruption, environmental impact, human and labour rights, and level of local community support. The material collected will be used to map out further actions.
- Initiating the application of a clause for Polish producers and suppliers concerning, inter alia, respect for human rights and the principles laid down in the LPP's Code of Conduct.
- Continuing the activities conducted as part of international associations and initiatives, including International Accord for Health and Safety in the Textile and Garment Industry, Cotton made in Africa, Zero Discharge of Hazardous Chemicals – these issues will be elaborated on in the [environmental](#) and [social](#) chapters of this report.
 - Since 2013, we have been an active member of the **International Accord for Health and Safety in the Textile and Garment Industry**, which works on behalf of the fashion industry to improve working conditions in

Bangladesh. Through it, we monitor the safety level of the sewing room where our collections are produced. Inspections are carried out at suppliers, and corrective plans are developed and implemented if irregularities are found. We continuously monitor the effectiveness of the actions taken. Factory workers receive training and have access to the whistleblowing mechanism for reporting OHS irregularities. The mechanism is in line with the UN Guiding Principles on Business and Human Rights. In 2023, as the only Polish clothing company, we joined the signatories of the **International Accord Pakistan** agreement working to improve safety and working conditions in clothing manufacturing plants in Pakistan.

- As part of the supply chain, we care about ethical and sustainable sourcing of raw materials. An example of this is our partnership with **Cotton made in Africa**, which is the standard for sustainable cotton cultivation in Africa. Thanks to this, in addition to obtaining raw material, we can support local communities in Africa. The funds obtained from the paid use of licenses are used to finance training for farmers, improve working conditions and promote gender equality and respect for children's rights. The funds also finance social projects



in the field of education, health and safety of children and support for women on the local labor market. In 2023, we extended the partnership for another 2 years.

- In addition to inspections conducted through International Accord, we regularly subject factories cooperating with us to social audits. For this purpose, we have been working with SGS since 2017, and in 2022 we started working with **amfori BSCI**, an international association working for more transparent and sustainable trade. Thanks to this, we monitor factories in social and environmental terms. The system supports us in eliminating entities from our supply chain that do not provide e.g. decent working conditions and remuneration.
- We want our suppliers to be aware of the rights of their employees, which they should strictly respect. This is why we have been organizing **Awareness Day** in Bangladesh since 2018, during which we educate suppliers on human rights, labour rights and health and safety rules.
- We carry out activities and social cooperation of the LPP Foundation (more in the social chapter).
 - The LPP Foundation's activities support in particular children and young people, as well as local communi-

ties in Pomerania – where the LPP headquarters and distribution centre are located, in Malopolska where the House and Mohito brands are based.

- The LPP Foundation also carried out assistance activities for people affected by the war in Ukraine.

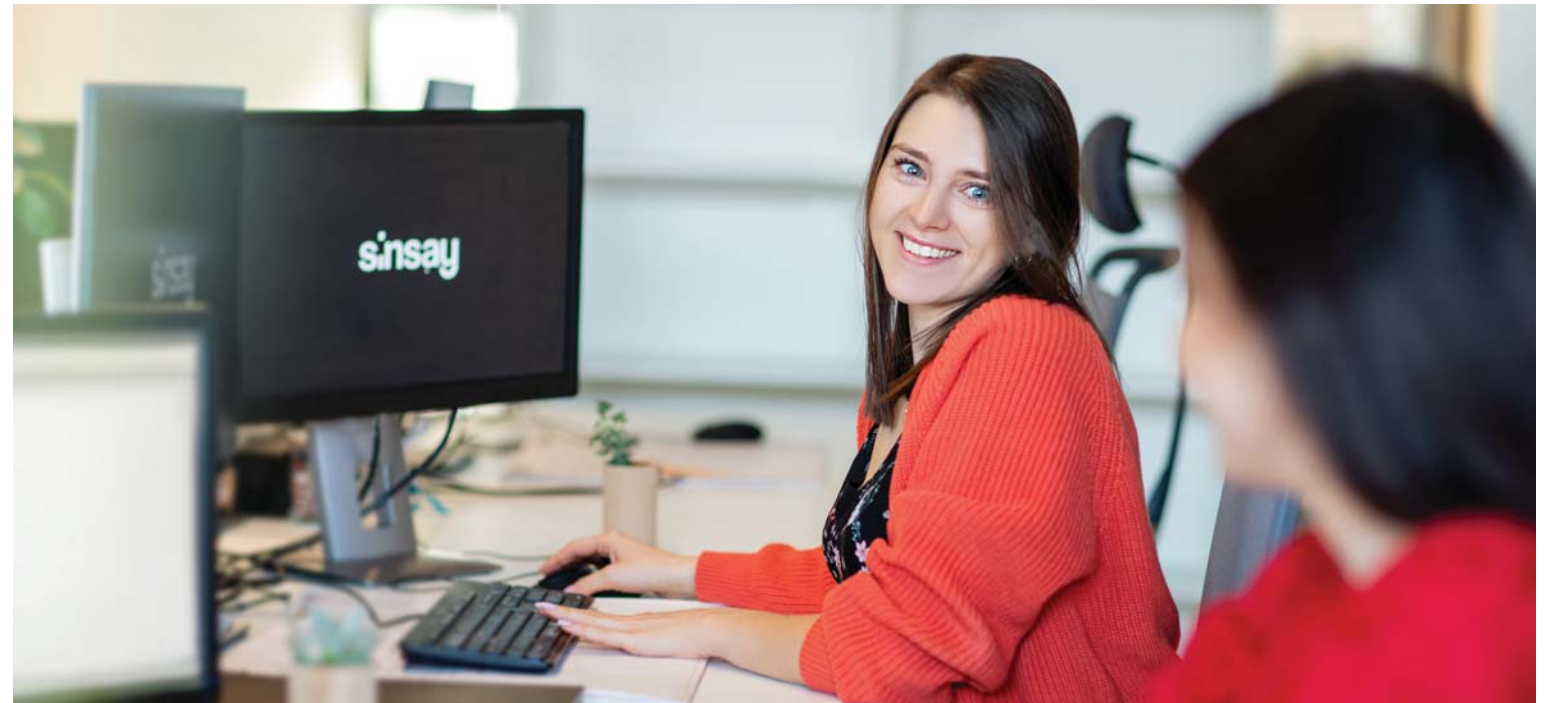
⊕ Find out more about it [HERE](#)

If business partners cooperating with the LPP Group find gross misconduct or fail

to cooperate in their elimination, we decide to gradually reduce the number of orders and resign from cooperation with such a supplier or to immediately resign from cooperation, if it is necessary due to the nature of the violations.

The implementation of the human and labour rights due diligence process is supported by communication activities, e.g. trainings conducted by trainers and available on the internal training platform

of LPP Edukacja and EduStores. In 2022/2023, we conducted a series of five webinars as part of the **Diversity & Inclusion Academy**. The activities accompanied the LPP Group Policy adopted in May 2022 **on diversity management, equal treatment and building an inclusive culture**. The Academy was attended by employees of the company's headquarters and foreign companies, including the management team.





Risk management model

The entities involved in the risk management process at LPP SA are the Management Board, the owners of areas and risks, the Head of Internal Control And Risk Management, as well as internal auditors, finance specialists, and other employees of the organisation.



The Management Board oversees the risk management process for the LPP Group. The Management Board's responsibilities also include the long-term framing of the LPP Group development of, taking into account identified risks and opportunities. Coordination of the risk management process rests with the Head of Internal Audit and Risk Management whose department is controlled by the Supervisory Board.

In 2022, we developed the **Risk Management Procedure**, which complemented the previously adopted documents and processes governing risk management.

The new procedure provides a detailed description of the risk management process, defines the desired risk culture, as well as the stages of the risk management process and its participants. The Procedure also defines responsibilities and the tools used.

Along with the Procedure, we have updated the **Risk Book**, which divides risks into the following main categories:

- strategic,
- operational,
- regulatory and compliance,
- financial,
- reputational.

RISK MANAGEMENT PROCESS AT LPP SA

LPP SA observes and controls potential risks and evaluates the effectiveness of risk mitigation activities. The assignment of individual risks according to a scale of importance is conducted on two levels – the probability of risk occurrence and the financial and non-financial consequences. An analogous analysis takes place as regards the identification of opportunities. Particular attention is paid to identifying and assessing risks associated with the process of financial and non-financial reporting in a fair, reliable manner, in compliance with legal regulations.

We examine ESG issues as part of a broader business strategy perspective, committing to disclosing information on environmental, social, and labour issues, respect for human rights, anti-corruption.



SIGNIFICANT ESG RISKS

MITIGATING ACTIONS

E – environmental

Risk of limited availability of raw materials for the production of materials and their increasing price as a consequence of ongoing climate change

The LPP Group constantly monitors the prices of raw materials critical to the production of its collections and adjusts its sales prices in line with raw material prices. In addition, it is steadily increasing the range of sustainable raw material sources used, including Cotton made in Africa and Lenzing,

Risk of disruption to production processes due to extreme weather events

The LPP Group's activities are focused on diversifying its production markets by moving garment production from countries with a higher risk of progressive climate change, e.g. Bangladesh, to lower-risk countries, e.g. India. Above and beyond this, LPP is taking steps to increase the distribution of a particular product group in different markets.

Risk of limited availability of sustainably produced or recycled materials

In order to mitigate the risk, the LPP Group is taking measures to raise product prices or reduce the number of models using yarn from sustainable sources. LPP is also focusing on increasing investment in efforts to develop the market for sustainably sourced and recycled materials, including a collaboration with a start-up that recycles polyester.

S – social

Pandemic risk

The LPP Group seeks to minimise these risks in several ways. When selling our products in dozens of markets. In this way, we are diversifying risk across multiple countries. The brands are in a moderate price range, making them more accessible to the customer during the economic crisis. Online sales are being developed as an alternative shopping source for customers when stationary shops are closed during the quarantine. In crisis situations such as the risk of epidemics, the Management Board of LPP. responds on an ongoing basis by taking decisions aimed at maintaining the LPP Group's liquidity position by reducing operating costs and capital expenditure and obtaining external financing. All of these measures, although they do not protect the LPP Group from the risk of an epidemic and, as a result, a possible economic downturn, can nevertheless minimise its impact.

Risk of hostilities

Elevated geopolitical risk increases the scale of challenges in doing business, but responding flexibly to market changes and securing supply chains can be an important competitive advantage in such an environment. The risks associated with constraints as a result of political and economic crises are difficult to mitigate, due to the unpredictability of conflict developments and subsequent decisions by international institutions and organisations. The LPP Group takes proactive measures to mitigate risks such as:

- operations in multiple markets (the LPP Group operates in 39 countries, allowing it to limit the impact of disruption in the territories concerned);
- limiting the LPP Group's exposure to a particular country (the share of one country's sales may not exceed 20% of the LPP Group's total sales – with the exception of Poland);
- ongoing monitoring of the status of the LPP Group's financial settlements and controlling that no excessive liabilities/receivables arise that could adversely affect the LPP Group's liquidity;
- monitoring the current political and economic situation and, following an in-depth analysis of the situation, taking decisions on an ongoing basis by the Company's Management Board;
- not developing activities in markets with an increased threat to military security;
- conducting sales through two independent distribution channels such as stores and e-commerce (online) sales.

Risk of human rights and/or labour ethics violations in the supply chain

Protecting the human rights and fundamental freedoms of LPP Group employees and all employees in the LPP Group's supply chains is a fundamental commitment, supported by management at the highest level. In 2022, the company developed the LPP Human Rights Policy in collaboration with leading Polish authorities in the field. The Policy represents a commitment and a guideline for the activities of LPP SA and LPP Group companies in respecting human rights, understood in accordance with the UN Guiding Principles on Business and Human Rights. It is also a reflection of the importance that the LPP Group attaches to respecting human rights in its operations, for both ethical and business reasons.



continuation:
Risk of human rights and/or
labour ethics violations in the
supply chain

The policy applies to all LPP Group companies in Poland and abroad. LPP mitigates the risks of human rights violations by familiarising employees at the recruitment stage with the principles contained in documents such as: Code of Conduct, LPP Principles, Guide for employees, LPP Rules for employees of retail stores, Health and Safety and HR guidelines. In May 2022 the Group defined the LPP Group Policy on Managing Diversity, Equity, and Building a Culture of Inclusion, referred to as the "DE&I (Diversity, Equity, and Inclusion) Policy", which is a commitment to respect the human rights of all those who work for LPP and a clear statement against any manifestation of human rights violations, including but not limited to discrimination on any grounds. The policy indicates the most important directions for the organisation in the area of diversity management. It covers all Polish and foreign subsidiaries of LPP SA, which are part of the LPP Group. The LPP Group has also been a signatory to the UN Global Compact since 2019.

Talent acquisition
and retention risks

Having a highly qualified and committed workforce guarantees companies the right market offering, the right customer approach and market success. The retention of key personnel is to be ensured by a rational, but also market-based remuneration policy, the incentive system developed by LPP Group, investing in employees through training, setting career paths and enabling promotion within the LPP Group's structures. Our image and the care of our internal and external Employer Branding also play a significant role in the fight for talent. Key to retaining the best, in addition to working conditions, is nurturing an ethical and inclusive working environment and the culture and management quality of the management team, whose continuous development is a priority for LPP.



G - governance

Risks associated with the need to adapt quickly to regulations related to sustainable development

The LPP Group is aware of the relevance of the regulations being introduced and the need to adapt its operations to them. The dynamics of the changes taking place in the ESG field have led to a strengthening of the team involved in work in this area, as well as an intensification of the work itself. In order to guard against the risk of non-compliance resulting from a lack of awareness of legislative changes, the LPP Group provides its entities with regulatory intelligence services through its headquarters and support centres in the regions where the LPP Group operates. LPP continuously monitors the legislative progress of the new regulations, cooperates with external consultancies and adapts its procedures and operational activities to the new requirements.

Risk of negative image and public pressure due to insufficient, negative or misperceived messages related to pro-environmental measures

As part of its risk mitigation efforts, the LPP Group runs a series of consumer education programmes, including the "Look after your clothes" programme. In addition, the LPP Group focuses on driving consistent sustainability communication across all LPP brands and undertakes active departmental participation in fashion industry sustainability conferences.



Ethics

GRI 2-16, GRI 2-23, GRI 2-24

We act ethically and require our employees, colleagues and contractors to do likewise. We clearly communicate our values and ethical principles.

They are enshrined in, among others:

- LPP Principles for employees,
- LPP Rules for employees of retail stores,
- Human Rights Policy,
- The LPP Group Diversity, equality and inclusion policy,
- Code of Conduct to be followed by suppliers and subcontractors,
- Rules of cooperation with business partners.

The fundamental document defining the desired behaviours and ethical standards at LPP is the Code of Ethics, called **LPP Principles**. The document regulates a wide range of behaviours, values and areas of the daily functioning of our organisation. It defines rules in the workplace, issues of conflict of interest, information security and the formation of relations with the business environment, as well as external communication standards. **The LPP Principles** also entail a commitment to respect, support for diversity, equal opportunities and compliance with the law. According to the document, we do not accept any form of discrimination, harassment or mobbing.

- + These documents are available on our website: www.lpp.com/zrownowa-zony-rozwoj/nasze-zasady





FIVE KEY LPP PRINCIPLES



1. We care for the development and good name of our company.
2. We always apply the principle of respect for others. ETHICAL CODE more important than DRESS CODE – we are FAIR towards ourselves and others.
3. We comply with the rules of national and international law.
4. We strive for a positive impact of our actions on people, the economy, and the environment.
5. We do not accept human rights violations in and outside the workplace.

All new employees familiarise themselves with the LPP Principles during the onboarding process and commit to abiding by them. We regularly remind employees of the LPP Principles in our internal communications. In addition, all individuals who are promoted to leadership positions take part in **the Management Academy** – a series of management training sessions that include the company values and ethical principles. Also, our internal e-learning platform offers **Ethics in Business training** dedicated in particular to buyers, which allows them to refresh and consolidate the ethical principles applicable in cooperation with suppliers. We also remind store personnel about ethics in their daily work.

In 2022, we launched an **e-learning training course "Counteracting harassment and discrimination in the workplace"** for employees of all stores of each LPP brand in Poland, which supported preventive actions against negative and undesirable behaviour. It was compulsory for all employees. Between October 2022 and 31 January 2023, 11,384 people completed the training.

LPP policies are detailed and supplemented in internal policies:

- Human Rights Policy,
- The LPP Group diversity, equality and inclusion policy – a clear statement against, among other things, discrimination on any grounds.

In 2023, we are planning to review the ethical system in place at LPP, including updating and making more consistent the ethical principles and whistleblowing channels in all Polish and foreign subsidiaries.



WHISTLEBLOWING

GRI 2-16, GRI 2-26

Any negative or undesirable behaviour that contradicts or potentially violates our values and principles may – and should – be reported. There are **ethics officers** at the headquarters and at LPP brand stores who receive whistleblowing reports and provide support and explanations with regard to ethical dilemmas that may arise in daily work.

From 2021, LPP has a **Whistleblowing Policy** and a special electronic form on our corporate website. It allows employees, suppliers and subcontractors to report irregularities related to LPP Group activities. 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. We handle reported irregularities with confidentiality and do not pursue and strongly oppose any form of retaliation against whistleblowers.



Managing social and environmental impacts

GRI 2-12, GRI 2-13, GRI 2-14

At LPP, we manage ESG issues in a centralised manner, working out **environmental, social and corporate governance solutions that are consistent across all touchpoints in the organisation.**

For years, we have been developing our knowledge of ESG, the competences of sustainability officers and the role they play in the organisation. We want to meet current and future regulatory requirements and the expectations of our customers and stakeholders, so we implement environmental, social and corporate governance standards and procedures





RESPONSIBILITY CENTER MAIN TASKS

| | |
|---|--|
| Supervisory Board | Acceptance of the company's development and strategy. |
| LPP Management Board | Supervising the implementation of the business strategy, one of which is sustainability. |
| Chief Financial Officer (CFO) | Planning the financing for ESG and SD projects, representation of the company in the capital and finance market and oversight of risks, including ESG risks. |
| Procurement and ESG Director | Responsible for setting ESG objectives shaping and implementing sustainability strategies and analysing and planning the ESG risk management process, including environmental and climate risks, in cooperation with the CFO. Coordinates the implementation of ESG projects in the LPP Group, in collaboration with other organisational units. The person reports directly to the CFO and the LPP Management Board. |
| ESG Committee | The ESG Committee is chaired by the Procurement and ESG Director and includes brand executives and directors of key areas of the company's operations. The role of the ESG Committee is to act as an advisory body to the Management Board and as an executive on ESG and sustainability issues related to the operations of LPP and the LPP Group. The Committee makes decisions on the implementation of ESG measures, once approved by the Management Board, and supports the Management Board of LPP in maintaining the company's high position among the leaders in ESG and sustainability practices. The Committee's work aims to strengthen the interdisciplinary approach to the management of ESG and sustainability issues at LPP and to strengthen the good cooperation practices of the key organisational units of the LPP Group in this area. |
| Sustainability Manager and Sustainability Department | The Sustainability Manager is the person directly responsible for implementing the sustainability strategy. The person is responsible for the control and implementation of safety-related tasks in the LPP production area. They implement initiatives that are translated into objectives in strategic documents. These objectives form the basis for further work in the ESG Committee. The Sustainability Department is made up of auditors and specialists whose job it is to provide support to departments implementing key elements of the strategy. This is known as the ESG Committee's (lateral) control of the implementation of the strategy. The team also plays a supportive role in community activities and initiatives undertaken by the LPP. This includes areas such as emissions calculations, decarbonisation at company and individual product level, and energy and supply chain management. |

| | |
|--|---|
| Sustainability Expert | The Expert's responsibilities include the search for growth opportunities related to the changing business environment resulting from climate change and advice on mitigating climate risks. The person in this position works closely with the Procurement and ESG Director. |
| Head of Internal Control and Risk Management | They are responsible for the continuous identification and analysis of risks and opportunities facing the organisation in close cooperation with the CFO. This unit's responsibilities also include the prioritisation of key ESG risks and opportunities, including environmental and climate factors, developed in collaboration with the ESG Committee and the Procurement and ESG Director who leads it. |
| Human and Labour Rights Due Diligence Process Implementation Team | The team was established in 2023 as part of the ESG Committee from representatives of various offices in the LPP. It consists of the President of the LPP Foundation, the Diversity and Community Relations Expert from the Social Policy Team, the Social Issues Specialist in the Procurement and ESG Department and a representative from the HR Department. The unit is tasked with carrying out a human and labour rights due diligence process that includes identifying and assessing key risks, implementing and monitoring the effectiveness of appropriate remedial and corrective actions and communicating the actions taken with stakeholders. |
| Social policy and non-financial reporting team | The team is responsible for community relations, the development and implementation of a diversity and inclusivity policy, the creation and coordination of an ethics system, social impact and the LPP Foundation, and coordination related to the preparation of annual sustainability reports. |
| Other organisational units of LPP SA | Implementation of the tasks included in the operational plans for the implementation of the ESG and the sustainable development strategy. |
| Other LPP Group companies in Poland | Implementation of activities defined by LPP SA, participation in decisions of the LPP SA Management Board and ESG Committee, autonomous implementation of local social activities, reporting to LPP SA under sustainability reporting. |
| LPP Group companies abroad | Implementation of activities defined by LPP SA, autonomous implementation of local social activities, reporting to LPP SA as part of sustainability reporting |
| LPP Brand Managers | Implementation of activities commissioned within the ESG Committee and by the Procurement and ESG Director. |



ESG MANAGEMENT STRUCTURE

The Supervisory Board

The Management Board of LPP

CFO

Procurement and ESG Director

Sustainable Development Department

Social policy and non-financial reporting team

Internal Control and Risk Management Department

The ESG Committee

ESG: WHAT WE WORKED ON IN 2022/2023

GRI 2-24

- Climate targets - around 150 hours of meetings, workshops and expert talks. **Result:** decarbonisation targets sent to SBTi, submitted for review by SBTi.
- Diversity policy, i.e. equal treatment for everyone by everyone - consultation with employees, 20 people involved. **Result:** Diversity policy adopted and implemented.

- Human Rights Policy - analysis of the OECD Guidelines for Multinational Enterprises, and the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. 40 people involved **Result:** adoption and implementation of a new Human Rights Policy.
- ESG risks analysis, i.e. better identification and development of more effective preventive actions in view of social, environmental and governance risks. **Result:** better preparation for change.

LPP's activity also entails responsible reporting. Already in 2022, we initiated our efforts that will allow us to fully comply with the new EU **Corporate Sustainability Reporting Directive** and the **European Sustainability Reporting Standards (ESRS)**. Our experts worked on reviewing LPP's management practices and ESG reporting system against the CSRD guidelines and ESRS drafts in 2022.

At the same time, all our ESG activities are subordinated to the upcoming guidelines included in the EU Strategy for Sustainable and Circular Textiles.





3. Environmental impact



Managing our 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”, containing, among other things:
 - our guidelines on environmental factors in production processes,
 - decarbonisation targets set in 2022, based on SBTi methodology, and short- and medium-term decarbonisation plans for LPP operations and supply chain⁶.

Detailed information on climate-related issues management are included in the “LPP Group TCFD Climate Report 2022/2023”.

MAIN TASKS AIMED AT ACHIEVING ENVIRONMENTAL TARGETS RELATED TO THE UN AGENDA 2030 GLOBAL SUSTAINABLE DEVELOPMENT GOALS:

| | Procurement and ESG Department | Investor Relations Department | Internal Communication and CSR Department | Other departments of LPP SA, LPP companies in Poland and abroad |
|---|--|---|--|--|
|    | <ul style="list-style-type: none"> • analysis of environmental risks and opportunities • coordination of the environmental targets of the LPP strategy • sustainable brand and supply chain development • expanding the use of organic and recycled materials in collections • evaluating suppliers in terms of environmental criteria such as energy efficiency and water consumption • working with factories to eliminate harmful chemicals • preparing and navigating the implementation of a decarbonisation strategy • reporting progress to the management board and supporting the board in deciding on future courses of action • external communication of sustainability information, e.g. to interested NGOs, rating agencies and the media | <ul style="list-style-type: none"> • providing ESG data needed by financial market representatives, financial analysts and rating agencies interested in the impact of environmental factors on LPP's strategy and performance | <ul style="list-style-type: none"> • coordinating the sustainability reporting process • aggregating information on the progress of greenhouse gas emission reduction, waste reduction and other sustainability goals • internal and social media communication of sustainability information | <ul style="list-style-type: none"> • achieving the specific targets assigned to them, namely the climate and environmental impact of the LPP group's activities |

 Previous reports presenting environmental impact management targets and progress are available [HERE](#).

⁶ Status at the date of publication of the report: targets submitted to SBTi, pending approval by SBTi.



Standards of responsible product offer

GRI 3-3

At LPP, year after year we have been changing and improving the standards of clothing production and the way we sell the garments. We are consistently meeting targets to reduce the climate and environmental impact of our value chain. Our transport, logistics and our offices and warehouses are also changing.

| Our strategic goals by 2025 | Status 2021/2022 | Status 2022/2023 |
|--|---|---|
| Goal 1. By 2021, 100% of products containing wool or down with RDS/RWS certificate. | | <ul style="list-style-type: none"> • 100% of products containing down with RDS certification. |
| Goal 2. By 2021, 100% plastic film-free price tags. | | <ul style="list-style-type: none"> • 100% plastic film-free price tags. |
| Goal 3. By 2021, 30% of factories in Southern Asia use technologies that reduce water and/or energy consumption in the clothing production process. | <ul style="list-style-type: none"> • 30% factories in Southern Asia use technologies that reduce water and/or energy consumption in the clothing production process. | <ul style="list-style-type: none"> • Goal for denim factories – in progress. |
| Goal 4. By 2023, 100% of denim production factories use technologies that reduce water and/or energy consumption in the clothing production process. | | |
| Goal 5. By 2023, PLN 1m invested in new technologies of recycling textile waste. | <ul style="list-style-type: none"> • Goal in progress. | <ul style="list-style-type: none"> • Collaboration with Use Waste start-up. |
| Goal 6. By 2025, 50% of all Reserved garments are made of more sustainable materials (i.e. organic, cellulosic or recycled fibres). | <ul style="list-style-type: none"> • 26% of all our brands' garments were made of more sustainable materials (i.e. organic, cellulosic or recycled fibres). • Collaboration launch with Canopy and Cotton made in Africa initiatives. The outcome: We are expanding the use of sustainable raw materials. | <ul style="list-style-type: none"> • We continue working on LPP brand collections to be made of more sustainable materials (i.e. organic, cellulose or recycled fibres). • We continue cooperation with Canopy and Cotton made in Africa. |
| Goal 7. By 2025, we will have reached full conformity with ZDHC standards. | <ul style="list-style-type: none"> • We 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. | <ul style="list-style-type: none"> • 80% of LPP garments produced in Bangladesh and 70% in Pakistan compliant with the ZDHC's sustainable chemical safety standards. |



In mid-2022, after completing the process of comprehensive self-calculation of the carbon footprint in all scopes and categories, we started a review of the processes that have the strongest impact on our environment. As it was also the halfway point of the current sustainable development strategy and taking into account the dynamically changing external environment, regulatory changes and the expectations of our consumers, we decided that we had to redefine our goals. As a result of several months of intensive work, **in November 2022, we submitted to SBTi the so-called Target Submission Form**, containing key information on the developed goals. These are absolute reduction targets in scopes 1 and 2, and two targets in scope 3 covering the categories where our value chain emissions are highest and have the greatest potential for decarbonisation.



The verification of our goals by the SBTi team is scheduled to start in May 2023. We are planning to announce the approved targets publicly at the end of the second quarter of 2023.



Environmental management in production processes

In our relations with the factories cooperating with LPP, we apply the environmental principles developed by us in cooperation with experts. With a view to reducing the environmental footprint of production processes, we actively promote the use of technologies and solutions to ensure reduced water and energy consumption by our suppliers. In implementing the standard and verifying the level of environmental practices in the factories, we are supported by employees from our Asian offices in Dhaka and Shanghai.

- Suppliers undergo detailed inspections verifying their environmental impact.
- In some of the factories we use closed loop cycles of internal water circulation.
- Photovoltaic panels are installed to generate the electricity later used by the factories.
- The factories also have their own post-production water treatment facilities, which use biological treatment methods.

Good practice

In June 2022 in Bangladesh, we conducted **a training on climate risks and greenhouse gas reduction**. It was attended by 10 of our suppliers – representatives of garment and accessory factories. By sharing our expertise in this area, we are increasing the level of preparedness of suppliers to collaborate with a view to monitoring and reducing greenhouse gas levels across the apparel industry value chain.





Achieving environmental targets at the expected pace and scale requires investment in long-term collaborations with trusted global partners.



Canopy, with which we have been collaborating since 2021 as the first Polish company. Canopy promotes the sustainable management of primary forests and is changing the way large multinational companies treat their purchases of paper, packaging and pulp fabrics. At LPP, we consider our collaboration with Canopy as a commitment to, among other things, reducing the organisation's paper consumption and cooperating on the development of fibres that reduce environmental impact. Find out more about this topic [HERE](#).



The outcomes:

- Boxes for our internal operations, envelopes and boxes for shipping online orders, price tags at Reservevd, Cropp, Mohito, House and shopping bags are FSC certified.



Cotton made in Africa (CmiA) – a standard initiated by the Aid by Trade Foundation We have been a CmiA partner since 2021 and the collaboration gives us the assurance that the cotton we source is grown in an environmentally friendly way.



The outcomes:

- First purchase of CmiA-compliant cotton – 01.2022
- 2022/2023 – production of 17 million pieces of clothing containing CmiA cotton



Zero Discharge of Hazardous Chemicals (ZDHC), an initiative for chemical safety in the apparel industry. Adherence to ZDHC standards supports the environmentally safe management of chemicals in factories and the proper treatment of post-production water. ZDHC membership is one of the most important factors we consider when selecting factories for the purpose of outsourcing our production.



The outcomes:

- 80% of garments from LPP brands produced in Bangladesh and 70% in Pakistan compliant with the ZDHC's sustainable chemical safety standards.

The production of clothes involves a significant use of water. At LPP, we want to ensure that post-production water does not pose a threat to the environment. Therefore, why we have joined the “Roadmap to Zero” programme run by ZDHC. Our suppliers, who have committed to pursuing the assumptions underlying the initiative, provide us with water test results twice a year confirming that the water meets the requirements of the latest ZDHC waste water guidelines. Thanks to LPP, 46 producers from Bangladesh, Pakistan, Turkey, India, and China have joined the initiative since 2020.

- More than 80% of our direct producers in Bangladesh and over 70% in Pakistan organises their production for us in line with ZDHC's Roadmap to Zero programme.
- In 2022, we started implementing the “Roadmap to Zero” programme also in Turkey and India.
- In 2022, we also started implementing the ZDHC initiative among t-shirt printing factories that subcontract services to our direct garment manufacturers in Bangladesh, Pakistan, Turkey, and India. Subcontractors fulfilling orders according to the “Roadmap to Zero” guidelines already account for 50% of all subcontractors providing prints services.

- The entire production of denim for Reserved from the summer – spring 23 season onwards is carried out in factories adhering to the “Roadmap to Zero” guidelines in their production processes.

COLLABORATION INITIATED IN 2022:



amfori BSCI, an organisation that

is one of the leading global initiators of actions for sustainable production and trade, also in the apparel industry. LPP joined amfori BSCI in 2022 and membership gives us access to training, educational materials and tools to verify and monitor, above all, ethical and labour issues as well as environmental protection in the cooperating factories.

Our goal is for 100% of the clothing and accessories factories we collaborate with to be included in the assessment system provided by amfori BSCI.



Clothing made from more sustainable materials

Year by year, customers at LPP brand stores may enjoy the ever expanding offer of clothes made from more sustainable materials. Our employees are obliged to verify the environmental criteria, confirm each purchase with the Sustainable development department, and prepare appropriate documentation confirming the compliance of the material used in production with our standards.

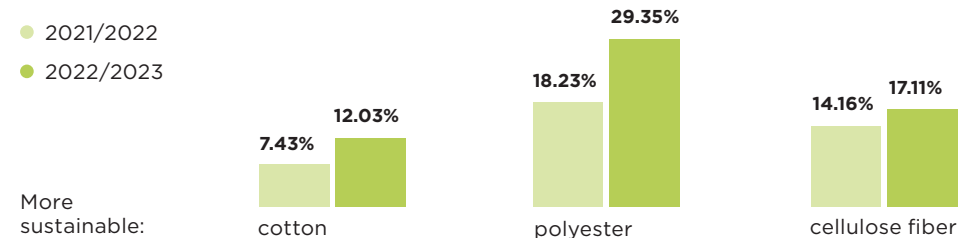


Good practice

We partner the Responsible Fashion Awards competition organised by the International School of Costume and Fashion Design. Its main objective is to promote pro-ethical and pro-environmental solutions in the fashion industry and to support budding designers acting in accordance with the principles of sustainable development. The competition is open to design professionals and enthusiasts. In 2022, one of the prizes was a photo shoot of all finalist designs in the Reserved photo studio in Pruszcz Gdański and their presentation in the Reserved brand store windows in Gdańsk, Warsaw, Łódź, Cracow, and London.

PERCENTAGE OF MORE SUSTAINABLE RAW MATERIALS RELATIVE TO THE TOTAL WEIGHT OF THE RAW MATERIAL

Own measure: consumption of more sustainable materials in tonnes (for the current and previous year)





We keep an eye on the market solutions in the fashion industry, and new technologies are offering our designers more and more options when it comes to environmentally friendly fabrics and materials. Some of our collections are made from recycled wool, polyamide, polyester, and cashmere, among others. We also use water-based polyurethane, organic cotton, and linen.

Good practice

When designing our collections, we also care about animal welfare. We have not used angora, natural fur or mohair in our garments for many years now. We only use recycled cashmere and 100% of the down used is RDS certified.

⊕ More examples available at: <https://www.lpp.com/zrownowazony-rozwoj/srodowisko>

EXAMPLES OF MORE SUSTAINABLY PRODUCED MATERIALS USED IN OUR COLLECTIONS

→ LENZING ECOVERO

It is an environmentally friendly viscose produced from certified wood pulp sourced from sustainably managed forests with a guarantee of reforestation. The production of the fibre itself takes place in a closed loop process. Compared to conventional viscose production process, the closed loop one allows for a reduction in water consumption by 33%, the amount of pollutants generated in the medium and the amount of carbon dioxide released. Cellulose fibres are biodegradable and do not pollute water with microplastics.

→ RECYCLED WOOL

It is made from production residues or from used textile products. To obtain the desired quality, the recovered wool is usually mixed with virgin fibre and processed into a new material. 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 the styles are certified by independent institutions, according to the Recycled Claim Standard (RCS) or the Global Recycled Standard (GRS).

→ ORGANIC COTTON

It is obtained with the use of plant protection products and fertilizers of natural origin. Genetically modified seeds are not used in its production. It is cultivated in a way that helps preserve soil fertility, preserve biodiversity and respect its natural life cycle. The organic fibers used in the production of more sustainable collections are certified by independent institutions in accordance with the Organic Content Standard (OCS) or the Global Organic Textile Standard (GOTS).





Solutions used in stores, offices and warehouses

We apply measures that allow us to reduce the environmental footprint in our brand stores.

We are consistently **reducing energy consumption in stores**. In 2022/2023, we took steps to reduce energy consumption by a 10%. **In all 395 of our brands' stores newly opened in 2022, LED lighting was installed**, which not only allows for 40% saving in electricity use, but also generates less heat, hence reducing the electricity consumption of air conditioning. We also installed LED lighting in 8 existing stores. In 2023, we will continue the process of replacing light sources with energy-saving LEDs. Currently, about 1,200 stores in the entire LPP network have LED lighting.

We also ensure that in the locations where we choose to install multimedia screens to present the offer, these are **modern and energy-efficient LED**

screens. In addition, photocells in our stores ensure that the escalators and lighting in the bathrooms only switch on when needed by someone.

In 2022/2023, we started installing comprehensive utility consumption monitoring systems to optimise electricity use. By the end of 2022, we had installed **telemetry systems** in around 830 stores in 12 countries, and by the end of 2023 we aim to install them in further 700 locations. In addition, in 2023, automation systems that manage energy consumption for cooling and space heating will be connected to the telemetry system in around 300 stores.

In all our stores, in the field of technical maintenance, we use **Singu FM** platform supporting the failure prevention and troubleshooting process. The data collected in it allow not only for better analysis and help to schedule inspections



and maintenance based on the current state of the installation but they also support the process of optimizing electricity consumption.



WAREHOUSES AND OFFICES

We are transforming successively our warehouses and offices into increasingly sustainable facilities. We are opting for the latest technologies that reduce raw materials consumption and lower emissions, while at the same time improving employee comfort. When designing new logistics centres and office spaces, we focus on environmental certification as well as on the state-of-the-art solutions that increase energy efficiency.

→ This is how we take care of the environment in our warehouses and offices:

- we use intelligent lighting systems – energy-efficient light sources automatically controlled by digital technologies (DALI, WAGO). We have adopted the “light only when necessary” principle and adjusted the movement detector sensors in corridors, bathrooms and warehouses so that the lighting only switches on when it is needed,

- making maximum use of daylight, with hundreds of skylights in the warehouse roof to reduce energy consumption,
- installing recuperation systems recovering up to 95% of heat,
- monitoring and automating equipment operation, energy consumption and technical installations of the facilities (BMS system),
- we use renewable energy sources – we installed four thousand photovoltaic panels on the roof of our warehouse near Brześć Kujawski,
- in the warehouse near Brześć Kujawski and in the Velvet building in Gdańsk, we introduced solutions enabling the use of rainwater in toilet flush systems,
- we install sanitary fittings that reduce water consumption,
- some of the buildings are made of low-emission concrete, equipped with special cooling ceilings and energy-efficient lifts,
- we support the electrification of transport - by installing electric car charging stations next to our warehouses,
- we design green areas around the warehouses and install houses for invertebrates, insects, and birds,
- we launched a car sharing system, electric scooters and bicycles available for all employees of LPP headquarters,
- we use professional recycling services to dispose of used IT equipment and batteries,

- our offices in Cracow and Gdańsk are environmentally friendly buildings featuring numerous improvements in terms of reducing energy consumption. The Cracow office building is BREEAM-certified.



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 PPA (Power Purchase Agreement) for renewable energy in Poland. In 2022, FIGENE Energia constructed an additional wind farm to this end. The estimated volume of energy necessary to meet LPP's needs in this period is 358,000 MWh.

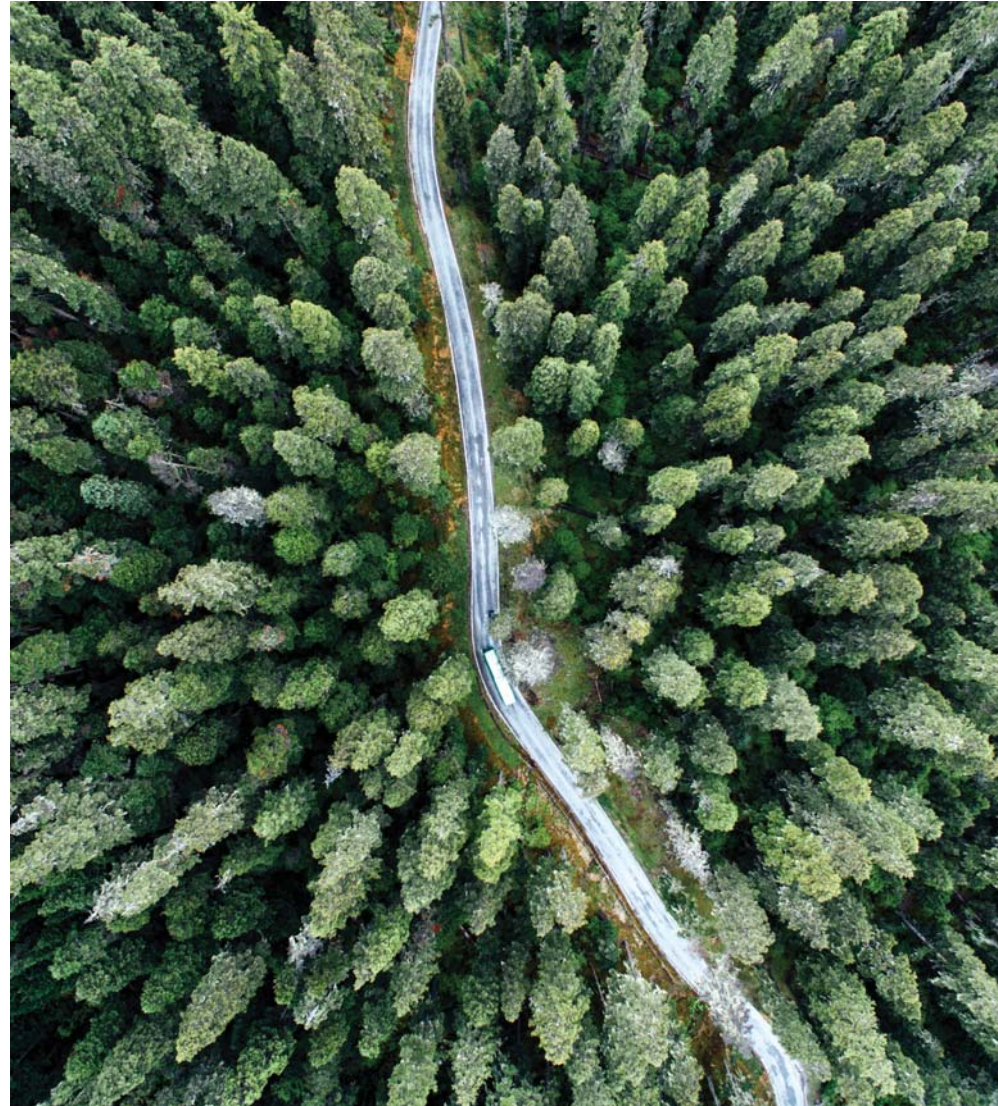


TRANSPORT

We are seeking the best macro- and micro- solutions for the environment – both those related to transporting garments from the other side of the world and those that change the way a shipment is delivered to the customer.

→ Here is how we changed our transport and logistics in 2022/2023

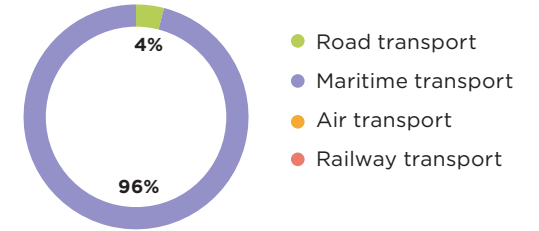
- we developed cooperation with ship-owners investing in environmentally friendly ships in order to meet the latest International Maritime Organisation standards,
- we reduced emissions by making some deliveries to our stores in Warsaw with electric cars,
- we increased linear car fillings by reducing the quantity places of picking up goods for the accumulation of shipment in one place of dispatch,
- we changed the distribution model in Bosnia by organizing of line transport to the farthest destination and thus shortening the so-called last mile.



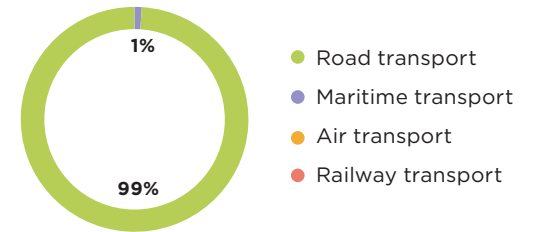
SHARE OF DIFFERENT MODES OF TRANSPORT USED IN 2022/2023:

Own measure

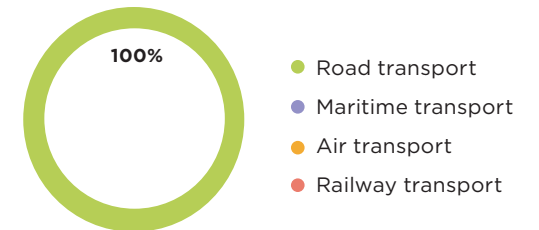
Import



Export to stores



E-comm export





Closed-loop system

We are reducing packaging waste. When packing our customers' online orders for courier companies, we are looking for solutions that ensure safe delivery, while having a smaller impact on the environment.

- Since 2021, we have been using the Supplier Portal system which made it possible to reduce consumption of packaging waste and optimise the packaging of goods allowing us to fill cardboard boxes, containers and storage space in a more efficient manner; in 2022/2023 we reused 2,156,811 cartons, which translates into approx. 41,000 trees saved,
- our online orders are packed using repurposed paper cardboard boxes and recycled plastic film. We no longer use plastic fillers – recovered paper is used instead,
- at our physical stores, packing is done solely with the use of shopping bags made of recycled paper with FSC certification,

- in 2022, we started to replace some of the boxes we had been using so far with special envelopes made in part from recycled material, which are four times lighter and provide similar security for parcels,
- in connection with the conducted since 2017 packaging policy for Reserved and Mohito brands, in a year 2022/2023 – we reduced our plastics consumption by 567 tonnes,

- we are changing the range of packaging so that larger orders fit into one parcel,
- if a customer changes their mind – they can send the parcel back in the same packaging. Most of them have a special strip to seal the return, so as to eliminate the use of plastic tape.



Good practice

INNOVATION IN POLY BAGS

We are increasingly **closing the loop for foil**. During sea transport to the warehouses, our garments travel thousands of kilometres. To protect them from moisture and damage, the items are packed in separate plastic bags called poly bags in the industry. Since 2021, all LPP poly bags have been made of recycled polyethylene, at least in 70%, and are fully recyclable. From 2023 onwards, all new orders will arrive in bags made 100% of recycled polyethylene (rLDPE). Poly bags from warehouses and LPP headquarters – along with other collected foil – are sent to a recycler, and ultimately end up as waste bags produced.



SECOND LIFE OF CLOTHES

We are facing one of the biggest environmental challenges of the clothing industry – namely **managing used clothes**. At LPP, we believe that every used garment constitutes a resource. Clothes that are still wearable can be donated to social causes – we facilitate the process for our customers by running collections of clothes of any brand – including brands that are not ours – at any LPP-owned store. The clothing which is no longer

wearable should be recycled and become the raw material for new, full-value clothes.

To make this possible, we started to collaborate with two innovative Polish companies, and our common goal is to develop technology that would allow for recycling of used clothes and turn them into materials for clothing production.

The purpose of the cooperation between LPP and Use Waste is to conduct research work, the result of which will be the development of a technology allowing for full recycling of used polyester fabrics and obtaining yarn for the production of new fibres.

The chemical recycling process is known, but so far it has been limited only to the processing of PET-type polyester, used for the production of colorless packaging, e.g. bottles. The processing of polyester fabrics in accordance with the textile-to-textile concept, however, encounters one barrier - fabrics for the production of clothing contain additives of other fibers, dyes and other substances.

Use Waste is investigating the possibility of using the author's concept of selective depolymerization of polyester fabric made of dyed fibers and obtaining a raw material that will be used to produce polyester of non-deteriorated quality.

This will allow any type of polyester fiber to be produced and used to produce 100 percent recycled fabrics.

Adam Hańderek,

Director at Use Waste and President of Handerek Technologies



- Since 2022, we have been collaborating with **Use Waste, a Polish start-up**, and working together on a chemical recycling of polyester clothing. One million zloty will be earmarked for this purpose until the end of 2023. Use Waste is a team of experts from Han-

derek Technologies, which has developed so far, among other things, a ground-breaking and patented technology for the chemical processing of plastic waste into raw material in order to produce new plastics or low-emission alternative fuels.



We have completed a pilot project with **Sustainable Fashion Institute (SFI)** – a Polish platform that supports brands in building a sustainable future for the fashion industry. Within the framework of cooperation SFI supported us in the search for an effective method of processing multigrade materials. Thanks to the cooperation, LPP learned about the possibilities of recycling cotton and viscose and blends of these materials with polyester, as well as cotton materials with prints or coatings.

At present, the apparel industry uses fabrics created from recycled polyester, mainly from recycled water bottles. Recycled polyester has a lower environmental impact compared to virgin polyester and its production ensures lower greenhouse gas emissions. At LPP, however, we see this solution as a transitional one – ultimately we want to make polyester garments from other polyester garments. The **collaboration with Use Waste and SFI is to help us close the loop for clothes.**

WHAT HAPPENS TO THE USED CLOTHES DONATED AT LPP STORES?

LPP is constantly looking for solutions that close the loop – to this end, it cooperates with Use Waste and the Sustainable Fashion Institute on solutions that meet the best challenges of circularity.





In accordance with the announcements contained in the EU strategy of 2022 and the emerging EU draft legal acts, we are facing an important process of transforming the textile and clothing sector from a linear model into a circular one. This can happen only in conditions of close cooperation between business and consumers, because it is the consumption model that will be of fundamental importance for the pace and depth of changes in the sector.

In the process of the „green transformation” a two-pronged approach is necessary. On the one hand, changes in the way of designing clothes and the production model of textiles are necessary, but also innovative solutions in this area that would support circularity.

On the other hand, the change in established consumer habits, both those related to the shopping process and the use of textiles, is of great importance, including the care of purchased clothing products, the way they are washed or even dried.

This transformation, undoubtedly difficult and perhaps controversial, requires an in-depth educational process, initiated by e.g. specialized educational units and representatives of the textile and clothing sector themselves.

Agnieszka Oleksyn-Wajda,

Director of the Institute of Sustainable Development, Head of postgraduate studies Environmental Protection Law at the Postgraduate Education Center of Łazarski University



Good practice

We know that caring for clothes extends their life – and presents savings not only for the household budget, but also for the environment. Therefore, at LPP, we share our knowledge on how to properly care for clothes. In 2022, we ran the campaign called **“Look after your clothes. Read. Check. Care”**. On the website www.dbajoubranie.pl, we posted practical information on ways to wash, dry and iron clothes in order to reduce wear

and tear. We also added a special emissions calculator to help understand how these actions reduce CO₂ emissions into the atmosphere. The campaign was supported by, among others, experts from the Łódź Institute of Technology (Łukasiewicz Research Network), the Sustainable Development Institute at Łazarski University and Deloitte.

It was inspired by our 2021 carbon footprint calculations demonstrating

that clothing use is the fourth most carbon footprint-generating element of scope 3. We also decided to find out how Poles take care of their clothes and what habits they have in this regard. We carried out a survey which showed that many people are not fully aware of how to look after their clothes properly, the vast majority associate the word ecology with waste segregation, and only 4 per cent of respondents link this care with caring for the environment. The survey

findings were the basis for us to develop the campaign materials. All this was done to show that proper care saves water, energy and reduces CO₂ emissions into the atmosphere, and that by changing habits we extend the life of clothes and reduce their impact on the environment.

look after your clothes



Climate impact

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

| | 02.2021 - 01.2022* | | | 02.2022 - 01.2023 | | |
|--|---------------------|----------------------|--------------------------|-----------------------|---------------------|---------------------------|
| | Scope 1 | Scope 2 | Scope 3 | Scope 1 | Scope 2 | Scope 3 |
| Greenhouse gas emissions (GHG) [t CO ₂ e] | 4,420.67 (0.15%) | 10,267.11 (0.36%) | 2,865,952.63 (99.49%) | 113,762.35 (0.52%) | 7,827.65 (0.30%) | 2,631,555.82 (99.18 %) |

* transformed data, without Russia

A detailed description of the methodology used to calculate greenhouse gas emissions can be found [HERE](#).

In 2021/2022, for the first time, we calculated the LPP carbon footprint in all three scopes, in all categories. This calculation simultaneously started the ongoing work in 2022/2023 to develop decarbonisation targets. In order to prepare these based on global best practice, we decided to align with the **Science Based Targets Initiative**. SBTi is a global partnership of international sustainability and environmental organisations: Carbon Disclosure Project (CDP), United Nations Global Compact (UNGC), World Resources Institute (WRI), and The World Wide Fund for Nature (WWF). It aims to

support companies in developing their decarbonisation strategy, in line with the Paris Agreement, using the latest climate science.

SBTi provides a scientific methodology for setting and verifying targets and ways to reduce greenhouse gas emissions for companies in various industries, with specific guidance for specific sectors, including apparel. According to the SBTi methodology, the targets set must include company-wide scope 1 and scope 2 emissions. Where scope 3 emissions cover a significant portion of a company's

overall carbon footprint (more than 40%), the plan must also include an ambitious and measurable target for scope 3. According to SBTi, reduction targets are to cover at least 2/3 of total scope 3 emissions.

In preparing our decarbonisation strategy, we set up working groups within LPP dedicated to specific scopes and emission categories. Over the course of several months in 2022, we held a series of meetings and workshops to review the company's ambitions in each area in terms of decarbonisation plans and juxta-

pose them with the requirements set by SBTi. In May, we sent a so-called **Commitment Letter to SBTi**, which is tantamount to a commitment to set science-based decarbonisation targets. We identified the scopes of our operations with the highest emissions and where we saw the potential to reduce them.

In November 2022, we submitted the so-called **Target Submission Form** to SBTi, containing key information on the targets developed. These are absolute reduction targets in scopes 1 and 2 and two scope 3 targets covering the categories where our value chain's emissions are highest and manifest the greatest potential for decarbonisation. The review of our targets by the SBTi team is scheduled for May 2023. We plan to publicly announce the accepted targets at the end of the second quarter of 2023.



Climate report of LPP Group 2022/2023

developed using the TCFD recommendations

INTRODUCTION

Along with a noticeable increase in the frequency and severity of extreme weather events, there is a growing expectation from both consumers and investors for strong action on the part of the business to reduce negative climate impacts, as well as disclosures on how these impacts are managed.

Fashion is one of those sectors which exert substantial impact on the environment. This impact is effected, among other things, through the use of natural resources, water and greenhouse gas emissions (both in production and subsequent transport). At the same time, the fashion industry will be facing materialization of physical climate risks, which may be particularly painful for Southern Asia, as it is the key element of the value chain. These issues, combined with growing consumer awareness and stricter European Union regulations on sustain-

ability, require companies to make a real commitment towards ESG transformation.

Climate change constitutes one of the main risks analysed by the LPP Group, which is why we are constantly increasing our level of commitment to countering it and creating a more sustainable future for the fashion industry. We do realise that for real change for the better to materialise, action taken by a single company or organisation, even the largest player, is not enough – coordination on both the local and global level is required, which is why the LPP Group supports major climate initiatives such as the work of the **Task Force on Climate-related Financial Disclosures (TCFD)**. This publication on the Group's progress in terms of climate-related action has been produced in line with TCFD recommendations, including:

- Corporate governance,
- Strategy,

- Risk management,
- Metrics and targets.

In the publication, we describe how climate change may affect our business and outline our strategy for mitigating the potential impacts of climate risks and ensuring the resilience of our strategy. Our understanding of the challenges relating to climate change is evolving and we are constantly updating our plans.

While this report focuses on the Group's strategy to mitigate the transformational and physical climate change-related risks to our business, we are also taking action to address these changes. As part of our strategic commitments, we have chosen to act in line with the global goals laid down in the "2030 Agenda for Sustainable Development" adopted by UN member states. In the context of climate change, we attach particular importance to goal 13 – Taking urgent action to combat cli-

mate change and its impacts. Through our actions, we aim to contribute to reduction of the pace of increase in the average global temperature by 2°C over pre-industrial levels.

In order to develop our climate risk management practices and activities, we have committed to continuously improving our data collection methods for disclosure in our external financial and non-financial documents. We firmly believe that transparency is key to taking coordinated action by all companies, government authorities and citizens as the only adequate response to the global challenge posed by climate change.



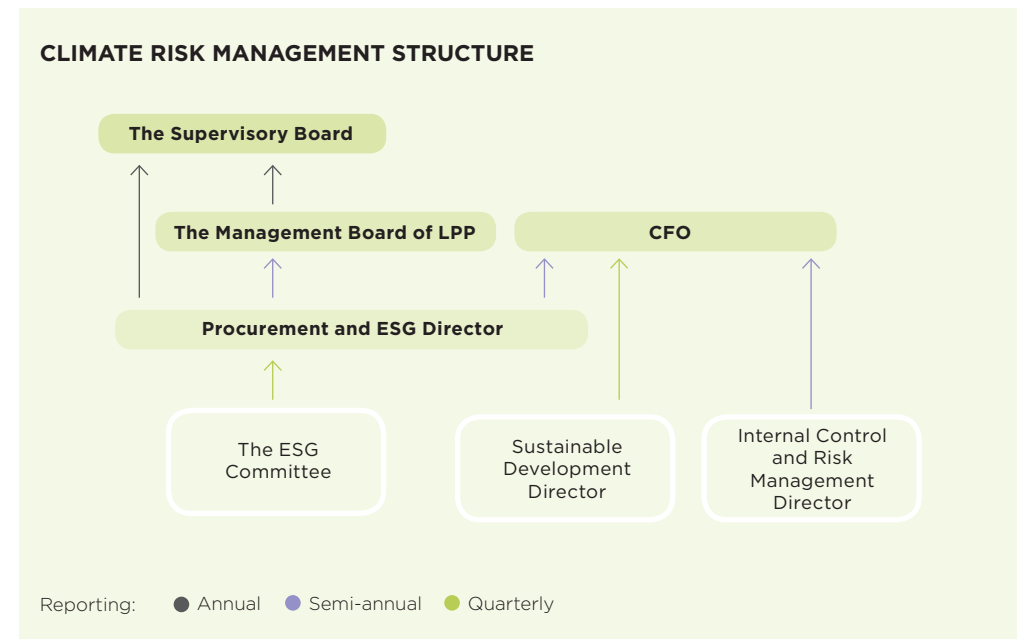
Corporate governance



To handle the potential threats and opportunities faced by the LPP Group in an effective manner, we have been consistently developing the structure of our corporate governance. We have worked out reporting schemes and assigned responsibility for areas related

to environmental matters, including the ones related to climate change, in the entire value chain. LPP's oversight of climate-related risks and opportunities is embedded at the highest level of our organisation.

The graph provided below presents the LPP units responsible for management of climate risks and cyclical reporting to the Supervisory Board of LPP.





ORGANISATIONAL UNIT

DESCRIPTION OF RESPONSIBILITY FOR CLIMATE ISSUES

| | |
|---|--|
| Management Board of LPP | The role of the Management Board is to implement the business strategy, in which sustainable development is one of the three pillars. The scope of duties also includes the long-term shaping of LPP Group's development strategy. |
| Chief Financial Officer (CFO) | The key area of responsibility of the CFO is financial planning, fiscal management and financing arrangement, and the strictly related assessment of threats, including climate risks, which may influence the short-, medium and long-term business activity of the Company. The CFO reports directly to the President of the Management Board. |
| Internal Control and Risk Management Manager | The key area of responsibility for the Internal control and risk management manager is continuous identification and analysis of risks and opportunities faced by the Company, in strict cooperation with the CFO. The scope of duties also includes prioritization of key risks and opportunities in the ESG area, including environmental and climate factors, in cooperation with the ESG Committee and the Procurement and ESG Director who is the chairman of the Committee. |
| Procurement and ESG Director | The role of the Procurement and ESG Director is to shape and implement sustainable development strategy and to analyse and plan ESG risk mitigation, including environmental and climate risks, in cooperation with the CFO. Combination of these two functions seeks to ensure effective management of implementation of the KPIs for own activity and for the supply chain, which are based largely on environmental initiatives, such as improved energy efficiency, development of logistics processes, consumption of energy from renewable sources, as well as transformation towards circular economy. The Procurement and ESG Director is obliged to prepare quarterly reports to the CFO on the status of the sustainable development strategy implementation as well as twice-a-year reports to the Management Board of the Company. The Procurement and ESG Director presides over the ESG Committee. |
| The ESG Committee | The Procurement and ESG Director holds the function of the ESG Committee chairman; the Committee gathers brand management directors, as well as directors of key functional areas of the Company. The role of the ESG Committee is to perform the advisory function for the Management Board of LPP and the executive function in relation to ESG and sustainable development issues, related to activity of LPP and the LPP Group. The Committee makes decisions on the implementation of ESG tasks upon their approval by the Management Board and supports the Management Board of LPP in maintaining a prominent position of the company among the leaders of ESG and sustainable development practices. |

| | |
|---|---|
| The ESG Committee | continuation The Committee's work aims to strengthen the interdisciplinary approach to the management of ESG and sustainability issues at LPP and to strengthen the good cooperation practices of key organisational units of LPP in this area. |
| Sustainable Development Manager and Sustainable Development Department | The Sustainable Development Manager is personally responsible for the implementation of the sustainability strategy. They are responsible for control and implementation of tasks related to security in the LPP production area. They implement initiatives that are translated into goals defined in the strategic documents. These goals serve as a basis for further works of the ESG Committee. The team consists of auditors and experts, who are tasked with advising departments and units responsible for implementation of the key strategy components. It is the so-called (cross) control of the strategy implementation by the ESG Committee. The team also provides support for environmental activities and initiatives of LPP. It includes such areas as emission calculation, company level and product level decarbonization, as well as energy and supply chain management. |
| Sustainability Expert | The scope of duties of the Sustainability Expert includes searching for development opportunities in relation with the changing business environment due to climate changes and advice on mitigation of climate risks. The function cooperates strictly with the Procurement and ESG Director. |
| Labour Rights Due Diligence Process Implementation Team | The team was established in 2023 as part of the ESG Committee; its composition includes the President of the LPP Foundation, the Social Issues Specialist, the Diversity and Community Relations Expert. The unit is tasked with carrying out a human and labour rights due diligence process involving the identification and assessment of key risks, the implementation and monitoring of the effectiveness of appropriate remedial and corrective actions, and the communication of actions taken with stakeholders. |

In addition, in the context of stakeholder dialogue and communication to the market, key units within LPP's structures are the Internal Communications and CSR Department and the Investor Relations

and Sustainable Reporting Department which are responsible for communicating up-to-date and transparent messages on the company's activities, including environmental and climate impacts.



Strategy

SUSTAINABILITY STRATEGY

Sustainable development is one of the three strategic areas for the LPP Group, constituting a separate pillar of the corporate business strategy of the company. Adopted in 2019 and integrated into the business strategy, the 2020-2025 “For People For Our Planet” sustainability strategy covers both our own business activities and our value chain. It is focused on four areas:

For People For Our Planet

1. Product, production and sales
2. Packaging Aware – plastics under control
3. Chemical safety in production
4. Sustainable development in the buildings of central headquarters and retail network

In each of these, we have identified measurable, long-term objectives for the perspective of 2025, which allow us to concentrate on exerting real impact on our surroundings.

We rely on natural resources to run our business. Our ability to source them is directly linked to the impacts of climate change. Reducing the negative impact both in our own operations and in our supply chain is not only an expression of our social responsibility but is also of strategic importance for the continuity of our business.

As part of our strategy, we are implementing new solutions from the collection design stage, through the selection of raw materials, cooperation with suppliers, logistics, to pro-environmental solutions in stores and e-commerce channels. We have also set targets for managing the day-to-day operation of our offices.



A key element of the strategy is to work with stakeholders to support their energy transition, transition to renewable energy sources and activities that improve the circularity of water in the production process.

The strategy also sets out initiatives and targets to reduce the amount of plastics used and improve energy efficiency in the store network and reduce emissions.

As a company open to innovation, we are also seeking new solutions and technologies with a positive impact on the environment and climate.

To better understand the potential impact of climate change on our business and strategy, we conducted an in-depth scenario analysis to identify key risks and opportunities over the relevant time horizons.



THE SCENARIO ANALYSIS

The scenario analysis is a key tool to support the LPP Group in identifying the potential impact of climate change on our organisation and its supply chain.

For the purpose of the analysis, we have adopted two different hypothetical scenarios to ensure a better examination of resistance of our business model and development areas. This allowed us to understand how climate change could impact our activity in different regions of the world and at all levels of the value chain, from procurement of materials and production through distribution to sales, up to the use and disposal of our products by our customers.



At LPP Group, we define risk as any potential event that could have a negative impact on the achievement of business objectives or that could affect the normal course of business. On this basis, we categorise risks according to their potential impact, likelihood of occurrence and our level of preparedness to respond to them. Given the large scale and long-term challenge posed by climate change, we assessed risks and opportunities in three time horizons: over the short- (up to 2025), medium- (up to 2030) and long-term (trend analysis up to 2050) horizons.

The process of identifying key risks involved a qualitative as well as quantitative assessment of the likelihood of a phenomenon occurring and the scale of its impact should it materialise, with reference to both financial and reputational criteria. To make this possible, we made an attempt to identify an extensive list of environmental threats and subjected them to a critical assessment and prioritization in line with the dimensions listed above. The result of this analysis allowed us to identify events that are highly probable and exert substantial impact on our activity.

ASSUMPTIONS OF CLIMATE SCENARIOS ANALYSED

| | <2°C⁷ Globally coordinated regulations for decarbonisation in line with the Paris Agreement. | 4°C⁸ No globally coordinated actions in terms of climate policy. |
|---|---|--|
| Likelihood and scale of transformational risks (in medium- and long-term perspective) | Higher | Lower |
| Achievement of EU targets for Reducing emissions in 2030-2050 | Achieved | Not achieved |
| Increase in energy prices | Considerable | Gradual |
| Emission costs | Considerable | Moderate |
| Increase in RES technologies effectiveness | Faster than before | Slower than before |
| Consumer eco-awareness | Significant increase in eco-awareness and greater demand for low carbon products | |

⁷ Based on the Intergovernmental Panel on Climate Change (IPCC) scenarios: RCP 2.6 and SS1 and nationally determined contributions (NDCs) submitted by the European Union.

⁸ Based on the Intergovernmental Panel on Climate Change (IPCC) scenarios: RCP 8.5 and SSP5.



Risks and opportunities

In line with TCFD recommendations, we carried out a scenario analysis for both physical and transformational risks taking into account all risk subcategories.

Risk assessment: ● Low ● Medium ● High ● Very high

| Risk | | Scenario | Obtaining raw materials | Production | Distribution | Sale and customer satisfaction | |
|------------------|---|--|-------------------------|------------|--------------|--------------------------------|---|
| PHYSICAL | Chronic | Risk of limited availability of producers and subcontractors due to progressing climate change | <2°C | ● | ● | | |
| | | | 4°C | ● | ● | | |
| | | Risk of limited availability and increase in price of raw materials for production as a result of progressive climate change | <2°C | ● | | | |
| | | | 4°C | ● | | | |
| | Sudden | Risk of disruption to production processes due to extreme weather events | <2°C | | ● | | |
| | | | 4°C | | ● | | |
| | Risk of disruption to logistics processes due to extreme weather events | <2°C | | | ● | | |
| | | 4°C | | | ● | | |
| TRANSFORMATIONAL | Market | Risk of limited availability and rising prices of sustainably produced or recycled materials | <2°C | ● | | | |
| | | | 4°C | ● | | | |
| | Risk of increase in own warehouse management costs and supply chain costs due to increased electrical energy prices | <2°C | | ● | ● | | |
| | | 4°C | | ● | ● | | |
| | Regulatory | Risk of limited availability and increased cost of marine logistics and timely transport | <2°C | | | ● | |
| | | | 4°C | | | ● | |
| | Risk of increased demands and increased accuracy of non-financial reporting on climate and social issues | <2°C | ● | ● | ● | ● | |
| | | 4°C | ● | ● | ● | ● | |
| | Technological | Risk of failure to adapt to the pace of change in technology to address consumer needs or regulatory requirements for pro-environmental measures | <2°C | | ● | ● | ● |
| | | | 4°C | | ● | ● | ● |
| Reputational | Risk of negative image and public pressure due to insufficient, negative or misperceived communications related to pro-environmental activities | <2°C | | | | ● | |
| | | 4°C | | | | ● | |



The physical risks associated with climate change can already be felt today. The Earth's temperature has risen by around +1.1°C since the beginning of the industrial era and further warming is inevitable. Scientists estimate that over the next few decades global temperatures are likely to rise by at least 1.5°C by 2040⁹. Physical risks range from sudden events such as floods and fires to long-term changes such as heat stress, drought and sea level rise.

The impact of physical risks on the LPP Group is strongly focused on the supply chain and global sourcing regions. The threats that may impact the activity of the company were identified already in the first part of the supply chain, that is, obtaining of the necessary raw materials for production. Rising temperatures and melting of glaciers have two-fold consequences for regions that produce cotton – the main natural raw material used for production. Over the short- and medium-term, it may translate into an increased risk of floods. On the other hand, in the medium- and long-term perspective, there is an increased risk of limited access to water and prolonged droughts. Moreover, climate change is a driving force behind extreme weather conditions, such as intensive rainfall and



increasingly violent monsoons, which in certain years may result in negative supply shocks. All of the above scenarios, if materialized, will result in limited availability of raw materials, leading to increased prices.

The risks and opportunities associated with the transformation depend on the nature and pace of decarbonisation of the global economy. These are influenced by changes in markets, technology,

policy and legislation, and the behaviour of key stakeholders, including customers and investors. As the market interest in sustainably produced materials increases, there may be disruptions in their availability and price increases – such an increase is observed in particular in the medium term in the 4°C scenario range. In the next part of our chain value, which is clothing production, the prevalent risks are those related to increased energy costs, which translate into a rise in fixed

costs across the entire supply chain. At the distribution and sales stage, the LPP Group has identified the already materializing fluctuations in availability of load space in marine transport, which are significant as they result in increased direct costs and uncertainty of timely deliveries, which may lead to loss of opportunity to sell some of our collections at proper times. These changes result also from the inclusion of marine transport in the regulatory package of the European Union, related to the so-called **Green Deal**, in particular, Fit for 55.

Progressive changes in legislation represent a risk that is likely to evolve in both the short and medium term. The market in which the LPP Group operates is likely to change, with changing consumer preferences and material costs, which may translate into both risks and opportunities to be managed. Another important aspect is the impact of climate change on the LPP Group's reputation affecting the relationship with key stakeholders. We are aware that due to the scale of operations and LPP's position in the market, there is a risk of the fashion industry equating the problem of environmental degradation with the LPP brand on a national and regional level.

⁹ Based on the IPCC Report: Climate Change 2021, The Physical Science Basis, Summary for Policymakers.



Effective defining of climate risks allows us to take steps, which in both scenarios analysed make the LPP Group resistant to key threats and able to take advantage of these to improve the growth dynamics, financial results and the image of the company.

The table below shows the key risks for the LPP Group in a strategic perspective (2030) with an averaging of the impact for both climate scenarios analysed.

| Likelihood | Impact | Negligible | Low | Medium | High | Very High |
|--------------|--------------|------------|-----|--------|------|-----------|
| ○ Negligible | Financial | | | | | |
| ● Low | Reputational | | | | | |
| ● Medium | | | | | | |
| ● High | | | | | | |
| ● Very High | | | | | | |

| Risk | Likelihood | Impact assessment | Impact description | Risk response |
|--|------------|-------------------|---|---|
| Risk of limited availability of producers and subcontractors due to progressing climate change | ● Low | | Climate change may result in the relocation of workers or entire production companies from regions most affected by sudden weather events (climate migration), which may lead to higher production and product costs. | <ul style="list-style-type: none"> Relocation of garment production from countries at higher risk of progressive climate change e.g. Bangladesh to lower risk countries e.g. India. Increased focus on developing production in countries in Europe with a lower risk of progressive climate change (e.g. Turkey, Morocco) and outside the central area. Development and diversification of supplier base in India and Pakistan. |
| Risk of limited availability and increase in price of raw materials for production as a result of progressive climate change | ● Medium | | The financial exposure of the LPP Group is greatest for cotton, which is the main raw material used in the production of the collections. Water stress caused by extreme weather events, such as droughts or heavy rainfall, may negatively affect the cotton crop, especially in regions where most of the world's production is concentrated. In the long term, this may result in a lack of availability of the raw material and thus an increase in prices. | <ul style="list-style-type: none"> Continuous monitoring of the price of raw materials critical to the production of the collection. Switching to more sustainable sources of raw materials including Cotton made in Africa and Lenzing. |
| Risk of disruption to production processes due to extreme weather events | ● Medium | | Extreme weather events specific to some LPP collection production regions, such as floods, cyclones, etc., may disrupt the continuity of production processes, thus generating loss of revenue. | <ul style="list-style-type: none"> Diversification of production markets, including relocation of garment production from countries at higher risk of progressive climate change e.g. Bangladesh to lower risk countries e.g. India. Spreading a given product group across different markets. |
| Risk of disruption to logistics processes due to extreme weather events | ● Medium | | The sea route accounts for the majority of production transport for the LPP Group. Extreme weather events, such as rising sea levels or cyclones, may damage significant ports in the supply chain and cause transport delays. This could result in the unavailability of goods at a given time for the end customer and a negative impact on sales. | <ul style="list-style-type: none"> Exploring alternative transport possibilities/options and delivery to ports. Use of combined transport methods including land and sea transport. Close cooperation with major carriers, translating into better long-term contract terms and transport priority. |



| Risk | Likelihood | Impact assessment | Impact description | Risk response |
|--|------------|-------------------|--|---|
| Risk of limited availability and rising prices of sustainably produced or recycled materials | | | With increased demand for sustainably produced materials, there may be disruptions in their availability, as well as price increases. In order to maintain competitive prices, the risk may trigger the need to reduce margins and thus the final profit from the sale of the collection. | <ul style="list-style-type: none"> Investment in activities to develop the market for sustainably sourced and recycled materials, including collaboration with a polyester recycling start-up. |
| Risk of increase in own warehouse management costs and supply chain costs due to increased electrical energy prices | | | Risk of increased fixed costs, contributing to the deterioration of the LPP Group's financial performance. | <ul style="list-style-type: none"> Constant monitoring of the market and exploiting opportunities to purchase energy in advance. Security through contracts - contracted price of energy from RES (Figene) for 10 years with the possibility to extend for another 3. Testing and implementation of energy efficiency solutions - e.g. implementation of a telemetry system in stores, construction of heat pumps in the warehouse in Brześć Kujawski. |
| Risk of limited availability and increased cost of marine logistics and timely transport | | | Due to the inclusion of maritime shipping in regulations such as Fit for 55, there may be an increase in costs. In addition, increased consumer pressure to implement green transport solutions will drive increased investment in new technologies or changes in the supply chain. | <ul style="list-style-type: none"> Close cooperation with major carriers, translating into better long-term contract terms. Placing orders in advance, providing guarantees of on-time delivery. |
| Risk of increased demands and increased accuracy of non-financial reporting on climate and social issues | | | Complying with reporting requirements related to Taxonomy and CSRD, among others, and implementing systems to capture data brings increased personnel and operational costs. Lack of transparent reporting may translate into a low valuation of the Company and difficulties in raising capital, and may also negatively affect the perception of the LPP Group's operations by stakeholders. | <ul style="list-style-type: none"> Strengthening ESG structures and assigning ESG targets related to Taxonomy and CSRD reporting. |
| Risk of failure to adapt to the pace of change in technology to address consumer needs or regulatory requirements for pro-environmental measures | | | Technology risk arising from changing technologies to reduce carbon emissions. This will affect the Group's and the Company's suppliers, who may be required to invest more in this area. The risk is also related to the increase in stakeholder expectations in terms of the Group's continued increased ambition for pro-environmental activities. | <ul style="list-style-type: none"> Constant monitoring and cooperation with external advisors in the selection of optimum technologies to allow the LPP Group to develop its pro-environmental activities. |
| Risk of negative image and public pressure due to insufficient, negative or misperceived communications related to pro-environmental activities | | | Inaccurate marketing messages suggesting, for example, consumer responsibility for environmental impacts, for example in the area of return policy (which has a negative impact on the environment through increased CO ₂ emissions) may result in negative PR, consumer churn, reduced sales or, in extreme cases, direct attacks on LPP. | <ul style="list-style-type: none"> Implementing consumer education programmes, such as the "Look after your clothes" programme. Conducting consistent sustainability communication across all LPP brands. Participating in fashion industry sustainability conferences. |



The estimate of the climate change financial impact presented in this section of the report has been prepared with due diligence based on available knowledge and predictions of future events and trends. Our estimates are based on current expectations and assumptions regarding the possible level of impact of individual risks on future financial performance and levels of stakeholder confidence and satisfaction. In relation to the key risks identified, we have defined and have been implementing mitigating measures that will result in reduced level of impact on the company's performance, which will translate into a lower residual risk level in the future. With a

focus on continuous development, we are planning further steps in the future to supplement our methodology with a quantitative analysis of the potential financial impact of risks.

While we focus our considerations in the context of climate change on risks, we understand that they also present business development opportunities for companies. As part of our scenario analysis, we have identified significant opportunities arising from the occurrence of environmental changes, regulatory changes or changes in consumer behaviour patterns. The major ones are as follows:



| Opportunity | Description | Description of impact |
|--|--|---|
| Opportunity in terms of products and services | A chance for increased demand for products with reduced or neutral environmental impact due to a change in the shopping trends. | Increasing customer awareness of significance of the negative climate change issue makes them more eager to reach for more sustainable products and brands that display awareness of the ongoing climate change. |
| Opportunity regarding better access to finance | A chance for increased availability and/or decrease in the costs of obtaining financing for companies with defined climate objectives and a high ESG rating. | Increased access to capital results in increased investment in transformational projects, particularly in the area of technology development related to manufacturing and logistics, improving efficiency and reducing the LPP Group's operating costs. |
| Opportunity to increase resilience | A chance to improve the effectiveness and to optimise logistic activity and lower emission level (direct deliveries from the plant to the distribution centre) thanks to an increase in the share in a given market (development of the retail network). | Thanks to higher demand in a given market, the LPP Group may invest in distribution centres locally and direct transport there directly from suppliers. This results in improved effectiveness of transport and reduced negative impact on the environment. |
| Opportunity for the efficient management of raw materials | A chance to tap into the diversification of places to source raw materials and materials, including in the less threatened regions and the ones representing a development potential. | Diversification of the sourcing of raw materials and materials reduces the risk of dependence on specific suppliers and can have a positive impact on the image of the LPP Group as a brand making a positive contribution to the growth of developing countries. |



Resilience of the strategy

We understand the risks facing our organisation today and are taking steps to minimise the impact of risks on the LPP Group. In addition to the scenario analysis, we conduct a climate risk and opportunity analysis once a year, covering all sectors and markets of the Group's business, and test the resilience of our strategy through the lens of these risks and opportunities, which helps to set short, medium and long-term strategic objectives.

The LPP Group's business model and strategy resilience analysis was conducted based on qualitative criteria. Over the next years, the LPP Group plans to carry out an in-depth quantitative analysis for selected stages of the value chain, for which it will be possible to define the quantitative and financial impact of the risks.

| Time horizon | Materialisation of the <2°C scenario | Materialisation of the 4°C scenario |
|---------------------------|---|--|
| Short term (2025) | | High level of resilience. |
| Medium term (2030) | High level of resilience dependent on taking appropriate adaptation and risk mitigation actions. | Relatively high level of resilience dependent on taking appropriate adaptation and risk mitigation actions. Observed increase in risks related to sourcing, production and logistics. |
| Long term (2050) | Medium level of resilience associated with a significant increase in risks in the areas of raw material sourcing, material production and product adaptation to changes in customer preferences and needs. | Low level of resilience associated with a critical increase in risks in the areas of raw material sourcing, material production and product adaptation to changes in customer preferences and needs. |
| Conclusions | In the short to medium term, the resilience of the LPP Group's strategy is mainly influenced by transformational risks. On the longer horizon, physical risks mainly dominate in the areas of raw material sourcing, production and logistics. | |

With regard to the most difficult areas, we are seeking ways to reduce their impact on the company's further successful development. In this regard, we are taking action directed at finding new,

including circular, raw materials, as well as improving our supplier selection methods, and carrying out activities related to supporting suppliers in adopting and meeting climate commitments.



Our approach to continuous improvement, the LPP Group's integrated and diversified model and its commitment to carbon neutrality are key to the LPP Group's resilience to various possible climate scenarios. In order to make good use of the scenario analysis tool, to strengthen resilience and to minimise risks and seize opportunities, we are focusing our efforts on three areas of action:

In strategic planning, we focus on the activities that have always distinguished our approach: customer focus, an entrepreneurial mindset, and responsiveness, which together allow us to spot opportunities, learn quickly and act decisively despite risks. We also keep a close eye on opportunities arising from a combination of environmental conditions and our unique capabilities, in order to exploit opportunities for further dynamic growth of the company and increased satisfaction of customers and other company stakeholders.



Strategy and ambitions in terms of reducing emissions

In 2022, we joined the Science Based Targets initiative and are currently at the stage of having these targets validated.



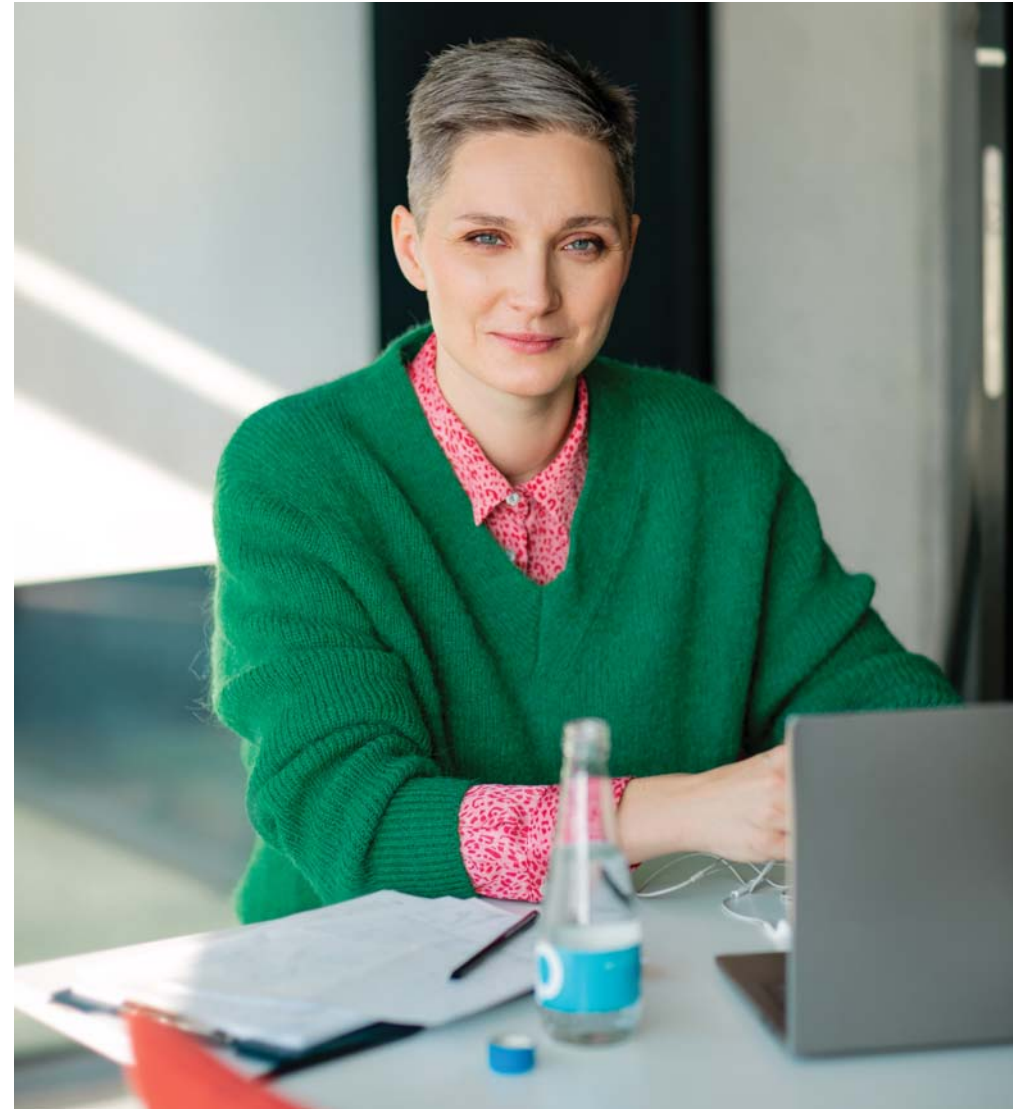
Methodology development

We are constantly expanding our ambitions in terms of developing the methodology to identify, measure and monitor climate targets.



Climate risk management

In 2022, we introduced the Enterprise Risk Management Procedure also encompassing climate risk.





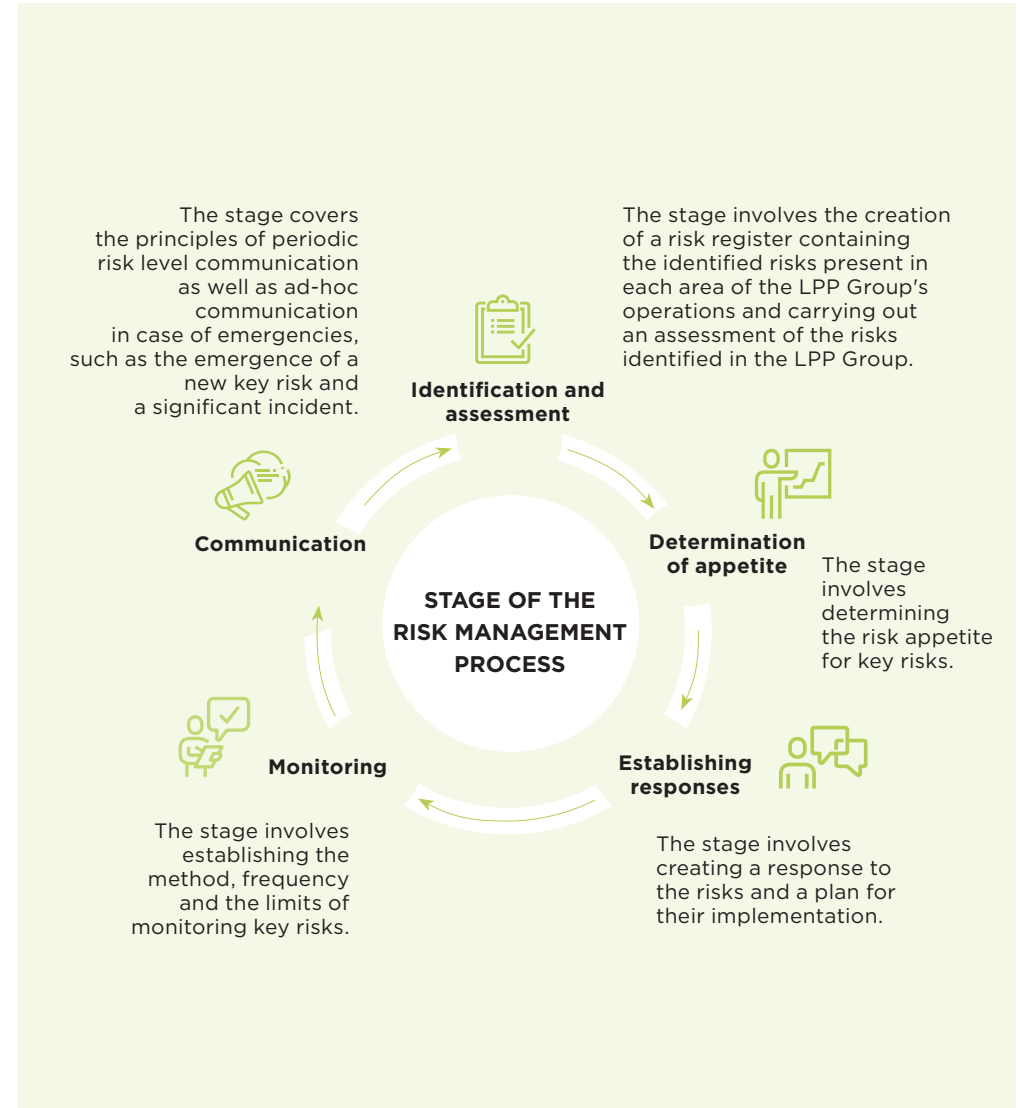
RISK MANAGEMENT

Climate risk management is fully methodologically integrated and subordinated to the steps of the **LPP Group's Enterprise Risk Management (ERM)** process. This means that both risks identified in the area of climate and risks identified as part of the ERM process are analysed in terms of their impact on the implementation of the LPP Group's strategy. Each of these is assessed on the basis of standardised methodological assumptions and is included in the LPP Group Risk Register. This approach allows for continuous monitoring and reporting of changes to risks within the framework of the Enterprise Risk Management Procedure adopted in 2022.

The Risk Management Procedure provides a detailed account of the principles governing the risk management process, which ensures a consistent and effective approach to risk management within the LPP Group. The document outlines the desired risk culture and the stages of the risk management process, its participants, defining their responsibilities and the tools used in the process. In addition, the document introduces the risk vocabulary for the LPP Group to support a uniform understanding of risks and opportunities across the company.

According to the Risk Management Procedure, climate risks are identified, the owner of the risk in question is determined and a risk assessment is made based on established criteria; the level of risk appetite and response to the risk in question is determined. The procedure also involves preparing ways of internal and external risk communication. Climate risks and opportunities are managed at the level of the entire organisation – at all levels and across all business units.

Risks identified as part of the ERM process are assessed in terms of the financial and reputational impact of the materialisation of the risk in question. In addition, a scenario-based approach in line with the TCFD Recommendations is used for climate risks. Such an approach allows the LPP Group to comprehensively analyse climate risks and their impact on the business continuity and resilience of the LPP Group's strategy.





Metrics and targets

METRICS

At LPP Group, we calculate our carbon footprint in accordance with the international **GHG Protocol Corporate Accounting and Reporting standard**. We calculate our emissions in three scopes. We measure emissions related directly to operations as well as the Group's value chain. In 2022/2023, direct GHG emissions (scope 1) amounted to 13,762.35 tCO₂e – just over 0.5% of our total emissions. These consist mainly of emissions related to the use of company cars and fuel consumption for heating and cooling.

Indirect emissions (scope 2), resulting from the purchase of electricity and heat at the headquarters and our own logistics centres in location-based terms 7,827.65 tCO₂e. The vast majority of our emissions are indirect emissions (scope 3) related to the LPP Group's value chain activities, which amounted

to 2,631,555.83 tCO₂e in 2022/2023, representing over 99% of the LPP Group's carbon footprint. The emission levels associated with the direct and indirect activities of the LPP Group are shown below:

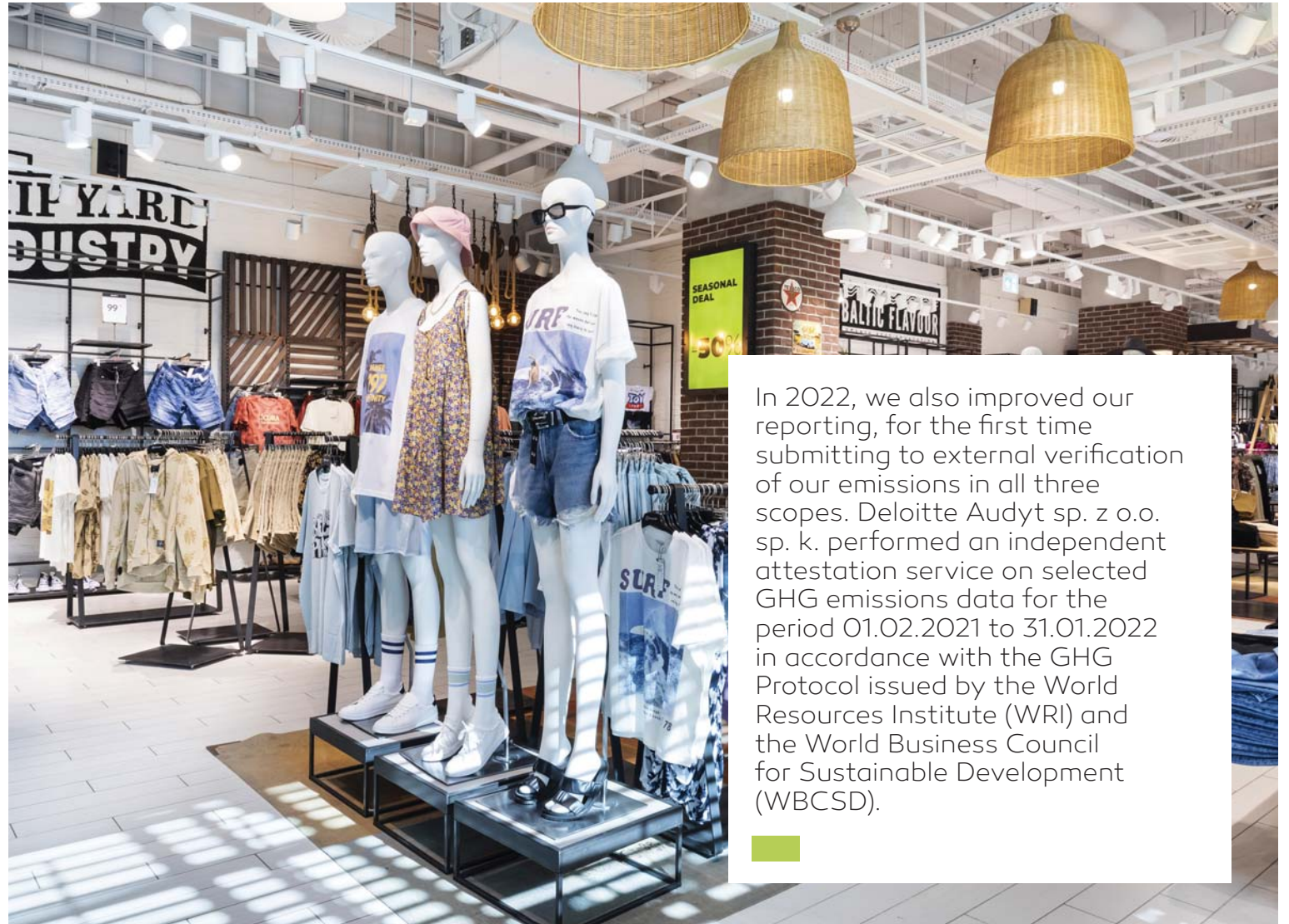
| Emission scopes | 2021/2022 [t CO ₂ e] | 2022/2023 [t CO ₂ e] |
|---|---------------------------------|---------------------------------|
| Scope 1 | 4,420.67 | 13,762.35 |
| Scope 2 | 10,267.11 | 7,827.65 |
| Scope 3 | 2,865,952.62 | 2,631,555.83 |
| <i>Emission categories</i> | | |
| Cat. 1 Raw materials and services purchased | 1,892,769.20 | 1,705,738.53 |
| Cat. 2 Investment goods CAPEX | 197,454.69 | 198,798.33 |
| Cat. 3 Emissions related to consumption of energy and fuels (not included in scope 1 and 2) | 3,555.63 | 5,777.88 |
| Cat. 4 Transport and distribution of products purchased | 157,610.94 | 176,198.81 |
| Cat. 5 Waste generated in the course of activity | 385.10 | 400.13 |
| Cat. 6 Business trips | 2,390.09 | 3,062.98 |
| Cat. 7 Employees commuting to work | 16,319.17 | 16,891.80 |
| Cat. 8 Assets leased – sales outlets | 388,443.36 | 277,908.89 |
| Cat. 9 Transport and distribution of products sold (e-commerce transport) | 26,212.33 | 28,959.62 |
| Cat. 10 Processing of products sold | 0.00 | 0.00 |
| Cat. 11 Use of products sold | 146,559.20 | 171,358.99 |
| Cat. 12 Disposal of products sold | 32,969.36 | 45,179.33 |
| Cat. 13 Assets leased | 0.00 | 0.00 |
| Cat. 14 Franchise | 1,283.55 | 1,280.54 |
| Cat. 15 Investments | 0.00 | 0.00 |
| Total (Scope 1, 2 and 3) | 2,880,640.39 | 2,653,145.82 |



TARGETS

In 2022, the LPP Group defined its comprehensive decarbonisation strategy with medium and long-term targets. We set ambitious but also achievable emission reduction targets in Scopes 1, 2, 3 that match the ambition level of the Paris Agreement. In the same year, we also joined **the Science Based Target Initiative (SBTi)** that constitute the framework for science-based targets representing the first milestone in the LPP Group's emissions reduction strategy.

In November 2022, we submitted to SBTi so-called **Target Submission Form** containing key information about developed goals. These are absolute goals emission reductions in scopes 1 and 2 and two targets in scope 3 covering categories, where our chain emissions values are the highest and manifest the greatest potential for decarbonisation. Beginning the verification of our goals by the SBTi team is scheduled for May 2023. Public announcement accepted targets we plan on the end of the second quarter of 2023.



In 2022, we also improved our reporting, for the first time submitting to external verification of our emissions in all three scopes. Deloitte Audyt sp. z o.o. sp. k. performed an independent attestation service on selected GHG emissions data for the period 01.02.2021 to 31.01.2022 in accordance with the GHG Protocol issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).



4. Social impact



Approach to management

GRI 3-3 for relevant reporting topics: LPP as an employer, Customer satisfaction, Product quality and safety, Human rights in the value chain
 Own measure: Description of the main activities to develop and improve our approach to managing ESG issues

SOCIAL IMPACT MANAGEMENT FRAMEWORK – LPP KEY POLICIES AND REGULATIONS

| | Responsible workplace | Human rights in the LPP Group and its supply chain | Focus on the customer | Social engagement |
|---|--|--|---|--|
| <p>4 QUALITY EDUCATION</p> | <ul style="list-style-type: none"> • “The LPP Group policy aimed at diversity management, equality and building an inclusive culture” • “Human Rights Policy (LPP Group)”. • “Employee Conduct Policy” and „Anti-Mobbing Procedure”. • “Remote Employee Policy”, • “General Recruitment Policy”, • “Payroll Policy and Procedure” and “Employee Support Fund Policy and Procedure” • “ Rules of cooperation with business partners” • “The LPP Principles” (ethical code) • “The LPP Rules For Employees of Retail Stores” (ethical code) | <ul style="list-style-type: none"> • “Human Rights Policy (LPP Group)”. • “LPP Code of Conduct” • “The LPP Rules For Employees of Retail Stores” (ethical code) • “Anti-mobbing Procedure” • Periodical reviews of “Human Rights Policy (LPP Group)”. • Regular human rights due diligence analysis aimed at risk map update | <ul style="list-style-type: none"> • “LPP Quality Guidebook” • “Quality Assurance System” in factories in Bangladesh • Quality controls in factories and distribution centres • Analyses of clothes returns conducted by the quality control department | <ul style="list-style-type: none"> • The LPP Foundation and its regular projects and ad hoc actions • Local social engagement of foreign companies |
| <p>8 DECENT WORK AND ECONOMIC GROWTH</p> | | | | |
| <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> | | | | |
| <p>17 PARTNERSHIPS FOR THE GOALS</p> | | | | |





Employment and employee development

GRI 405-2

In 2022/2023, we employed 29,930 people in the LPP Group in Poland and abroad, nearly 22% more¹⁰ than the year before. We employ more people in the headquarters¹¹, stores, and warehouse facilities – outstanding experts and talented specialists in their fields, as well as people who are just at the start of their career path. At LPP, with a view to retaining talent in the organisation, we have prepared a comprehensive offer based not only on a competitive salary, but also on a benefits package, a clear career development path, and access to an extensive training library. We consider the atmosphere at work every day, values, respect and support as important elements in creating an attractive workplace. The stories of our employees prove that LPP offers numerous devel-



opment opportunities. Many people who began their adventure in the fashion industry by working as a store assistant are now, for example, managing teams of several people, placing orders worth millions of dollars or having a fulfilling career in the area of visual merchandising¹².

Thanks to the experience gained in the stores, knowledge of procedures and standards, employees can also develop in regional positions or at our headquarters.

¹⁰ The number does not include people who work for the LPP Group but are employed by the employee agencies.

¹¹ Increase compared to the employment in the previous year – adjusted for the number of people employed in Russia.

¹² Visual merchandising – selling visually, through the design of store space and merchandise display.



We are well aware of the power of first impressions. Therefore, in 2022 we have **amended the recruitment strategy of LPP SA** so that the experience of candidates in LPP recruitment processes constituted our competitive advantage. We prepared tailored communication templates and reinforced the role of partnership-like, frank conversations and shortening the distance in recruitment interviews. Among other things, we organised workshops and industry training sessions, where we explained

the specificity of working in our organisation. We also developed the Employee Referral project, drawing on the experience of building a strong employer brand image through our existing employees – who are the best brand ambassadors. For those who decided to relocate after accepting a job offer from LPP SA, we offered, among other things, **financial relocation packages** and information materials to help them settle in the new city.

- In 2022, we ran an online campaign called **“Find Your Way”** in which we showed short films featuring the stories of our employees – a junior Reserved designer and a senior House designer. We convinced potential candidates that education in a different field is not a barrier to entering the fashion industry, and that passion, commitment and openness to change allow you to fulfill your professional dreams.
- We also encouraged people to apply for a job at LPP during the second edition of the **Fashion Starter Summer Academy of Fashion Design** organised in collaboration with the Academy of Fine Arts in Gdansk. The 18 people who took part in the classes learned about all stages of clothing design and – hopefully – deepened their fascination with the world of fashion.





INDUSTRY EVENTS WE PARTNERED TO PROMOTE LPP AS AN INTERESTING WORKPLACE

- The first edition of the **POWERON**: conference on the competences of the future in the creative industry, where we gave two lectures and we ran a creative workshop zone.



- **Illustrator Festival** as part of the 17. Baltic Meetings of Illustrators is the first conference in Poland dedicated entirely to this topic in which the speakers were also graphics from the Reserved team.
- **Łódź Young Fashion** – at shows organized by the Academy Fine Arts in Łódź and the city of Łódź we sat down once again as partners and gave awards selected designers.
- **Łódź Design Festival** – under the supervision of head designer and senior designer from the Reserved team we organized workshops dedicated to accessories and funded a special prize.



- **Responsible Fashion Awards** competition – as a partner of the third edition of the competition implemented by the International School of Costume and Design we co-financed the main award and funded fabrics for stitching of qualified silhouettes to the final. We organized their session photo and we presented them shop windows in Reserved stores. The jury of the competition consisted of two representatives of the brand design office.
- **Gdynia Design Days** – a week of events combining the areas of fashion, architecture, ecology, and technology.

We sponsored this initiative and organized workshops dedicated to alterations and personalization of vintage clothes and the sustainability expert in LPP carried out lecture on designing for circularity “Re-creation: vintage clothes alteration workshops”.

OUR INTERNAL EVENTS SUPPORTING RECRUITMENT

- **GOOGLE ACADEMY x LPP and META ACADEMY & LPP** – as a result of which 15 people were invited for an internship at LPP.

- 3 in-house open days “LPP od Podszewki” [“The ins and outs of LPP”] at our offices in Gdansk and Cracow.
- A series of 5 meetings in the Plenum space realized in cooperation with Ulica elektryków, where we ran workshops related to fashion, sewing, design and DIY.
- 7 episodes of the podcast series “LPP od Podszewki” in which we bring closer workplaces in LPP and we show that career paths can be different.



- Events where school pupils and university students have the opportunity to visit our headquarters and learn about development opportunities at LPP. This year, the beneficiaries of this initiative included Koszalin University of Technology, the Academy of Fine Arts in Łódź, MSKPU, Łódź University of Technology, the District School Complex No 2 in Rumia and the Technical School in Rydułtowy.



[GRI 404-2]

HR AT LPP STORES IN 2022/2023¹³:

- “Identifying Potential” – a series of workshops for store managers and managers nationwide: 506 people at 40 meetings on how to manage and develop employees.
- Workshops on management competences for over 2,000 LPP store employees. In total, 17,869 training hours were held, the total NPS was as much as 84%.
- Continuation of development programmes, including StartUp 2.0 (which provides an effective, hybrid induction into the work at the store) or StartUp Management 2.0 (designed for candidates for higher functional or management positions).
- A new incentive scheme for retail network employees. The solutions implemented focus on team goal achievement – achieving sales targets and particular brand priorities. Financial rewards in the new scheme can be obtained from day one of employment.
- The possibility of receiving a team management reward for store managers. The reward is directly linked to the periodic performance review. Areas assessed include the correct

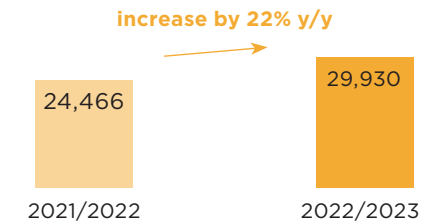


Detailed information on the employment structure can be found [HERE](#).

use of tools and the man-hour budget, the level of knowledge of recruitment standards, onboarding, team and personal development, and staff turnover levels.

The scale of change in our teams is best illustrated by the figures. At the beginning of 2022, there were 31 LPP Logistics employees at our Distribution Centre in Brześć Kujawski. In December 2022 – already around 300¹⁴. Further 170 people were employed in 2022 at our new Fulfillment Centre Podkarpacie facility in Jasionka near Rzeszów.

NUMBER OF PEOPLE EMPLOYED IN LPP GROUP¹⁵



¹³ The financial year runs from February 1 of a given year to January 31 of the following year.

¹⁴ Figures excluding temporary employees.

¹⁵ Because of the outbreak of the war in Ukraine and the withdrawal of LPP from Russia, we present here data that does not include employees in Russia, from which we withdrew in 2022.



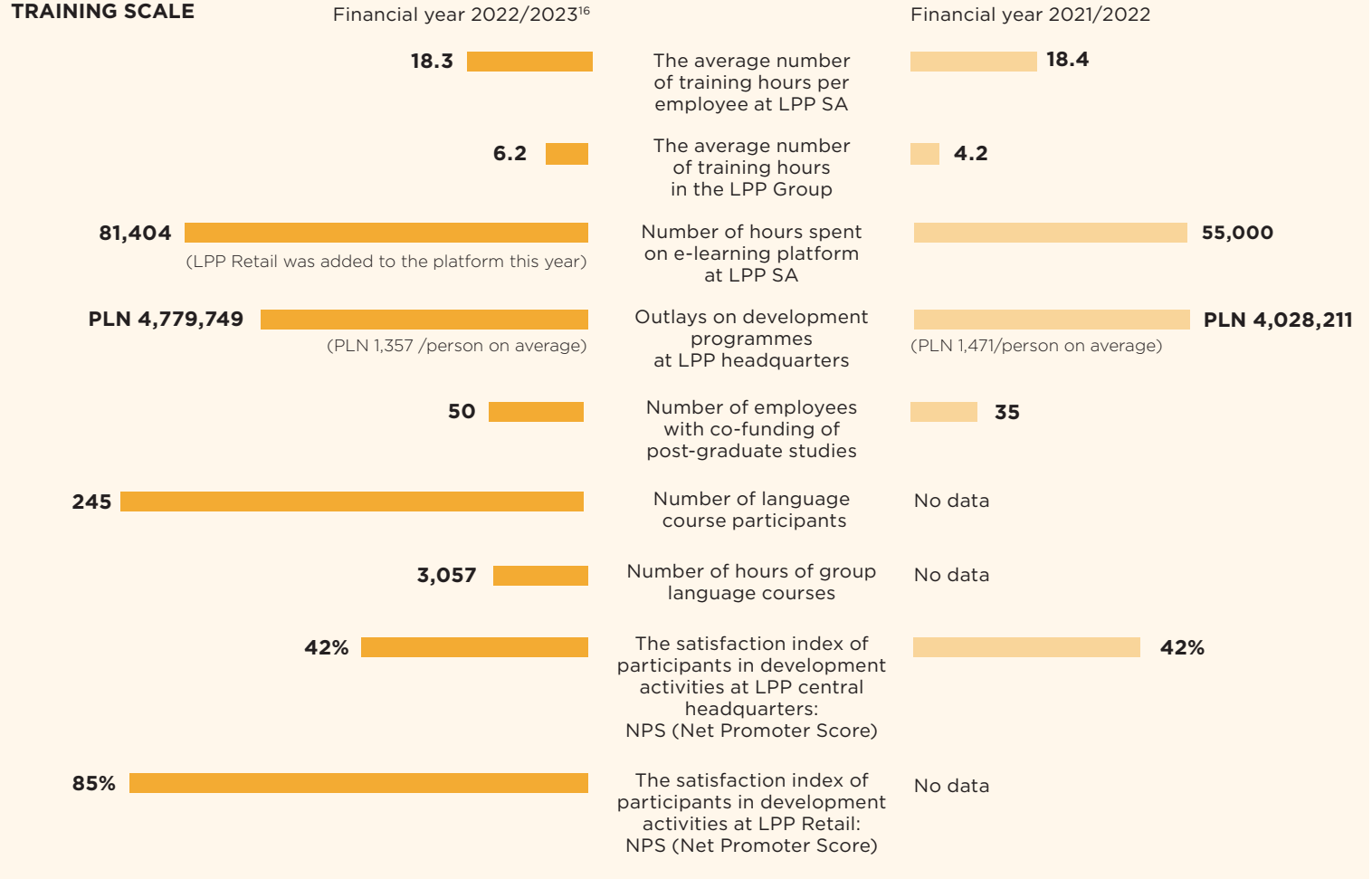
In 2022, we expanded our training offer, especially programmes aimed at managers. We have strengthened our training team and, where necessary, supported training by collaborating with external experts. While developing employees, we also offer clear career paths within LPP and support the practice of internal recruitment for all levels of positions.



We treat the development of our employees' competences as a condition for the development of the entire LPP Group.

[GRI-404-1]

TRAINING SCALE



¹⁶ Financial year runs from 1 February of a given year to 31 January of the following year.



[GRI 404-2]

EXAMPLES OF TRAINING AND DEVELOPMENT PROGRAMMES CONDUCTED:

- **49** 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, 461 people took part in them.
- Over **70** “Action Learning” sessions for teams, developing leadership skills.
- **84** 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. **268** new leaders and team managers attended. Additional coaching programmes were carried out for 31 leaders.
- Webinars attended live by over **500** people and watched at a later date by a further **1,000** employees.
- **128** days and **664** participants trained in Excel and analytical tools improving the speed of working with data, enabling visualisation and facilitating efficient conclusions.
- **142** young buyers trained as part of improving buyer competence in negotiation.



- **110** people trained in professional public speaking.
- Workshops focused on the emotions of leaders and employees, taking into account generational differences – **130** managers attended.
- Support for position onboarding during direct in-store training for **1,833** store assistants and **402** managers.

[GRI 401-2]

Every person employed at LPP can count on attractive non-wage benefits. We support sports passions, develop interests and help take care of health.

- gifts on the occasion of childbirth
- co-financing of Multisport card
- co-financing of health and life insurance
- discount codes for LPP products

Example benefits at LPP



- training budget
- possibility to use the company bicycles
- co-financing of sports groups
- co-financing of corrective glasses or contact lenses



heLPP - 3 support areas

In 2022, we supplemented our benefits package with a **comprehensive wellbeing programme - "heLPP"** - for employees and their loved ones. This is our response to the new challenges and needs of employees. We know the importance of mental health and work-life balance in these dynamic and uncertain times.

- "heLPP" ensures **quick, free and anonymous access to expert support** - psychologists, financial advisors and lawyers - who use their experience to help people cope with everyday difficulties.
- Through a chat room, dedicated website and by telephone, those interested in the assistance may report their need for **consultation with a psychologist** to better cope with the accompanying feelings of fear and anxiety, which are particularly exacerbated in uncertain times or crisis situations.
- As part of the programme, our employees and their relatives also have the **opportunity to contact financial and legal experts** and discuss matters such as tax and family law or household budget planning.

The following online meetings, among others, were also held as part of the programme: "Life balance? I only know it from Instagram" and "You don't need superpowers to get along, or how to build relationships at work". These webinars dealt with stress management tech-

niques and rebalancing tools. The topics also included methods for building relationships in the workplace by developing the skills of active listening, expressing thoughts clearly and distinguishing facts from subjective judgements.

By the end of January 2023, over 200 people and their relatives have already benefited from the expert assistance. During this time, more than 600 people signed up to participate in heLLP webinars.





Diversity, equality and inclusion

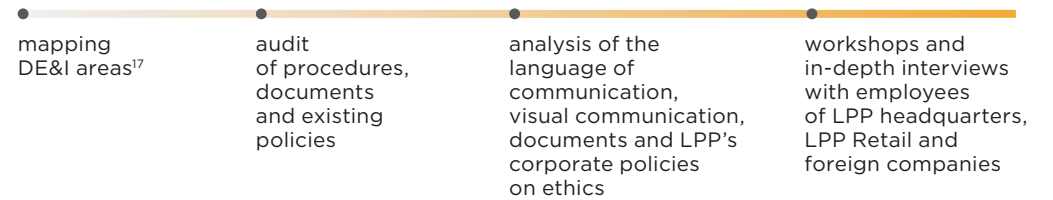
GRI 406-1

The diversity of people co-creating LPP is the wealth of the organization and a fundamental value in the company's culture. LPP is a multinational community, speaking different languages, professing different religions and the one that does not profess any, which has different levels of fitness, skin color, gender, is of different ages, has different psychosexual orientation and gender identity, fulfills

different life roles, has different styles communication. This community is made up of people from different time zones, with different values, cultures, sensitivities, physical and mental health.

With this awareness, we want to create a workplace open to diversity on a daily basis, where every person feels welcome and respected. Therefore, we do not ac-

The adoption of "Policy aimed at diversity management, equality and building an inclusive culture" was preceded by a months-long process, including:



cept any form of discrimination based on, for example, gender, ethnic or national origin, religion, non-denominationalism, disability, age, psychosexual orientation, gender identity and other visible or invisible features.

equality and building an inclusive culture". It is not only an expression of appreciation for the fact that we are a diverse team, but also a commitment to building a friendly workplace that supports equal treatment and prevents discrimination.

Since 2019, we have been signatories of the Diversity Charter. In addition, in May 2022, after a several-month workshop and consultation process, we adopted the first „Policy aimed at diversity management,

At the same time, we created a separate position of Diversity and External Relations Expert to implement and develop good practices in the area of diversity.

¹⁷ DE&I – diversity, equality and inclusion.





However we are developing knowledge and diversity competences in the entire LPP team. We discussed the provisions internally, taking into account the voices of people representing diverse LPP structures, and we invited external experts to contribute to the works.

In cooperation with Divercity+, we launched the **Diversity&Inclusion Academy** – a series of 5 interactive, open webinars addressed to all employees of the company’s headquarters and foreign companies, including the management

team and top management. During the academy, we learned, among others, about unconscious bias, inclusive language and micromessages. Each of the 5 meetings was attended by approximately 400 people on average.

In addition, at the LPP headquarters, we continued the **LPP Cares project**, which included e.g. a series of webinars on topics important to our employees. The webinar on counteracting depression was conducted by a representative of the Faces of Depression Foundation.

The D&I Academy was designed jointly by LPP and Divercity+ as a series of content-consistent, interactive webinars on various aspects of building an inclusive culture in the workplace. The aim of the Academy was to awaken sensitivity to diversity, raise awareness of the importance of micro-messages and micro-aggressions, the role of inclusive communication in building an inclusive culture, as well as to equip the attendees with specific knowledge and skills on how to work with disputes and conflicts that may be rooted in diversity. Importantly, the Academy was open in nature, and the activities were carried out in Polish and English, so that people from all LPP structures could participate in meetings organised with the specific nature of their role in the organisation in mind. This way, an important step was taken towards consistency across the organisation when it comes to perceptions and approaches to diversity, and responsibility for building a culture of inclusion.

Dominika Sadowska,
Divercity+ Expert



SELECTED ISSUES OF DE&I POLICY

The policy aimed at diversity management, equality and building an inclusive culture

| Diversity of persons forming LPP | DE&I in the management of LPP | Building an inclusive organisational culture | Building commitment and sense of empowerment |
|---|--|--|--|
| <ul style="list-style-type: none"> we want to enhance, strengthen and value the diversity of our staff and our customers | <ul style="list-style-type: none"> we will develop a structure responsible for coordinating all DE&I issues we will integrate the DE&I perspective into existing and future processes, actions, and criteria | <ul style="list-style-type: none"> we will systematically improve knowledge, develop sensitivity and share experiences in the field of DE&I issues we will strengthen the competencies of individuals and the management team as regards managing diversity, equality, and building an inclusive culture | <ul style="list-style-type: none"> the board and the management team engage in and support the DE&I-related actions space for all the people forming LPP to express their opinions and co-decide on the organisational character of LPP inclusive communication taking into account the different dimensions of diversity initiating and strengthening employee networks |

On the other hand, we talked about cancer prevention for women and men with an expert from the Racket Oncology Foundation. We also invited the Leżę i Pracuję Foundation to cooperate whose experts conducted a webinar on disability.



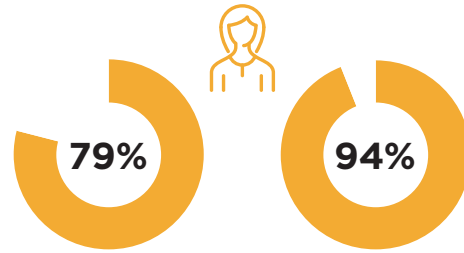
The text of the adopted Policy indicates LPP’s key developments in the area of diversity management and covers all Polish and foreign subsidiaries. The Policy is a public document and may be found on our website www.lpp.com.



The Diversity and External Relations Expert is responsible for the implementation and development of good practices in the area of diversity. We created this position in 2022. However, we develop knowledge and competences regarding diversity in the entire LPP team.

At LPP, there is an absolute **ban on discrimination and harassment**. All such incidents may – also anonymously – be reported in a safe manner and no negative professional consequences or retaliation of any kind is implemented against whistleblowers. In 2022/2023 – as in the previous period – we did not record any confirmed cases of discrimination.

We also counteract discrimination by being open to working with people with disabilities, who effectively support the Group's recruitment processes thanks to, among other things, remote working. In 2022/2023, we employed 381 people with disabilities, 56 more than in 2021/2022.



of employees at LPP headquarters are **women** (2021/2022 - 75%)

of employees in LPP brand stores are **women** (2021/2022 - 94%)

GRI 405-2

It is our intention to ensure that any pay gap be based purely on merit - competence, experience, and performance. We do not accept pay differences based on any diversity characteristics, including gender. The overall wage gap indicator, or Gender Pay Gap, in the LPP Group in 2022/2023 was -2%¹⁸ (in 2021/2022 it was -4%). As regards management positions, the Gender Pay Gap was at +4%¹⁹, which means that, on average, this is the percentage of how much more women earn in LPP SA (for comparison, in 2021/2022 the indicator was +3%). In other positions, the difference was -1% (2021/2022 - 4%).

¹⁸ The % of how much less women earn.

¹⁹ The % of how much more women earn.

LPP for diversity

We value diversity

- Our brands' advertising and marketing communications involve people of different ages, skin colour and sizes.
- Reserved brand, continuing with the podcasts **"From Generation to Generation"** and **"Sharing is Caring"** in 2022, has been engaging in the dialogue on values and diversity with its stakeholders in a particular way. The podcasts address topics such as feminism, childlessness by choice, age and mental health and well-being, emotions and relationships or professional burnout, bereavement and the needs of people with disabilities.
- Reserved partnered Joanna Okuniewska in her **"Migane Idiotki"** [**"Idiots in sign language"**] project - the first sign language podcast in Poland. "Me and my idiot friends" for the deaf is the largest project of this kind in Poland to date.

We share our experience

- 05.2022 - we co-created the **D&I panel** during the CSR Fair organised by the Responsible Business Forum.
- 09.2022 - an LPP representative was a speaker during the **Leadership Conference** organised by the Gdansk Foundation for Management Education, where she talked about inclusive leadership.
- 10.2022 - during the **Responsible Business Week** organised by CSRinfo, LPP experts shared the secrets of implementing policies on respecting human rights and diversity.
- 5 employees from Silky Coders developed digital skills and competence in the field of new technologies as part of the second edition **emPower** Women organized by Microsoft and Avanade.

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Safe workplace

GRI 3-3 for the relevant reporting topic: LPP as an employer, GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-6



Working with LPP Group is safe. When it comes to occupational health and safety issues, we do not accept compromises and we do not resort to makeshift solutions. Regardless of the position held and the type of work performed, we strive to ensure that every LPP employee fulfils their professional duties in full health.

At LPP, we have not implemented a formal occupational health and safety management system, but as a company we comply with all legal requirements in the area of occupational safety. Our activities are regulated by, among others, employee conduct policy, internal OHS procedures, orders, allocation of protective garments, footwear and personal protective equipment charts, occupational risk assessment, and OHS instructions. Occupational health and safety in all companies is supervised by a nine-member OHS team and two nationwide external companies. Employees

take part in initial OHS, position-specific and periodic trainings. In 2023, we have made available **a training platform for employees of all companies**, which will allow us to streamline the process of periodic training for specific job groups.

Employees have the opportunity to participate in trainings on first aid and fire protection. We periodically audit stores, offices and logistics centres to check whether they provide adequate and safe working conditions. Our warehouses are also adapted to the legal requirements. Following the launch of new facilities in Brześć Kujawski, Będzieszyn and Jasionka, we have started the process of implementing common solutions for the entire LPP Logistics area in terms of, among other things, **occupational risk assessment and health, as well as OHS audits and procedures**.



LPP employees have the possibility to use the **ServiceDesk reporting service**, which enables constant and direct contact with representatives of the OHS Team. All queries submitted via the service by employees are recorded, monitored, and resolved. Any employee may report an accident at work or on the way to/from work, as well as an observed irregularity on the premises of LPP buildings, using the appropriate form. From October 2022 onwards, we present information on occupational health and safety, fire safety or first aid on a quarterly basis. We also organise regular meetings of the OHS Commission where, among other things, working conditions are discussed. The commission is composed of employee representatives, the employer, the OHS physician and OSH service employees. An OHS Officer is permanently available at the LPP Logistics warehouses. The OHS service employees provide support and advice and, at the same time, carry out control activities with regard to occupational health and safety regulations, procedures, and instructions.

Identification of risks is carried out by way of analysing the working environment, consultation with a specialist in occupational medicine, photographs of the working day for specific groups of positions. We also use checklists, which indicate the basic risk factors, divided

into harmful, hazardous and onerous ones. These also include 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.

At LPP Logistics, the mapping of health and safety risks is carried out **through the constant identification of risks** during the OHS analyses carried out. Activities are carried out in multiple stages, starting with the analysis of the working environment (laboratory tests) and cooperation with an occupational physician, and ending with the analysis of individual processes operating in the particular types of warehouses. Documentation on machinery, equipment, production processes and safety data sheets for chemical preparations are analysed. The overall analysis makes it possible to identify risk factors, which are subject to verification in the occupational risk assessment. In the situation of an unacceptable level, the risk index is adjusted to an acceptable level by applying appropriate corrective measures.

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. Additionally, employees of all companies may purchase medical packages at LUX-MED or Enel-Med Group facilities on preferential terms.

We ensure equal and legally compliant working conditions for both temporary agency workers and LPP employees. All employees whose job description requires the use of personal protective

equipment or workwear shall be provided with them to an accepted uniform standard. All groups of employees also undergo initial OHS training in the form of general and position-specific instruction, as well as periodic OHS training. The post-accident proceedings, as well as the investigation of the circumstances and causes of accidents, is conducted by the post-accident team.





Human rights in the value chain

GRI 3-3 managing the relevant reporting topic: Human rights in the value chain, GRI 403-7, 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

In 2022, we adopted a new **“Human Rights Policy (LPP Group)”**. The document sets out principles to ensure that human rights are respected throughout the LPP Group value chain, counteracting the adverse impact of our activities, as well as minimizing the related risks. The policy also expresses our commitment to promoting human rights among our stakeholders. Our company was supported in the process by experts from the Polish Institute for Human Rights and Business.



Our commitments

- We are committed to respecting internationally recognised human rights.
- We are committed to respecting the human rights of people employed with LPP, people cooperating with LPP and all other people working for LPP directly or indirectly.
- We respect and promote human rights in our relationships with suppliers, sub-contractors and other business partners. We expect our business partners to respect the human rights of those they employ and other rights holders within their value chains.

Review of LPP processes, procedures and documents

7 working meetings

workshop for LPP Management Board

series of workshops and trainings for managers in Poland and abroad

workshops on human rights due diligence in practice

surveys addressed to people providing work or services to LPP SA and subsidiaries in Poland, offices in Shanghai and Dhaka, and the Distribution Centre in Pruszcz Gdański

prioritisation of risks

adoption of the Policy

inclusion of ESG clauses in contracts with temporary work agencies in the area of logistics

employee education



- We respect and promote human rights in our relationship with our customers.
- We are committed to respecting the rights of local communities and will take steps to better understand our impact on them. We are open to dialogue and joint search for solutions.

During the works on the Policy, we identified key risk areas in our value chain, that may be affected by human rights violations. Their mitigation is our priority. They comprise:

- forced labour,
- safe and healthy working conditions (including the right to rest),
- health (right to health),
- equal treatment and non-discrimination,
- the right to family life (work-life balance),
- child labour,
- social insurance,
- living wage.

We believe that we can counter those risks effectively through joint, systemic action. Therefore, we are establishing partnerships with international organisations, government institutions, industry and sector associations, and other companies.

We took the decision to work with LPP seeing that after the Rana Plaza tragedy the company implemented concrete corrective actions and joined industry initiatives in Bangladesh to prevent such accidents in the future. It also declared its readiness to take further steps to work out and implement human rights due diligence in its value chain. The Institute's team supported LPP both in building awareness of human rights risks in the company's value chain and in developing the Human Rights Policy.

The shape that LPP has given to the Human Rights Policy reflects the company's current level of maturity in this area and is an important step on the way to further development. Implementing the commitments contained in the document, carrying out Human Rights Impact Assessments or ensuring that cooperating entities comply with the signed clauses, will be a test for the company of its true readiness for change. However, the great commitment of those involved in the process so far bodes well for the future.

Beata Faracik,
CEO and co-founder of the Polish Institute for Human Rights and Business (PIHRB)





International Accord for Health and Safety in the Textile and Garment Industry is one of our key partnerships in the context of human rights, proving that collective action by many garment companies offers the possibility of real change. The International Accord acts on behalf of the fashion industry to improve working conditions in Bangladesh and, as of January 2023, also in Pakistan. LPP joined the initiative in 2013 as the first and only company from Poland to date. The International Accord seeks to continue and expand the joint efforts of the signatories together with the trade unions to ensure safety in garment factories.



Cotton made in Africa is an internationally recognised standard for sustainably grown cotton from Africa. Some of the key objectives of Cotton made in Africa are to improve working conditions and safety in the cotton production process in Africa, social protection for families, and equal treatment for working women and men. The organisation also protects children from taking up labour and works with associated cotton producers in this regard.



Zero Discharge of Hazardous Chemicals - the mission of the organisation is to create the garment industry supply chain free of hazardous chemicals. ZDHC controls, among other things, which chemicals are used in the production process. One of the important social outcomes of implementing ZDHC principles is the protection of health of workers in fabric factories and sewing plants, counteracting the negative effects of chemicals on people in the workplace.



In 2022, LPP joined **amfori BSCI** - an organisation that is one of the leading global initiators of actions for sustainable production and trade, also in the apparel industry. The organisation aims to improve the entire supply chain, from raw material producers to retailers. amfori BSCI offers its members access to training, educational materials and tools to verify and monitor their level of compliance with accepted standards. amfori BSCI's activities contribute to improving working conditions and protecting the environment, as well as increasing transparency and business responsibility in supply chains.



At LPP, we want 100% of the factories we work with to be included in the safety assessment system that amfori BSCI provides. Currently, about 90% of factories from Pakistan and about 80% of factories from Bangladesh have been audited under the amfori BSCI standard. Amfori BSCI also monitors suppliers from India, Turkey, Cambodia, Myanmar, and China.



Cooperation within the framework of international organisations helps us take care of human rights in the supply chain, but we also act independently in this area. Over the year, we cooperate with over 1,200 suppliers of clothes and accessories for our five fashion brands. All factories and suppliers who wish to cooperate with LPP are obliged to accept and implement the “LPP Code of Conduct”. The document precisely defines our requirements regarding social working conditions and human rights. Compliance with the code is regularly audited by our team of auditors, or independent companies audit offices (e.g. Quima) and in cooperation with international organizations (including International Accord and amfori BSCI) – in 2022/2023 we conducted 719 audits in the area of human rights.

We require standards to be met, but we also help in the implementation. At our request in 2022, audit company SGS conducted an **Awareness Day training**

for all compliance area managers of Bangladeshi factories cooperating with LPP, during which, among other things, the provisions of the LPP Code of Conduct were explained.

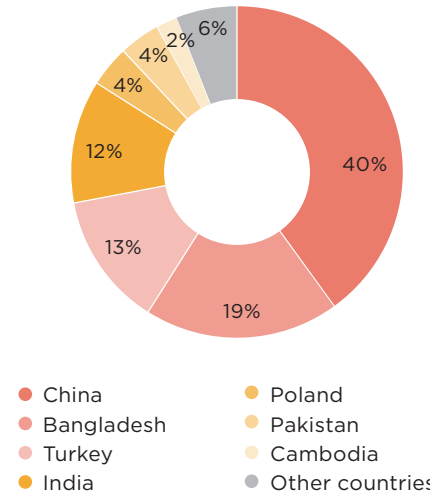
The main principles of the Code of Conduct for suppliers are as follows:

- 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.

We update the Code of Conduct on a regular basis. During the last update, we introduced e.g. the need to better protect workers, including women and migrants, and to increase transparency.

SHARE IN THE OVERALL PROCUREMENT VALUE BY COUNTRY

Own measure: Foreign suppliers' percentage share in the overall procurement value by country



NON-PRODUCTION CHAIN

We also take care of human rights issues in the organisation of the supply of goods and non-production services. We have implemented the “General Terms and Conditions of Order Fulfillment”, which constitute, among other things, the supplier’s obligation to familiarise themselves and comply with LPP’s ethical principles following from the “Rules of Cooperation with Business Partners”, the “LPP Code of Conduct” and

the “Human Rights Policy (LPP Group)”. We treat a breach of these obligations as a breach of contract. At the same time, we have introduced a clause into the templates of contracts for outsourcing and temporary work in the area of logistics management, obliging the contractor to familiarise themselves and comply with the document “Human Rights Policy (LPP Group)”, under pain of termination of the contract. All current outsourcing and temporary work contracts have been extended to include this commitment.

GRI 414-1

In 2022, we conducted a survey among strategic, key and elevated risk group of suppliers on the ESG activities implemented. The survey included questions on, among other things, the ethical principles in place, anti-corruption policies and whistleblowing mechanisms, and environmental issues, including approaches to energy management, waste management, and carbon footprint measurement. The survey was completed by 70% of suppliers, of which 6% were new suppliers. The findings will allow monitoring of ESG risks in the value chain. It is planned to repeat the survey in 2023.

+ More about the human and labour rights due diligence principles we apply may be found [HERE](#).



Focus on the customer and product quality

GRI 3-3 for the relevant reporting topics: Customer satisfaction, Product quality

We apply an ecosystem of solutions, controls, procedures and audits to ensure that the clothing that reaches the store shelves of LPP brands is safe and compliant with our standards. At the same time, caring for the convenience and satisfaction of our customers, we are developing various sales channels. We invest in solutions aimed at providing each customer with the most efficient and friendly service possible. We conduct customer satisfaction surveys. In the financial year 2022-2023, this was the so-called CSAT – Customer Satisfaction Survey in the Contact Centre. The average CSAT satisfaction survey score was 4.3% higher this year than in the previous year. During this period we introduced, among other things, a novelty in the form of a chat rating system following the customer's conversation with a consultant in Poland.

Our offer depends very much on the way it is produced by our suppliers. Com-



panies that cooperate with LPP have to follow the detailed guidelines set out in the “**LPP Quality Guidebook**”. The document lays down quality standards, describes the inspection procedures and specifies what tests and test methods are required by us. We update “LPP Quality Guidebook” on a regular basis and all changes are communicated to suppliers immediately. In 2022 we created a list of parameters for functional fabrics.

We have also introduced the principle of each time our suppliers approve the RSL list - chemical substances subject to production restrictions and prohibited substances. RSL (Restricted Substances Lists) is a list of substances consistent with the provisions of EU law, which limit or prohibit the presence of certain chemical substances in finished textiles, clothing and footwear. All our suppliers are obliged to comply with the requirements regarding the content of individ-



- **9,309** quality checks (13,307 in 2021/2022)
- **88** QAS checks (98 in 2021/2022)
- **5** inspections of Turkish factories
- **18** audits in China and Bangladesh for mold and moisture
- **3** quality control offices

Quality and safety in financial year 2022/2023



- We increased the number of quality inspectors in the distribution centres in Pruszcz Gdański and Brześć Kujawski by **80%**
- suppliers' approval of a **list of banned substances** with each order
- **moisture measurements** in the factories with the use of the Aqua Boy device

ual chemical substances in the finished product. At the same time, we operate in accordance with REACH - a regulation regulating the use of chemicals in the clothing industry.

We have set quality expectations according to the **AQL (Acceptance Quality Limit) standard**. Before we place an order, we require suppliers to send us samples and models. We assess the quality of materials and workmanship, and our inspection department checks the quality standards of products before they are released for sale. In addition, our Distribution Centre in Pruszcz Gdański is equipped to carry out a wide range of physical tests. At the same time, we always adjust our offer to the regulations of the particular country in which our stores are located - if a given material is

not, for whatever reason, permitted in a given area, it is also not available in LPP stores.

We require suppliers to comply with LPP standards and regularly verify their adherence to our recommendations.

- We have three offices with quality control teams - in Poland, China and Bangladesh, and the system is centralised and controlled by the office in Pruszcz Gdański.
- We carry out Quality Assurance System audits, which comprehensively verify the quality of production.
- In addition to the factories in China and Bangladesh, the audits are also carried out, among others, in our cooperating factories in Pakistan, where compliance with LPP standards is checked by local inspectors.
- In the 2022/2023 financial year, we also carried out audits at 5 factories in Turkey, where we commissioned corrective action plans.
- Standards developed by LPP we supplement with best practices industry. We cooperate e.g. with an international working initiative for chemical safety in the Zero Discharge clothing industry of Hazardous Chemicals (ZDHC).

100% of our children's clothes are controlled by special metal detectors - this way we eliminate the risk of leaving splinters from sewing needles. In Bangladesh and India, our main suppliers of children's zippered sweatshirts subject them to additional tests on endurance. They are also being tested buttons, press studs and protruding applications and decorations used in our collections.





PRODUCT QUALITY CONTROL

Ongoing Improvement

- ✓ Employee training
- ✓ R&D (Research & Development)
- ✓ Quality projects

Generating knowledge

- ✓ Quality performance analysis
- ✓ Root Cause Analysis (RCA)
- ✓ Supplier mapping



- ✓ Quality Guidebook
- ✓ Physical Testing Requirements
- ✓ AQL methodology
- ✓ Child safety of childrens' clothing

Prevention

- ✓ Training in the supply chain
- ✓ Risk Assessment
- ✓ Visits by Quality Controllers in factories

Control

- ✓ Quality Assurance System Audits (QAS)
- ✓ Inline Inspections
- ✓ Final Inspections
- ✓ Checking the physical parameters
- ✓ Measurement verification
- ✓ Monitoring the returns
- ✓ Examining the complaints



GRI 416-2

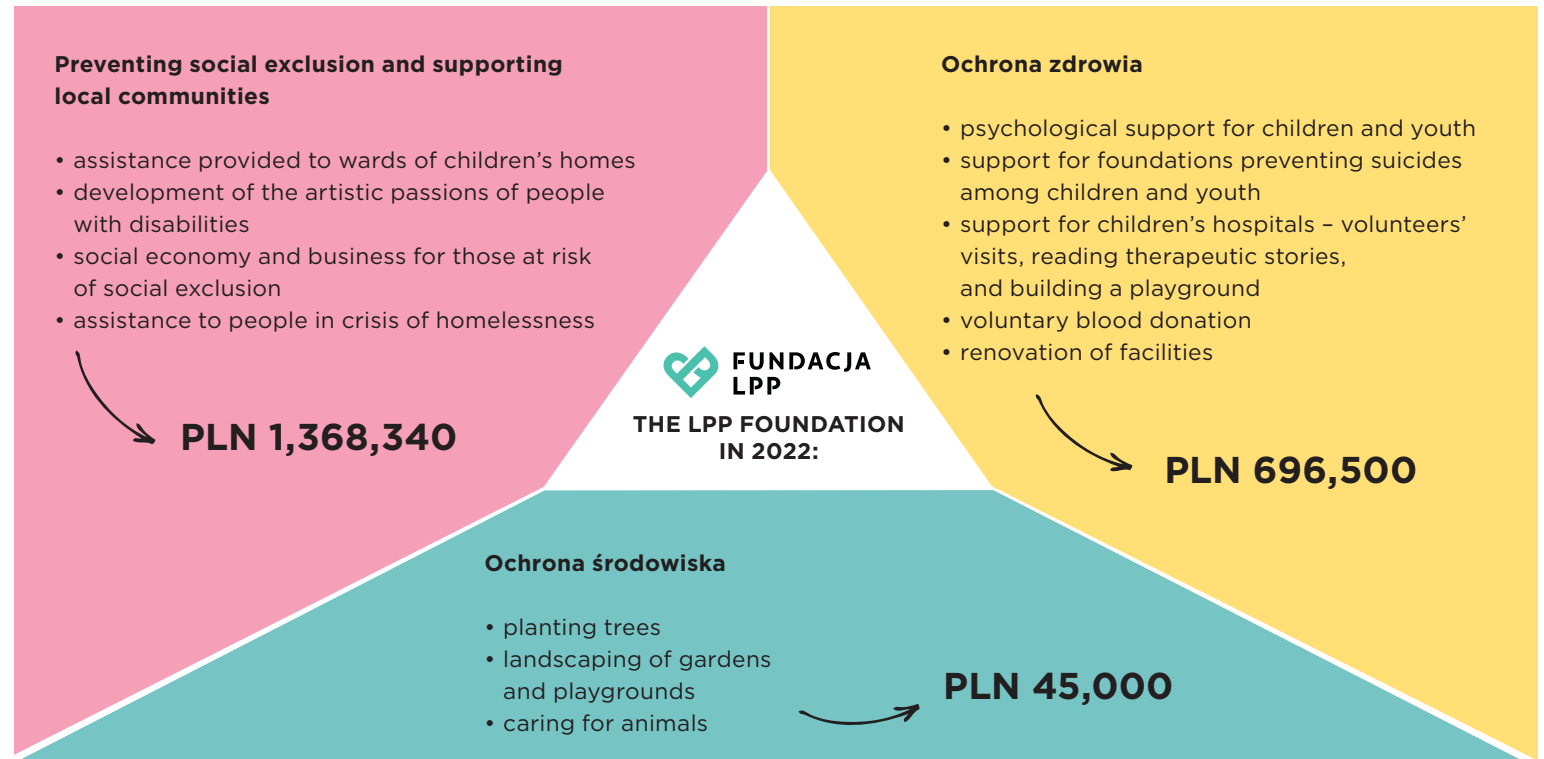
In situations where a product defect is discovered after the product has been released for sale, we inform customers via the web tab “Statement messages for customers”. Additionally, we analyse the reasons for garment returns in terms of quality defects. In the 2021/2022 financial year, we detected 1 such product defect. In 2022/2023, we detected defects in 13 products – in 11 after marketing and in 2 after arrival at the port in Poland. All contested products were withdrawn from sale and handed over to the relevant disposal facilities. We did not identify any other defects, in particular defects that could have a negative impact on customers' health.





Social engagement and the activities of the LPP Foundation

The LPP Foundation manages social engagement of the LPP Group and carries out projects in three key areas: preventing social exclusion and supporting local communities, health protection, ecology and environmental protection. The beneficiaries are primarily children and young people from children's homes, people at risk of social exclusion, victims of catastrophes and natural disasters. The Foundation also provides assistance to community service projects carried out in LPP's closest neighbourhood.





PREVENTING SOCIAL EXCLUSION AND SUPPORTING LOCAL COMMUNITIES - EXAMPLES

- We supported the organisation of the National Festival of Theatre and Music Creativity of Persons with Intellectual Disabilities **“Albertiana”**, organised by the Anna Dymna’s Mimo Wszystko Foundation and St. Brother Albert’s Foundation.
- **We turn kilometres into money** – for every kilometre run or cycled by LPP Group employees, we donated PLN 38.4 thousand in 2022 to the “Sopocki Dom” Association and PLN 19.2 thousand to the St. Ludwika Nursing Home in Cracow.



- Together with the municipality of Trzebnicko in the Podkarpacie region, we awarded scholarships to primary school students. We subsidised English lessons at schools and semi-camps. The pupils also received sets of school accessories and gifts.

- We cooperate with **social economy entities** – the mobile **Kuźnia Café**, giving first jobs to young people from care and educational institutions, and the **Frapp&Go** social café supporting professional and social activation of people with disabilities, the Humanus Social Cooperative, from which we purchased candles.
- Together with the Zacztyani.org Foundation, we opened 8 and equipped another 5 **“Zaczytane Biblioteki”** – libraries located in health and care institutions in Pomerania and Malopolska. Employees of the LPP headquarters donated 800 books from their home book collections to the libraries.

- In Brześć Kujawski, we financed a programme to support education, English language lessons and additional maths lessons for pupils.
- We supported a project by the Social Innovation Foundation, helping to renovate and equip **Parkolada**, a social enterprise and café employing wards of children’s homes in Gdansk.
- In collaboration with **the Centre for Social Integration in Gdynia**, we created workstations for sorting used clothing



collected in our stores and later donated to the homeless. In 2022, we sorted 4 tonnes of clothes.

- In winter, we held creative workshops. Together with the residents of Dolne Miasto district in Gdansk, we decorated wooden Christmas trees during the Dolne Miasto **“Christmas Tree” festival**. In the summer, participants of our workshops made their own unique bags and T-shirts.





HEALTHCARE - EXAMPLES

- In 2022, we funded a recreation area for children and parents around the playground we had funded the year before on the grounds of Polanki Children's Hospital in Gdansk. Over 80 volunteers from our Group helped with the works. In addition, the LPP Foundation financed the purchase of three portable ventilators for children with chronic respiratory failure.



- Reserved and the Itaka Foundation joined forces in a charity campaign to combat the psychological effects of the pandemic and financially supported the operation of the Young Helpline. Since the beginning of the **Youth Helpline**, there have been 6,175 telephone calls, 1,706 chat consultations and 655 online counseling sessions for young people in need of support.

- We partnered in the **“Blue Sneakers – steps towards life”** project of Fundacja Oparcia Społecznego Aleksandry FOSA. The aim of the project is to prevent suicide among children and youth.



- We financed the first edition of the project **“In the Labyrinth of Emotions”** with the Mosty Foundation, consisting in the organization of support workshops for children and youth at risk of social exclusion and struggling with the difficulties of adolescence.
- Together with the 3maliny Foundation, we organised the sewing of **400 cushions and 900 Redon bottle covers** for patients and post-mastectomy patients in Pomeranian hospitals. The covers relieve pain, protect the operated area and promote lymph flow.



- Together with Zaczytani.org Foundation we started **fairy tale therapy** – a project in which LPP Group employees volunteer to visit health care facilities and, with the help of therapeutic fairy tales, run meetings for children.
- 40 of our volunteers in 22 wards of the University Children's Hospital in Cracow **handed out gifts to the young patients.**





- We supported the Specialist Hospital in Kościerzyna project **„Wrapped in life”**, which aims to show a different face of people struggling with cancer and to face the common fear of contact with sick people, and often also the phenomenon of excluding them from social life.
- We organized with the DKMS Foundation **Bone Marrow Donor Day** in 4 of our locations in Poland. We have

initiated action to support the multi-year employee of LPP and within the framework of promotion of the idea of bone marrow donation. In the database DKMS registered 159 employees LPP Group.

- Together with Regional Blood Center in Gdańsk we organized four honorary blood collection – **almost 220 employees donated over 70 liters of blood.**



CONTACT WITH NATURE AND ECOLOGY – EXAMPLES

- Together with Ubrania Do Oddania we launched the action called **“Szafa Pełna Dobra”** [“Wardrobe full of goodness”] – a collection of clothes, shoes and accessories in almost a thousand of our stores in Poland. A total of 8.7 tonnes of clothing was collected and recirculated.



- As part of the **“DO NASADZENIA”** campaign organised by TORUS, we helped to reforest the area damaged by the 2017 storm.
- We financed the **rearrangement of a garden in one of the children’s homes** of “Ogniska Nadziei” Fundacja dla Rodziny with the help of 20 volunteers.
- In the fifth edition of **“Cat boxes”**, we renovated and insulated cat houses and built 8 new boxes on the site of the former Gdynia Shipyard. More than 120 cats spent another winter in safe conditions.



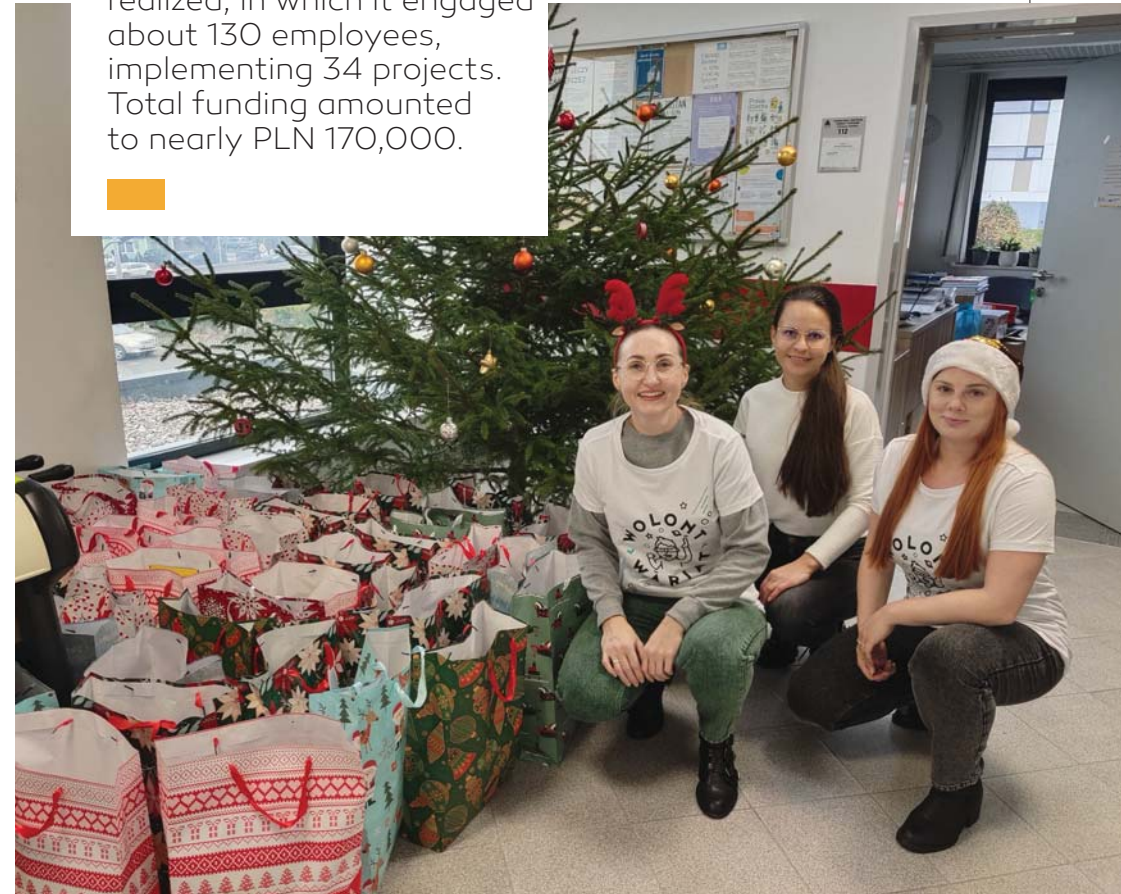


The LPP Foundation periodically announces a **MINIGRANTS** competition – an employee volunteering programme in which employees submit their own initiatives and receive PLN 5,000 for their implementation. Projects are submitted by a minimum of three-person volunteer teams. The substantive scope of the applications evaluated in the programme is broad, and employees' ideas may reduce social inequalities, including disadvantaged groups, support individuals at risk of social exclusion or promote diversity. In 2022 thanks to MINIGRANTS volunteers from LPP m.in created a meeting room in a children's home in Gdansk, repainted animal boxes in the shelter and supported the charges of the District Family Assistance Center in Pruszcz Gdański. A measure of the effectiveness of the program is the number of volunteers involved, number of completed projects and the importance of the project to the local communities.

For the sixth time now, we have become a strategic partner of the **Development Initiation Forum**, the largest cross-sector conference in Pomerania. During the final gala of the Grant Competition, we awarded grants worth PLN 122,000 to the most interesting social activities and cross-sector innovations. These included a project to organise a workshop space for therapeutic activities for children and adults or activities aimed at changing social awareness of “smart upcycling” of everyday items.



Since 2019, five editions of minigrants has been realized, in which it engaged about 130 employees, implementing 34 projects. Total funding amounted to nearly PLN 170,000.





„Moda na lepszy start” [“Fashion for a Better Start”] is a social programme of the LPP Foundation addressed to the wards of children’s homes of the Gdańsk Foundation for Social Innovation, “Rodzinny Gdańsk” Foundation and “Ogniska Nadziei” Foundation.

Between February 2022 and January 2023, in total over 7.7 thousand hours for children from 17 homes were completed. The donated funds were also spent on necessary medical treatment for the wards of the Gdansk-based foundations.



In 2022, we donated PLN 476,000 for activities addressed to 238 wards of the Gdansk-based organisations, thus allowing the children to develop their skills and passions and have a better start in adulthood.





5. Data compilation



Environmental area

E – Environmental

ENERGY AND EMISSION

GRI 302-1 Energy consumption within the organization [GJ]

| | 02.2021 – 01.2022 | | 02.2022 – 01.2023 | |
|---|---------------------|---------------------------------------|---------------------|---------------------------------------|
| | LPP Group | Including LPP SA and stores in Poland | LPP Group | Including LPP SA and stores in Poland |
| Electricity consumption | 1,065,944.10 | 603,904.78 | 770,160.06 | 377,349.67 |
| Heating | 4,032,735.51 | 1,108,942.32 | 2,732,448.56 | 1,197,336.84 |
| Natural gas | 99,846.77 | 49,888.37 | 904,886.95 | 287,053.20 |
| Diesel fuel | 16,128.99 | 16,128.99 | 9,531.57 | 9,531.57 |
| Petrol (gasoline) | 11,078.81 | 11,078.81 | 15,826.16 | 15,826.16 |
| Fuel oil | 0 | 0 | 82.41 | 82.41 |
| Total [GJ] | 5,225,734.19 | 1,789,943.27 | 4,432,935.70 | 1,887,179.84 |
| Consumption of energy from renewable sources | 0 | 0 | 3,636.22 | 3,636.22 |

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 Direct GHG emissions (Scope 1), GRI 305-2 Energy indirect GHG emissions (Scope 2), GRI 305-3 Other indirect GHG emissions (Scope 3)

| | 02.2021 – 01.2022 | | | 02.2022 – 01.2023 | | |
|--|---------------------|----------------------|--------------------------|----------------------|---------------------|--------------------------|
| | Scope 1 | Scope 2 | Scope 3 | Scope 1 | Scope 2 | Scope 3 |
| Greenhouse gas emissions [t CO ₂ e] | 4,420.67 (0.15%) | 10,267.11 (0.36%) | 2,865,952.62 (99.49%) | 13,762.35 (0.52%) | 7,827.65 (0.30%) | 2,631,555.83 (99.18%) |

Scope 3 of emissions:

emissions per source type

| Scope and emission category | 02.2021 – 01.2022 | | 02.2022 – 01.2023 | |
|---|---------------------|------------|---------------------|------------|
| | t CO ₂ e | % | t CO ₂ e | % |
| Scope and emission category | 2,865,952.62 | 100 | 2,631,555.83 | 100 |
| Cat. 1 Raw materials and services purchased | 1,892,769.20 | 66.04 | 1,705,738.53 | 64.82 |
| Cat. 2 Investment goods (CAPEX) | 197,454.69 | 6.89 | 198,798.33 | 7.55 |
| Cat. 3 Emissions related to consumption of energy and fuels not included in scope 1 and 2 | 3,666.63 | 0.12 | 5,777.88 | 0.22 |
| Cat. 4 Transport and distribution of products purchased | 157,610.94 | 5.50 | 176,198.81 | 6.70 |
| Cat. 5 Waste generated in the course of activity | 385.10 | 0.01 | 400.13 | 0.02 |
| Cat. 6 Business trips | 2,390.09 | 0.08 | 3,062.98 | 0.12 |
| Cat. 7 Employees commuting to work | 16,319.17 | 0.57 | 16,891.80 | 0.64 |
| Cat. 8 Assets leased – sales outlets | 388,443.36 | 13.55 | 277,908.89 | 10.56 |
| Cat. 9 Transport and distribution of products sold (e-commerce transport) | 26,212.33 | 0.91 | 28,959.62 | 1.10 |
| Cat. 10 Processing of products sold | 0.00 | 0.00 | 0.00 | 0.00 |
| Cat. 11 Use of products sold | 146,559.20 | 5.11 | 171,358.99 | 6.51 |
| Cat. 12 Disposal of products sold | 32,969.36 | 1.15 | 45,179.33 | 1.72 |
| Cat. 13 Assets leased | 0.00 | 0.00 | 0.00 | 0.00 |
| Cat. 14 Franchise | 1,283.55 | 0.04 | 1,280.54 | 0.05 |
| Cat. 15 Investments | 0.00 | 0.00 | 0.00 | 0.00 |



| GRI 305-4 Greenhouse gas emissions intensity | 02.2021 - 01.2022 | 02.2022 - 01.2023 |
|---|-------------------|-------------------|
| GHG emissions of the LPP Group in the scope 1 and 2 in terms of revenue [t CO ₂ e/PLN 1 M] | 1.04 | 1.36 |

Method applied

Data reflect the emissions of all LPP Group in scope 1 and 2 in terms of revenue. The change in the value from 2021/2022 from 1.15 to 1.04 results from the conversion of electricity in scope 2 using the market-based method, which is required by SBTi.

Packaging and waste

GRI 306-3 Waste generated

| Total packaging out on the market by LPP Group (in tonnes) | 02.2020 - 01.2021 | 02.2021 - 01.2022* | 02.2022 - 01.2023 |
|--|--|--------------------|-------------------|
| Cardboard | 19,707 | 27,068 | 15,112 |
| Plastic film | 2,105 | 3,986 | 2,373 |
| Wood | 50 | 82 | 2,563 |
| Glass | Reported from the reporting year 2021/2022 | 7 | 0 |

Method applied

Data relate to the weight of packaging put on the market by LPP Group companies in a given reporting year.

* Data without Russian market.

GRI 306-4 Total recycled waste (in tonnes)*

| Total recycled waste (in tonnes) | 02.2020 - 01.2021 | | 02.2021 - 01.2022 | | 02.2022 - 01.2023 | |
|----------------------------------|-------------------|--------------|-------------------|--------------|-------------------|---------------|
| | LPP Group | LPP SA | LPP Group | LPP SA | LPP Group | LPP SA |
| Recycled cardboard ²⁰ | 5,901 | 4,572 | 8,829 | 5,839 | 16,096 | 13,167 |
| Recycled plastic film | 82 | 64 | 437 | 222 | 624 | 583 |
| Recycled wood | 119 | 118 | 141 | 141 | 181 | 181 |
| Total | 6,102 | 4,754 | 9,407 | 6,202 | 16,901 | 13,931 |

*There was no hazardous waste sent for recycling.

Additional information:

- we reused over 2.1 million cardboard boxes, which allowed us to save approx. **41,000 trees**
- level of plastic reduction in Reserved and Mohito packaging – **567 tonnes**
- we hand over all materials intended for recycling to external organizations.

Method applied

Data relate to recycled waste generated by all companies of the LPP Group. The increase in the number of packages introduced to the market is due to the dynamic development of the business and the increase in the share of e-commerce sales in total sales.

²⁰ Cardboard packaging, price tags, courier labels.



Social area

S – Social

| Contributions to the state budget [in PLN thousand] | 02.2020-01.2021 | 02.2021-01.2022 | 02.2022-01.2023 |
|--|------------------------|------------------------|------------------------|
| Value Added Tax (VAT) | 457,190 | 761,231 | 895,713 |
| Value Added Tax (VAT) e-commerce store EU | - | - | 33,056 |
| Corporate Income Tax (CIT) | 40,458 | 360,180 | 183,927 |
| CFC from controlled foreign companies | 50,945 | 31,528 | 0 |
| Retail Sales Tax (RST) | - | 38,024 | 53,599 |
| Customs duty | 115,953 | 202,426 | 270,662 |
| Personal Income Tax (PIT) | 19,656 | 31,831 | 35,755 |
| Total ZUS | 64,267 | 153,603 | 223,224 |
| PFRON | 880 | 5,022 | 7,143 |
| Real Property Tax | 4,919 | 6,018 | 7,466 |
| Means of Transport Tax | 2 | 2 | 1 |
| Total [in PLN thousand] | 754,270 | 1,589,865 | 1,710,546 |
| Change Y/Y | -31% | 111% | 8% |





Employment under an employment contract in LPP Group, as of 31 Jan 2023

| GRI 2-7 Employees | | LPP Group | | Of which: | LPP SA | | LPP Retail | | Other Polish companies | | Foreign subsidiaries* | |
|---------------------------------------|--------------|------------------|---------------|-----------|------------------|--------------|------------------|--------------|------------------------|--------------|-----------------------|---------------|
| | | Number of people | FTE | | Number of people | FTE | Number of people | FTE | Number of people | FTE | Number of people | FTE |
| Employed under an employment contract | Women | 23,309 | 19,352.07 | | 2,362 | 2,356.53 | 10,037 | 7,790.64 | 489 | 485.9 | 10,421 | 8,719 |
| | Men | 3,221 | 2,896.75 | | 566 | 566 | 522 | 397.25 | 567 | 565.5 | 1,566 | 1,368 |
| | Total | 26,530 | 22,249 | | 2,928 | 2,923 | 10,559 | 8,188 | 1,056 | 1,051 | 11,987 | 10,087 |

* The decrease in the number of employees in foreign companies compared to the previous reporting period results from the closure of operations on the Russian market.

Number of people employed directly by LPP Group companies based on forms of contracts other than an employment contract per gender and type of contract, as of 31 Jan 2023

| GRI 2-8 People performing work for the organization who are not its employees | | LPP Group | Of which: | Of which: | | | |
|---|--------------|--------------|-----------|-----------|--------------|------------------------|----------------------|
| | | | | LPP SA | LPP Retail | Other Polish companies | Foreign subsidiaries |
| Employment under civil law contracts | Women | 1,662 | | 31 | 1,568 | 1 | 61 |
| | Men | 231 | | 14 | 196 | 11 | 10 |
| | Total | 1,893 | | 45 | 1,764 | 12 | 71 |
| Other (Management contract; B2B, interns) | Women | 1,133 | | 2 | - | 43 | 1,088 |
| | Men | 374 | | 3 | - | 273 | 98 |
| | Total | 1,507 | | 5 | - | 316 | 1,186 |

Method applied

In LPP Retail, a large part of employees employed in stores work on the basis of civil law contracts (in the case of the Polish market) and in the case of foreign companies, other forms of direct employment (student contracts) or indirect employment (temporary employment agencies). They are often young people who work seasonally, often part-time.

Number of workers performing work for the organization who are not its employees, employed by entities other than LPP Group companies

| GRI 2-8 Workers who are not employees | | Grupa LPP | Of which: | Of which: | | | |
|---------------------------------------|--|--------------|-----------|-----------|---------------|--------------------------|----------------------------|
| | | | | LPP SA | LPP Logistics | Pozostałe spółki polskie | Zagraniczne spółki zależne |
| Temporary agency workers | | 6,596 | | 0 | 5,991 | 0 | 605 |
| Total | | 6,596 | | 0 | 5,991 | 0 | 605 |

Method applied:

Number of people as at the given reporting period 01.02.2022 – 31.01.2023. Due to the specificity of this area reported here is the average annual employment. Employees of temporary employment agencies support the logistics centres of the LPP Group on the Polish and foreign markets.



GRI 2-7 Employees

| Employee count per gender and type of contract | LPP Group | | Of which: | LPP SA | | LPP Retail | | Other Polish companies | | Foreign subsidiaries | |
|--|---------------------|---------------------|-----------|---------------------|---------------------|---------------------|---------------------|------------------------|---------------------|----------------------|---------------------|
| | Indefinite contract | Fixed term contract | | Indefinite contract | Fixed term contract | Indefinite contract | Fixed term contract | Indefinite contract | Fixed term contract | Indefinite contract | Fixed term contract |
| Women | 11,985 | 11,324 | | 1,323 | 1,039 | 3,048 | 6,989 | 228 | 261 | 7,386 | 3,035 |
| Men | 2,010 | 1,211 | | 311 | 255 | 160 | 362 | 251 | 316 | 1,288 | 278 |
| Total | 13,995 | 12,535 | | 1,634 | 1,294 | 3,208 | 7,351 | 479 | 577 | 8,674 | 3,313 |

Method applied

The data includes only people employed by LPP Group companies under employment contracts (number of people). As at the end of the reporting period.

| Employee count per gender and working time | LPP Group | | Of which: | LPP SA | | LPP Retail | | Other Polish companies | | Foreign subsidiaries* | |
|--|---------------|---------------|-----------|--------------|-----------|--------------|--------------|------------------------|-----------|-----------------------|--------------|
| | Full time | Part time | | Full time | Part time | Full time | Part time | Full time | Part time | Full time | Part time |
| Women | 13,653 | 9,656 | | 2,342 | 20 | 5,064 | 4,973 | 477 | 12 | 5,770 | 4,651 |
| Men | 2,295 | 926 | | 566 | 0 | 272 | 250 | 563 | 4 | 894 | 672 |
| Total | 15,936 | 10,582 | | 2,908 | 20 | 5,336 | 5,223 | 1,040 | 16 | 6,664 | 5,323 |

Method applied

The data includes only people employed by LPP Group companies under an employment contract. As at the end of the reporting period.

For other forms of direct employment (civil law contracts, B2B, managerial contracts) the working time criteria do not apply. In the case of civil law contracts in LPP Retail, the full-time job tentatively declared when concluding the contract was given. Civil law contracts are flexible and the actual hours worked may differ from those declared in the contract.

Own measures: Employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

| Employment per gender, age and level and other aspects | | LPP Group | | | Of which: | LPP SA | | | LPP Retail | | | Other Polish companies | | | Foreign subsidiaries | | |
|--|--------------|--------------|--------------|------------|-----------|--------------|--------------|------------|--------------|--------------|------------|------------------------|-------------|------------|----------------------|--------------|------------|
| | | < 30 | 30-50 | 50 < | | < 30 | 30-50 | 50 < | < 30 | 30-50 | 50 < | < 30 | 30-50 | 50 < | < 30 | 30-50 | 50 < |
| Number of employees | Women | 8,991 | 3,800 | 97 | | 905 | 1,403 | 54 | 7,930 | 2,081 | 26 | 156 | 316 | 17 | 6,744 | 3,496 | 181 |
| | Men | 802 | 772 | 81 | | 193 | 346 | 27 | 430 | 89 | 3 | 179 | 337 | 51 | 1,016 | 520 | 30 |
| | Total | 9,793 | 4,572 | 178 | | 1,098 | 1,749 | 81 | 8,360 | 2,170 | 29 | 335 | 653 | 68 | 7,760 | 4,016 | 211 |
| Percentage of employees in particular categories in total employment | Women | 61.8 | 26.1 | 0.7 | | 30.9 | 47.9 | 1.8 | 75.1 | 19.7 | 0.2 | 14.8 | 29.9 | 1.6 | 56.2 | 29.1 | 1.5 |
| | Men | 5.5 | 5.3 | 0.6 | | 6.6 | 11.8 | 0.9 | 4.1 | 0.8 | 0.03 | 17.0 | 31.9 | 4.8 | 8.5 | 4.3 | 0.3 |
| | Total | 67.3 | 31.4 | 1.2 | | 37.5 | 59.7 | 2.8 | 79.2 | 20.6 | 0.3 | 31.8 | 61.8 | 6.4 | 64.7 | 33.5 | 1.8 |



Own measures: Employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

| Diversity in the composition of the Management Board and the Supervisory Board | Number of people | Percentage |
|--|---|--|
| Composition of the Management Board | <ul style="list-style-type: none"> • 5 men • 0 women • 2 people aged 30-50 • 3 people over 50 | <ul style="list-style-type: none"> • 100% of the Management Board • 0 • 40% of the Management Board • 60% of the Management Board |
| Composition of the Supervisory Board | <ul style="list-style-type: none"> • 5 men • 1 women • 2 people aged 30-50 • 4 people over 50 | <ul style="list-style-type: none"> • 83% of the Supervisory Board • 17% of the Supervisory Board • 33.3% of the Supervisory Board • 66.6% of the Supervisory Board |

Method applied

Composition as of 31 Jan. 2023. Data for LPP SA.

| Gender Pay Gap | 02.2022-01.2023 |
|--|-----------------|
| LPP SA | 98% |
| Executive positions | 96% |
| Non-executive positions | 99% |
| Other LPP Group companies in Poland | 99% |
| Executive positions | 95% |
| Non-executive positions | 99% |
| LPP Group in Poland | 98% |

²¹ Women earn 3% more.

Number and percentage of people with disabilities in LPP Group

| | 02.2021 - 01.2022 | | 02.2022 - 01.2023 | |
|---|----------------------|--------|----------------------|--------|
| | LPP Group, of which: | LPP SA | LPP Group, of which: | LPP SA |
| Number of employees with disabilities | 325 | 50 | 381 | 54 |
| Percentage of employees with disabilities | 1.0% | 1.9% | 1.4% | 1.8% |

Method applied

The data includes only persons employed by LPP Group companies on the basis of an employment contract. As at the end of the reporting period.

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.

| Gender Pay Gap | 02.2021-01.2022 | 02.2022-01.2023* |
|--|-------------------|------------------|
| LPP SA | 4% | 2% |
| Executive positions | +3% ²¹ | 4% |
| Non-executive positions | 6% | 1% |
| Other LPP Group companies in Poland | 4% | 1% |
| Executive positions | 6% | 5% |
| Non-executive positions | 0% | 1% |

Method applied

*Due to the need to report pay differences in our organization to various financial institutions, we decided to standardize the method of calculating the Gender Pay Gap indicator. In the calculations of the Gender Pay Gap indicator, it was 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 salary means the sum of the average basic salary from the entire period on a monthly basis, converted to full-time employment, together with the average bonus, which was calculated on the basis of the amount paid in the reporting period on a monthly basis.



Employee turnover ratio for LPP Group companies in Poland

| Own measures: New employee hires and employee turnover | | LPP Group | | | Of which: | LPP SA | | | LPP Retail* | | | Other Polish companies: | | |
|--|--------------|--------------|-------------|-------------|-----------|-------------|-------------|------------|--------------|-----------|-------------|-------------------------|-------------|-------------|
| | | < 30 | 30-50 | 50 < | | < 30 | 30-50 | 50 < | < 30 | 30-50 | 50 < | < 30 | 30-50 | 50 < |
| New employee hires | Women | 12,223 | 1,273 | 32 | | 423 | 241 | 4 | 11,650 | 805 | 15 | 150 | 227 | 13 |
| | Men | 1,396 | 425 | 59 | | 94 | 73 | 4 | 1,123 | 35 | 2 | 179 | 317 | 53 |
| | Total | 13,619 | 1,698 | 91 | | 517 | 314 | 8 | 12,773 | 840 | 17 | 329 | 544 | 66 |
| Percentage of people employed | Women | 261.6 | 123.1 | 138.7 | | 46.7 | 17.2 | 7.4 | 123.4 | 37.8 | 50.0 | 91.5 | 68.2 | 81.3 |
| | Men | 301.7 | 118.6 | 181.5 | | 48.7 | 21.1 | 14.8 | 180.3 | 38.0 | 66.7 | 72.8 | 59.5 | 100.0 |
| | Total | 254.2 | 118.5 | 157.0 | | 47.1 | 18.0 | 9.9 | 126.9 | 37.8 | 51.5 | 80.2 | 62.8 | 95.7 |
| Number of people who lost company employee status | Women | 1,573 | 919 | 20 | | 192 | 153 | 3 | 11,354 | 738 | 16 | 27 | 28 | 1 |
| | Men | 1,204 | 134 | 14 | | 52 | 42 | 2 | 1,104 | 40 | 2 | 48 | 52 | 10 |
| | Total | 12,777 | 1,053 | 34 | | 244 | 195 | 5 | 12,458 | 778 | 18 | 75 | 80 | 11 |
| Overall employee turnover ratio | Women | 105.1 | 36.5 | 43.5 | | 21.2 | 10.9 | 5.6 | 120.2 | 34.6 | 53.3 | 16.5 | 19.5 | 18.3 |
| | Men | 99 | 20.6 | 25 | | 26.9 | 12.1 | 7.4 | 177.2 | 43.5 | 66.7 | 8.4 | 9.8 | 9.2 |
| | Total | 104.5 | 33.2 | 33.3 | | 22.2 | 11.2 | 6.2 | 123.8 | 35 | 54.6 | 6.3 | 18.9 | 15.9 |

Method applied

*The turnover data include the number of people employed on the basis of an employment contract. The data concern LPP Group companies in Poland. We are working on extending and streamlining data reporting processes by our foreign subsidiaries. In the case of LPP SA, due to the specific nature of its activity, only employment contracts were taken into account, and civil law contracts, which usually do not constitute permanent cooperation, were not taken into account, and one-time or periodic purchase of services.

The new employee hires ratio was calculated according to the formula: the number of employees employed in a given category by the number of people at the end of the reporting period (employment as at January 31, 2023), multiplied by 100.

The general employee turnover ratio is calculated according to the formula: total number of employees in a given category who left the organisation in the reporting year (12 months) divided by the total number of employees in the reporting year (employment as of 31.01.2023), multiplied by 100.

In LPP Retail, which, due to the business model, is characterized by a high turnover rate of people working for the company under a contract other than an employment contract. These are mainly young people, including students, who treat work in a store as casual and short-term work.



Employee turnover ratio for LPP Group companies in Poland

GRI 401-3 – Parental leave. Return to work and retention rates of employees that took parental leave, by gender

| | LPP SA | | | | | | | | | Silky Coders | | | | | | LPP Retail | | |
|---|-----------------|-----|-------|-----------------|------|-------|-----------------|-----|-------|-----------------|-------|-------|-----------------|-----|-------|-----------------|------|-------|
| | 02.2021-01.2022 | | | 02.2022-01.2023 | | | 02.2021-01.2022 | | | 02.2022-01.2023 | | | 02.2021-01.2022 | | | 02.2022-01.2023 | | |
| | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total |
| The number of employees who started parental, maternity and paternity leave | 204 | 34 | 238 | 178 | 28 | 206 | 2 | 10 | 12 | 10 | 11 | 21 | 627 | 2 | 629 | 714 | 5 | 719 |
| The number of employees who finished parental, maternity and paternity leave | 140 | 35 | 175 | 121 | 27 | 148 | 0 | 10 | 10 | 3 | 11 | 14 | 569 | 2 | 571 | 600 | 5 | 605 |
| The number of employees who left the organisation as in the previous period ended parental, maternity and paternity leave | 0 | 0 | 0 | 9 | 1 | 10 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 96 | 0 | 96 |
| Percentage of employees who left the organisation as in the previous period ended parental, maternity and paternity leave | 0 | 0 | 0 | 6.43 | 2.86 | 9.29 | 0 | 0 | 0 | 0 | 10.00 | 10 | 0 | 0 | 0 | 16.87 | 0.00 | 16.87 |

TRAINING SESSIONS

| Number of training hours in LPP Group | 02.2020-01.2021 | | 02.2021-01.2022 | | 01.2022-01.2023 | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | LPP Group | of which LPP SA | LPP Group | of which LPP SA | LPP Group | of which LPP SA |
| Average number of training hours per employee | 3.2 | 7.4 | 4.5 | 18.4 | 6.2 | 18.3 |
| Total number of training hours (stationary and e-learning training) | 70,958 | 18,752 | 142,564 | 50,435 | 182,235 | 54,413 |

| GRI 404-1 Average number of training hours per employee by gender and employment structure in the reporting year | | LPP Group | In which: | LPP SA | LPP Retail | Other Polish companies | Foreign subsidiaries |
|--|-------|-----------|-----------|--------|------------|------------------------|----------------------|
| Managers | Women | 13.0 | | 16.8 | 15.6 | 15.6 | 10.1 |
| | Men | 14.7 | | 17.3 | 35.6 | 10.6 | 9.5 |
| | Total | 13.3 | | 16.9 | 16.7 | 11.8 | 10.0 |
| Other employees | Women | 5.1 | | 18.2 | 5.9 | 12.5 | 1.2 |
| | Men | 6.7 | | 19.9 | 8.9 | 8.5 | 0.9 |
| | Total | 5.3 | | 18.5 | 6.1 | 10.4 | 1.2 |

Method applied

The data applies to the entire LPP Group, including stationary and e-learning training. The training covers not only employees with an employment contract. The indicator was calculated taking into account employees employed by LPP Group companies based on other forms of contracts (mandate contracts, B2B).



Work-related injuries and accident rate in the financial year 2022/2023 and in previous years

GRI 403-9

| | 02.2020-01.2021 | | 02.2021-01.2022 | | 02.2022-01.2023 | |
|---|--|-----------|-----------------|--------|-----------------|--------|
| | LPP Group | Grupa LPP | LPP Group | LPP SA | LPP Group | LPP SA |
| Job-related accidents in the reporting period | 78 | 130 | 130 | 9 | 204 | 16 |
| Including fatal accidents | 0 | 0 | 0 | 0 | 0 | 0 |
| Accident rate | 3,4 | 0,6 | 3,7 | 2,3 | 3,8 | 3,4 |
| 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 year. This data does not include the number of accidents on the way to or from work.

Accident rate: from 01.2019-01.2021, 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 2022/2023

| | | LPP Group | Of which: | LPP SA | LPP Retail | Other Polish companies | Foreign subsidiaries |
|---|--------------|-------------|-----------|-----------|--------------|------------------------|----------------------|
| | | | | | | | |
| Total number of reported accidents, in which: | Women | 184 | | 11 | 107 | 1 | 65 |
| | Men | 20 | | 5 | 4 | 1 | 10 |
| | Total | 204 | | 16 | 111 | 2 | 75 |
| Number of fatal accidents | Women | 0 | | 0 | 0 | 0 | 0 |
| | Men | 0 | | 0 | 0 | 0 | 0 |
| Number of accidents resulting in loss of working time | Women | 183 | | 11 | 107 | 0 | 65 |
| | Men | 20 | | 5 | 4 | 1 | 10 |
| Working days lost due to job-related accident | Women | 2902 | | 32 | 1,786 | 0 | 1,084 |
| | Men | 436 | | 43 | 62 | 68 | 263 |
| | Total | 3338 | | 75 | 1,848 | 68 | 1,347 |



SOCIAL ENGAGEMENT

Own measures: Value of donations made, number of volunteers involved in projects in the reporting year

| Assistance provided to local communities | 02.2021 – 01.2022 | 02.2022 – 01.2023 |
|---|-------------------|-------------------|
| Assistance in total (both monetary and in-kind donations) | PLN 6,691,542 | PLN 26,390,950 |
| Including: | | |
| Monetary donations | PLN 2,058,781 | PLN 7,760,501 |
| In-kind donations | PLN 4,632,761 | PLN 18,630,449 |

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 | 02.2021 – 01.2022 | 02.2022 – 01.2023 |
|--|-------------------|-------------------|
| Value of donations made in the reporting year | PLN 1,617,517 | PLN 3,099,840 |
| Including: | | |
| Donations made to support healthcare | PLN 798,533 | PLN 696,500 |
| Donations made to support ecological projects | PLN 32,881 | PLN 45,000 |
| Donations made to support local communities and projects preventing social exclusion | PLN 786,103 | PLN 1,358,340 |
| Amount as part of the #LPPUkraine action | - | PLN 1,000,000 |
| #LPPUkraine (full in-kind and financial support) | - | PLN 21,685,824 |
| Number of organizations supported by the LPP Foundation | 43 | 58 |
| Number of volunteers involved in projects in the reported year | 374 | 975 |
| Number of hours worked by volunteers | 5257 | 8,212 |
| Number of items of clothing donated for social purposes | 123,000 | 180,014 |
| Number of entities that received clothing | 120 | 127 |



Organisational governance area

G – Governance

GRI 2-1 Organisational details, GRI 2-2 Entities included in the organization's sustainability reporting

Companies comprising the LPP Group and included in this report (as at 31.01.2023)

The LPP Group consists of: LPP SA (parent company), 8 domestic subsidiaries and 26 foreign subsidiaries. Foreign companies are entities which mainly distribute LPP goods outside Poland. Polish subsidiaries are engaged in the following activities: store operation services in the territory of Poland (LPP Retail Sp. z o.o.), sale of promotional clothing (Printable Sp. z o.o.), logistics services (LPP Logistics Sp. z o.o.), development works involving logistics centres (Veviera Investments Sp. z o.o.), management of IT projects for the LPP Group (Silky Coders Sp. z o.o. and Dock IT Sp. z o.o.) and activities involving rental of real property in Poland, where ours brand stores are located (DP&SL Sp. z o.o., IL&DL Sp. z o.o.).

In the reporting period, there were the following changes in the LPP Group's structure: sale of Re Trading OOO, the Russian subsidiary to an external business partner, closure of Reserved Fashion BIS Modne Znamke DOO, one of our two Slovenian subsidiaries, closure of company IPMS Management Services FZE with its registered office in ZEA, establishment of four new foreign companies: LPP Italy SRL, the Italian subsidiary with its registered office in Milan, LPP Albania LTD, the Albanian subsidiary with its registered office in Tirana, Spanish LPP Clothing Retail Spain S.L. with its registered office in Madrid and Greek LPP Greece Single Member Private Company with its registered office in Athens. The new companies have been established with a view to the expansion of the LPP Group's operations to those countries. Additionally, changes in structure of LPP Group in fi-

nancial year related to sale to an external business partner 50% of shares in Veviera Investments Sp. z o.o. company.

The companies from LPP Group are included in this report.

- | | |
|-----------------------------------|--|
| 1. LPP SA | 19. LPP Kazakhstan LLP |
| 2. LPP Retail Sp. zo.o. | 20. LPP Bulgaria EOOD |
| 3. DP&SL Sp. z o.o. | 21. LPP Fashion Bulgaria EOOD |
| 4. IL&DL Sp. z o.o. | 22. LPP Romania Fashion SRL |
| 5. LPP Printable Sp. z o.o. | 23. LPP Croatia DOO |
| 6. LPP Logistics Sp. z o.o. | 24. LPP Reserved DOO Beograd |
| 7. Dock IT Sp. z o.o. | 25. Reserved Fashion, Modne Znamke DOO |
| 8. Silky Coders Sp. z o.o. | 26. LPP BH DOO |
| 9. Veviera Investments Sp. z o.o. | 27. LPP Macedonia DOOEL |
| 10. LPP Czech Republik SRO | 28. LPP Albania LTD |
| 11. LPP Slovakia SRO | 29. LPP Greece Single Member Private Company |
| 12. LPP Hungary KFT | 30. LPP Deutschland GmbH |
| 13. LPP Lithuania UAB | 31. LPP Reserved UK LTD |
| 14. LPP Latvia LTD | 32. LPP Finland LTD |
| 15. LPP Estonia OU | 33. LPP Italy SRL |
| 16. LLC Re Development | 34. LPP Clothing Retail Spain, S.L. |
| 17. LPP Ukraina AT | 35. P&L Marketing&Advertising Agency SAL |
| 18. OOO LPP BLR | |



| GRI 205-2 Communication and training about anti-corruption policies and procedures GRI 205-3 Confirmed incidents of corruption and actions taken | 01.2020-02.2021 | 02.2021-01.2022 | 02.2022-01.2023 | |
|---|-----------------|-----------------|-----------------|---|
| | | LPP Group | Percentage | Number |
| Percentage of the Management Board members informed about the anti-corruption policy and procedures at the organisation | 100% | 100% | 100% | 5 |
| Percentage of suppliers informed about the anti-corruption policies and procedures at LPP | 100% | 100% | 100% | 1,238 |
| Number and percentage of the Management Board members who have undergone anti-corruption training | N/A | N/A | 100% | 5 |
| Number and percentage of employees who have undergone anti-corruption training as part of onboarding training for new hires | N/A | N/A | 100% | LPP SA - 838 Silky Coders - 169 LPP Logistics - 498 |
| Number of confirmed cases of corruption | 0 | 0 | 0 | 0 |
| Number of confirmed incidents in which employees were dismissed or disciplined for corruption | b/d | b/d | 0 | 0 |
| Number of incidents where contracts with business partners were terminated or not renewed due to breaches related to corruption | b/d | b/d | 0 | 0 |

| GRI 406-1 Incidents of discrimination and corrective actions taken | 01.2020-02.2021 | 02.2021-01.2022 | 02.2022-01.2023 | |
|---|-----------------|--------------------------------|-----------------|---------------------------------|
| | | LPP Group | Percentage | Number |
| Number of reports of potential irregularities (reports via ethics mail) box ²² | 6 | LPP SA - 14 LPP Retail - 58 | | LPP SA - 12 LPP Retail - 143 |
| Number of confirmed cases of discrimination in the workplace | 0 | 0 | 0 | 0 |

In the reporting period, proceedings were initiated against the LPP Group (LPP SA) concerning a breach of the principle of equal treatment towards an employee.

²² Reports that require, in the opinion of the employees reporting them, verification for compliance with ethical principles, concerning, e.g. issues of relations between the supervisor and subordinate or the rules of communication via social media.



KEY PERFORMANCE INDICATORS

| | |
|--|------------------------------|
| Number of stores | 1,962 stores in 27 countries |
| Number of newly opened stores ²³ | 271 |
| Number of employees all over the world | 29,930 |
| Number of people employed under a contract of employment in Poland ²⁴ | 14,543 |
| LPP Group's stores combined space | 1,673,360.0 m ² |
| Number of clothes shipped to stores on average per day | 3,0.0m items |
| Sales revenue | PLN 15,9.0bn |
| Revenues from e-commerce activities | PLN 4,392.0m |
| Share of sales from abroad | 27.6% |
| CAPEX | PLN 1,157.0m |
| Number of transactions made by customers | PLN 165.0m |

GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

| | |
|---|---|
| Total number of incidents (quality defects of products) | 13 All disputed products were withdrawn from sale and handed over to the relevant rendering plants. We have not identified any other defects, in particular defects that could have a negative impact on the health and safety of customers. |
| Incidents of non-compliance with regulations resulting in a fine or penalty | 0 |
| Incidents of non-compliance with regulations resulting in a warning | 0 |
| Incidents of non-compliance with voluntary codes | 0 |

| Product price component (PLN) | 2021/2022 | 2022/2023 |
|--|-----------|-----------|
| Example product price | PLN 123.0 | PLN 123.0 |
| Production cost (incl. factory workers' pay) | PLN 37.0 | PLN 44.0 |
| Store maintenance | PLN 35.0 | PLN 28.0 |
| VAT | PLN 23.0 | PLN 23.0 |
| Distribution and transport | PLN 12.0 | PLN 14.0 |
| The brand's profit | PLN 7.0 | PLN 7.0 |
| Design and administration | PLN 6.0 | PLN 4.0 |
| Corporate Income Tax | PLN 2.0 | PLN 1.0 |
| Tariffs | PLN 2.0 | PLN 2.0 |

²³ Number of newly opened stores adjusted by the number of stores closed in a given year, on continued operations (after conversion without the Russian market).

²⁴ In Poland, for people employed under a full-time employment contract, there is a standard 40-hour working time in an average 5-day working week. Weekly working time, including overtime, may not exceed 48 hours in the accepted reference period. Every person employed under an employment contract is entitled to at least 11 hours of uninterrupted daily rest and 35 hours of uninterrupted weekly rest. During the working day, the employee is entitled to a break of at least 15 minutes if the daily working time is at least 6 hours. In the case of working in front of a computer screen, the employee is entitled to an additional 5-minute break from the computer after each hour worked. Breaks are counted as working time. As a rule, annual leave is granted to every person employed under an employment contract. In Poland, the annual length of leave depends on the employee's length of service, which also includes the period of education and amounts to 20 working days per calendar year for an employee with less than 10 years of service and 26 working days per calendar year for an employee with at least 10 years of service. Employees have the opportunity to use days off for various life circumstances, e.g. their own wedding, child's wedding or the funeral of a family member. In addition, in Poland there are 13 public holidays a year, established by the legislator.

REPORT FROM
CALCULATING
THE LPP'S GREENHOUSE
GAS EMISSIONS
FOR THE 2022/2023
FINANCIAL YEAR





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

1. Introduction

The following report summarises the results and describes the methodology for calculating the LPP Group's greenhouse gas (GHG) emissions for the 2022/2023 financial year. The calculations were carried out in accordance with GHG Protocol standards, as described in: The GHG Protocol Corporate Accounting and Reporting Standard¹, GHG Protocol Scope 2 Guidance², Corporate Value Chain (Scope 3) Accounting and Reporting Standard³.

GHG emissions were calculated for all scopes and all Scope 3 categories as defined by the GHG Protocol. Scope 1 and 2 include direct and indirect emissions associated with the use of LPP Capital Group's own vehicles and buildings (offices, warehouses). Scope 3 includes indirect emissions related to the production processes of purchased goods (from sourcing the raw material to producing the item), their transport and distribution from the supplier to the LPP warehouse and transport and distribution between warehouses and between LPP stores, emissions related to the delivery to the customer, the customer's use and disposal of the products sold by LPP, and emissions related to the company's operations (including leased space for stores, warehouses and offices), not included in Scope 1 and 2.

All greenhouse gases are included in the calculation, giving emissions in CO₂ equivalent (CO₂e) by using the emission factors given in this unit.

During the reporting period, there were no emissions from own production of electricity, heat or steam that is sold or transferred to another organisation, emissions from the production of electricity, heat or steam purchased for resale to non-end users and

emissions from the combustion of biogenic fuels. Offset projects were not included in the calculation.

2. Reporting period

The reporting period for which GHG emissions have been calculated covers the period from 01.02.2022 to 31.01.2023, which is the financial year of the LPP Capital Group, equal to the period for which the LPP Group Sustainability Report for the financial year 2022/2023 is published.

• Emissions related to the use of buildings (offices, warehouses, stores) and cars.

Emissions from real estate and cars used during the declared reporting period were included in the calculation, based on invoices or meter readings covering this period. Where complete data is not available, emissions have been calculated based on extrapolation of available data.

• Emissions relating to purchased products and services.

In the case of goods purchased from suppliers and later sold to the end customer by the LPP Capital Group, the moment of purchase is considered to be the moment when the purchased goods were loaded onto the means of transport from the country of production to the LPP warehouse. For other products and services, the time of purchase is considered to be the date of invoice. Emissions resulting from the production and transport of purchased products and services during the declared reporting period were included in the calculation, and waste generated by LPP Capital Group related to purchased products and services was also taken into account.

• Emissions relating to products sold.

Emissions resulting from the transport to the customer, use and disposal by the cus-

tomers of the products sold during the declared reporting period, based on sales data, were included in the calculation.

- **Other emissions relating to operations.** These emissions include emissions resulting from investments undertaken, business travel and employee travel to workplaces undertaken during the declared reporting period.

GRI 2-2

3. Organisational boundaries

LPP is a Polish clothing company, owner of the brands: Reserved, Cropp, House, Mohito and Sinsay, which designs and distributes clothing in Poland, Europe and the Middle East. The LPP Capital Group comprises: LPP SA, as the Parent Company, 8 domestic subsidiaries and 26 foreign subsidiaries. Foreign companies are mostly entities that distribute LPP goods outside Poland.

All 35 LPP Capital Group companies were included in the calculation. In all companies, with the exception of Veviera Investments Sp. z o.o. and P&L Marketing&Advertising Agency SAL, LPP owns 100% of the equity and 100% of the financial control, therefore the choice of the emission consolidation criterion due to the size of shares and financial control was not relevant (equity share approach vs. financial control approach according to GHG Protocol). LPP is responsible for 100 per cent of the greenhouse gas emissions resulting from the companies' operations.

Also included in the calculation are 10 franchised stores operating in Egypt, Kuwait, Qatar, Israel and the United Arab Emirates (category 14 of scope 3).

Due to Russia's invasion of Ukraine, in February 2022, LPP Capital Group completely halted shipments of goods to Russia as well as all investments and development plans, and closed online sales of all its brands. At the end of March 2022, LPP Capital Group completed the operational steps necessary to close the stores in Russia. In May 2022, the Management Board decided to sell the LPP Group's Russian-registered company RE TRADING OOO and liquidate LLC Re Development. Emissions related to the operations of Russian companies accounted for 6.58% of LPP Capital Group's total emissions for the financial year 2021/2022. In order to make the emission data for the financial year 2022/2023 comparable with the previous year, the emissions for the financial year 2021/2022 have been recalculated accordingly and the following report gives the emission values excluding the Russian companies. In subsequent years, the values of the base year 2021/2022 are deemed to be emissions excluding Russian companies. For the sake of order, in order to show the total GHG emissions arising from LPP's operations in the 2022/2023 financial year, the summary at the end of the report also provides emission values including the Russian companies (Table 9).

4. Operational boundaries

Operational control was used as a criterion for consolidation (operational control according to the GHG Protocol). The definition of operational boundaries was important in the context of locating the calculated emissions in the correct ranges and categories as defined by the GHG Protocol.

In the majority of the office space and in all of its own warehouses and in relation to cars, LPP has 100% operational control and

**Table 1. Structure of the LPP Capital Group – LPP SA and subsidiaries (as at 31.01.2023)**

| No | Name of the company | Headquarters | Share in capital | Financial control |
|-----|--|------------------------------------|------------------|-------------------|
| 1. | LPP SA | Gdańsk. Poland | 100.0% | Yes |
| 2. | LPP Retail Sp. zo.o. | Gdańsk. Poland | 100.0% | Yes |
| 3. | DP&SL Sp. z o.o. | Gdańsk. Poland | 100.0% | Yes |
| 4. | IL&DL Sp. z o.o. | Gdańsk. Poland | 100.0% | Yes |
| 5. | LPP Printable Sp. z o.o. | Gdańsk. Poland | 100.0% | Yes |
| 6. | LPP Logistics Sp. z o.o. | Gdańsk. Poland | 100.0% | Yes |
| 7. | Dock IT Sp. z o.o. | Gdańsk. Poland | 100.0% | Yes |
| 8. | Silky Coders Sp. z o.o. | Gdańsk. Poland | 100.0% | Yes |
| 9. | Veviera Investments Sp. z o.o. | Gdańsk. Poland | 50.0% | Yes |
| 10. | LPP Czech Republik SRO | Prague. Czech Republic | 100.0% | Yes |
| 11. | LPP Slovakia SRO | Banska Bystrica. Slovakia | 100.0% | Yes |
| 12. | LPP Hungary KFT | Budapest. Hungary | 100.0% | Yes |
| 13. | LPP Lithuania UAB | Vilnius. Lithuania | 100.0% | Yes |
| 14. | LPP Latvia LTD | Riga. Latvia | 100.0% | Yes |
| 15. | LPP Estonia OU | Tallinn. Estonia | 100.0% | Yes |
| 16. | LLC Re Development | Moscow. Russia | 100.0% | Yes |
| 17. | LPP Ukraina AT | Przemyślany. Ukraine | 100.0% | Yes |
| 18. | OOO LPP BLR | Minsk. Belarus | 100.0% | Yes |
| 19. | LPP Kazakhstan LLP | Almaty. Kazakhstan | 100.0% | Yes |
| 20. | LPP Bulgaria EOOD | Sofia. Bulgaria | 100.0% | Yes |
| 21. | LPP Fashion Bulgaria EOOD | Sofia. Bulgaria | 100.0% | Yes |
| 22. | LPP Romania Fashion SRL | Bucharest. Romania | 100.0% | Yes |
| 23. | LPP Croatia DOO | Zagreb. Croatia | 100.0% | Yes |
| 24. | LPP Reserved DOO Beograd | Belgrade. Serbia | 100.0% | Yes |
| 25. | Reserved Fashion. Modne Znamke DOO | Ljubljana. Slovenia | 100.0% | Yes |
| 26. | LPP BH DOO | Banja Luka. Bosnia and Herzegovina | 100.0% | Yes |
| 27. | LPP Macedonia DOOEL | Skopje. Macedonia | 100.0% | Yes |
| 28. | LPP Albania LTD | Tirana. Albania | 100.0% | Yes |
| 29. | LPP Greece Single Member Private Company | Athens. Greece | 100.0% | Yes |
| 30. | LPP Deutschland GmbH | Hamburg. Germany | 100.0% | Yes |
| 31. | LPP Reserved UK LTD | Altrincham. United Kingdom | 100.0% | Yes |
| 32. | LPP Finland LTD | Helsinki. Finland | 100.0% | Yes |
| 33. | LPP Italy SRL | Milan. Italy | 100.0% | Yes |
| 34. | LPP Clothing Retail Spain. S.L. | Madrid. Spain | 100.0% | Yes |
| 35. | P&L Marketing&Advertising Agency SAL | Beirut. Lebanon | 97.3% | Yes |



the emissions associated with the use of these facilities (fuel combustion, electricity consumption, heat consumption and refrigerant leaks) are included in Scope 1 and 2. Stationary stores are treated as leased assets in which LPP does not have operational control, as most are located in shopping centres. Accordingly, the emissions associated with the use of the stores are included in category 8 of scope 3. At the end of the reporting period under consideration, LPP had 1,962 stores in Poland and abroad.

Office space over which LPP does not have total operational control is space leased from third parties. When leasing office space in Poland, LPP uses in-house solutions aimed at energy savings. Accordingly, it was decided to classify emissions resulting from the use of rented offices in Poland as Scope 1 and 2 emissions. In addition, locating emissions in this way is more transparent (the emissions associated with the office space used are in one place), and in the event of LPP buying back the leased space, which has already happened in the past, this does not affect changes in emissions resulting directly from the company's decarbonisation measures.

Offices rented abroad are treated as assets taken on lease and the emissions associated with their use (electricity and heat, natural gas consumption and refrigerant leaks) are included in category 8 of Scope 3.

In addition to stores and offices, fulfilment centre (FC) warehouses in Poland and abroad were also recognised as leased assets. These emissions are also included in category 8 of Scope 3. Leased ancillary and technical warehouses in Poland were omitted from the calculation due to their small size.

Own office and warehouse space (scope 1 and 2, 100% financial and operational control):

- Gdańsk Łąkowa Cotton Office,
- Gdańsk Łąkowa Velvet Office,
- Gdańsk Reduta Office,
- Gdańsk Sadowa Office,
- Krakow Office,
- DC Pruszcz Gdański (warehouse+office),
- DC Brześć Kujawski,
- FC Pruszcz Gdański (warehouse+office),

Rented office space (scope 1 and 2, 100% financial control, no operational control):

- Gdansk Opera Office,
- Gdańsk Długie Ogrody Office,
- Warsaw Office.

Leased space included in category 8 of scope 3 (100% financial control, no operational control):

- stationary stores in Poland and abroad,
- foreign offices,
- fulfilment centre (FC) warehouses in Poland and abroad.

5. Description of calculation methodology, data sources and indicators

SCOPE 1. FUELS AND REFRIGERANTS USED IN LPP FACILITIES AND VEHICLES

- Emission **factors** were sourced from the **UK Government GHG Conversion Factors for Company Reporting** database⁴.
- Emissions were calculated by multiplying the consumption of fuels and fugitive refrigerants in the respective units by the corresponding rate given in t CO₂e/unit of consumption.
- The determined emissions were added up to obtain a value of **13,762.35 t CO₂e**.

SCOPE 2. PURCHASED ELECTRICITY AND HEAT

- Emissions associated with electricity purchased and used in LPP buildings were calculated using **location-based** and **market-based** methods. Emissions associated with purchased and used thermal energy were calculated using a **location-based** method. Scope 2 emissions calculated by the two methods are given as separate figures, and emissions calculated using the **market-based** method have been taken into the total of all LPP Capital Group emissions.
- Emission factors for electricity were sourced from **the National Balancing and Emissions Management Centre KOBiZE** database⁵ (for the location-based method) and factors for the market-based method were sourced directly from energy suppliers. Indicators for heat and refrig-

erants were sourced from the **UK Government GHG Conversion Factors for Company Reporting** database⁴.

- Emissions were calculated by multiplying the electricity and heat consumption and the amounts of refrigerants replenished in the respective units by the corresponding rate given in t CO₂e/unit of consumption.
- The determined emissions were added up to obtain a value of **12,734.28 t CO₂e** for the location-based method and **7,827.65 t CO₂e** for the market-based method.

SCOPE 3. CAT.1 PURCHASED GOODS AND SERVICES

Acquisition of raw materials

- Emissions associated with the sourcing of conventional and more sustainable raw materials and those associated with the production of the material were calculated using the average-data method. For other articles, such as toys, kitchen equipment, home accessories, beauty products, etc., a **spend-based** approach was used due to the very wide variety in terms of article composition, and due to the lack of reliable emission factors for both the sourcing of raw materials and the production processes of these articles.
- Emission factors for sourcing conventional raw materials and more sustainable raw materials were derived from the **Higg Materials Sustainability Index MSI**⁶.

Average-data calculations

- To calculate the emissions associated with sourcing conventional raw materials and



more sustainable raw materials, the total weight of all raw materials consumed in tonnes, determined on the basis of the weight of the ordered commodity of a given composition, was multiplied by the emission factor for the raw material given in t CO₂e/t of raw material. The reported rates take into account the emissions associated with the waste generated in the purification of the raw material prior to the material production stage.

- To calculate the emissions associated with the production of the material, the gross raw material consumption in tonnes (i.e. the weight of the raw materials including the waste generated in the production of the material from the raw materials - 20% of the weight of the raw material consumed was assumed, which is the value indicated by Higg) was multiplied by the emission factor for the production of the material given in t CO₂e/t of material.
- The determined emissions were added up to obtain a value of **1,269,773.86 t CO₂e**.

Spend-based calculations

- The **Quantis** application⁷ was used for the calculations.
- The average annual USD exchange rate for 2022 provided by the National Bank of Poland was used to convert PLN to USD⁸, and the average annual rate provided by the ECB was used to convert EUR to USD⁹.
- The resulting USD values were transferred to Quantis and emissions were calculated.
- The determined emissions were added up to obtain a value of **58,794.87 t CO₂e**.

SCOPE 3. CAT.1 PURCHASED GOODS AND SERVICES

Finished goods production processes

- Emissions related to the production processes of the finished good (material -> product) were calculated using the **average-data** method.
- The emission factors were derived from the **Higg Product Module PM**¹⁰.
- The emissions associated with the production of an item were calculated by multiplying the number of units purchased by the emission factor given in kg CO₂e/piece of the item.
- The resulting emissions were added up to obtain a value of **165,776.20 t CO₂e**.

SCOPE 3. CAT.1 PURCHASED GOODS AND SERVICES

Bags in stores for the customer

- Emissions related to the production processes of bags issued to customers in stores were calculated using the **average-data** method.
- The emission factors were derived from the **Higg Product Module MSI**⁶.
- Emissions were calculated by multiplying the total weight of bags from each raw material in tonnes by a raw material-specific factor given in t CO₂e/t of raw material.
- All emissions were added up, obtaining a value of **2,476.20 t CO₂e**.

SCOPE 3. CAT.1 PURCHASED GOODS AND SERVICES

E-commerce packaging (packaging sent to the customer)

- Emissions associated with e-commerce packaging production processes were calculated using the **average-data** method.
- The emission factors were derived from the **Higg Product Module MSI**⁶.
- Emissions were calculated by multiplying the weight of the shipped packaging and additional elements such as tapes, logistics labels, fillings, etc. in tonnes by the emission factor for the type of raw material from which the packaging was made given in t CO₂e/tonne of raw material.
- All emissions were added up, obtaining a value of **7,698.92 t CO₂e**.

SCOPE 3. CAT.1 PURCHASED GOODS AND SERVICES

OpEx

- Emissions related to purchased goods and services, for which the average-data or supplier-specific method could not be used due to the lack of available data on the weight or units of the purchased goods or emission factors, the **spend-based** method was used.
- The **Quantis**⁷ software was used to calculate emissions.
- The average annual USD exchange rate for 2022, as provided by the National

Bank of Poland⁸, was used to convert PLN to USD.

- The resulting values were transferred to Quantis and emissions were calculated, resulting in a value of **201,218.49 t CO₂e**.

SCOPE 3. CAT.2 CAPITAL ASSETS

CapEx

- Emissions associated with purchased capital goods were calculated using the **spend-based** method and the **Quantis**⁷ software.
- The average annual USD exchange rate for 2022, as provided by the National Bank of Poland⁸, was used to convert PLN to USD.
- The resulting values were transferred to Quantis and emissions were calculated, resulting in a value of **198,798.33 t CO₂e**.

SCOPE 3. CAT.3 ENERGY- AND FUEL-RELATED EMISSIONS NOT COVERED BY SCOPE 1 AND 2

Emissions associated with the generation and transport and distribution of energy and fuels (well-to-tank)

- Energy and fuel-related emissions not included in Scope 1 and 2 include emissions associated with the generation, transport and distribution of purchased and consumed fuels and energy in buildings and own vehicles. These emissions are referred to as well-to-tank (WTT) emissions and are part of the total source-to-tank or well-to-wheel (WTW) emissions. The remaining TTW (tank-to-



wheel, i.e. emissions from energy or fuel consumption) emissions were calculated in scopes 1 and 2 (for cars, offices and warehouses). WTT emissions related to the use of fuel and energy for rented space are included in the same categories as TTW emissions.

- Emissions were calculated using the **average-data** method.
- Emission factors were taken from the **UK Government GHG Conversion Factors for Company Reporting** database for 2021¹¹.
- Emissions were calculated by multiplying the amount of fuel or electricity consumed in the relevant unit by the emission factor given in t CO₂e/unit of consumption.
- All emissions were added up, obtaining a value of **5,777.88 t CO₂e**.

SCOPE 3

CAT.4 TRANSPORT AND DISTRIBUTION - UPSTREAM

Transport of goods from supplier to LPP

- Emissions associated with the transport of purchased goods from the supplier to the LPP were calculated using a **distance-based approach**.
- Emission factors were sourced from the **UK Government GHG Conversion Factors for Company Reporting** database⁴ for road and air transport and from the **BSR Clean Cargo Trade Lane Emissions Factors Report**¹² for sea transport.
- Emissions related to transport carried out by sea (SEA) were calculated on the basis of the number and type of containers used

to transport the goods, the distance from the shipping port to the port of destination, taking into account transport by land from the port of destination to the LPP warehouse. The calculation methodology used was that described in the **Clean Cargo Working Group Carbon Emissions Accounting Methodology**¹³.

- Emissions related to the transport of goods by air transport were calculated on the basis of the weight of the goods in tonnes, the distance from the shipping port to the port of destination and including transport by road from the port of destination to the LPP warehouse.
- Emissions related to the transport of goods by rail were calculated on the basis of the weight of the goods in tonnes, the distance from the shipping place to the destination and including transport by road from the destination to the LPP warehouse.
- Emissions associated with the transport of goods by road were calculated based on the weight of the goods in tonnes and the distance from the shipping point to the LPP warehouse.
- The resulting emissions were added up to obtain a value of **112,418.99 t CO₂e**.

SCOPE 3

CAT.4 TRANSPORT AND DISTRIBUTION - UPSTREAM

Transport of goods within the LPP (warehouse to warehouse, warehouse to store)

- Emissions related to the transport of purchased goods between LPP units (warehouses, stores) were calculated using the **distance-based** method and the **spend-**

based method for transport for which there was no defined weight of the goods transported (clothes transported on hangers and transfers between stores).

- For the distance-based method, emission **factors** were sourced from the **UK Government GHG Conversion Factors for Company Reporting** database⁴ and Quantis⁷ software was used to calculate the spend-based method.

Distance-based calculations

- Emissions were calculated by multiplying the weight of the goods transported in tonnes by the distance travelled on the transport section in kilometres and by the emission factor for the mode of transport in kg CO₂e/tkm.

Spend-based calculations

- Emissions associated with inter-stores transport (transfers) were calculated using the **spend-based** method, using Quantis⁷ software. Costs in PLN were based on invoices. The average annual USD exchange rate for 2022, as provided by the National Bank of Poland⁸, was used to convert PLN to USD.
- The **spend-based** method was also used to calculate the emissions associated with the transport of hanging garments (garments transported on hangers).
- The emissions obtained by both methods were added together to obtain a value of **63,779.82 t CO₂e**.

SCOPE 3

CAT.5 WASTE GENERATED DURING OPERATIONS

- Emissions related to waste generated during operations were calculated using the **average-data** method.
- Emission factors were sourced from the **UK Government GHG Conversion Factors for Company Reporting** database⁴. Included in this category are emissions from waste directly related to the purchased product, generated at the stage of transport and distribution of the ordered goods (cardboard boxes, foils, tapes in which the goods were packed from the supplier or during transport between LPP warehouses, and which ended up in LPP warehouses as waste), and e-commerce packaging, which returned to LPP together with returns of goods from customers. Emissions related to municipal waste arising from the operational activities of offices, warehouses and stores are included in Category 1, in the part calculated on the basis of the OpEx statement.
- Emissions were calculated by multiplying the weight of waste generated in tonnes by type of raw material and destination (recyclable/non-recyclable) by the emission factor appropriate to the raw material and disposal method given in t CO₂/t.
- The resulting emissions were added up to obtain a value of **400.13 t CO₂e**.



**SCOPE 3
CAT.6 BUSINESS TRAVEL**

Business travel of LPP employees

- Emissions related to business travel of LPP employees were calculated using the **average-data** method. The emissions included transport and a hotel stay at the destination.
- Emission factors for travel were sourced from **the UK Government GHG Conversion Factors for Company Reporting**⁴ database, and for hotel nights from <https://www.hotelfootprints.org>; (the national average for 3* hotels was taken for each country)
- Emissions were calculated by multiplying the number of kilometres driven by the emission factor given in t CO₂e/km and the number of overnight stays in the country by the corresponding factor given in t CO₂e/room/night.
- The resulting emissions were added up to obtain a value of **3,062.98 t CO₂e**.

**SCOPE 3
CAT.7 EMPLOYEE TRANSPORT**

Transport of LPP employees to the workplace and remote working

- Emissions associated with the transport of LPP employees to their place of work were calculated using the **average-data** method and extrapolation.
- Emission factors for bus, motorbike, multi-propulsion cars and rail vehicles were sourced from **the UK Government GHG Conversion Factors for Company Reporting**⁴ database.

- Data on LPP employees' travel to the workplace was obtained from a survey sent to employees by email in the first week of January 2023.
- On the basis of the responses received, the total kilometres travelled one way per day by the respective means of transport for Poland (PL) and abroad (nonPL) and the average number of days spent in the office (i.e. including the commute to work) by people using the respective means of transport for Poland and abroad were determined.
- In the survey, 46% of Polish employees and 20% of foreign employees responded.
- Emissions were calculated by multiplying the total number of daily one-way kilometres travelled by a given mode of transport by 2, then by the average number of days spent in the office and by the mode-specific emission factor given in t CO₂e/km.
- The calculated emissions for each mode of transport were added up, separately for the transport of Polish and non-Polish employees.
- The emission values calculated from the survey responses were extrapolated to 100% Polish and 100% non-Polish employees.
- Emissions related to energy used by employees during remote working were calculated using the **average-data** method.
- Emission factors for electricity were taken from the database of **the National Balancing and Emission Management Centre KOBiZE**¹⁴.

- The number of days spent working remotely by all employees was determined based on the survey, and energy consumption was calculated with the assumptions that each employee worked eight hours a day and used a computer with an average power of 50 W and a monitor with an average power of 70 W to work.
- All emissions were added up, giving a value of **16,891.80 t CO₂e**.

**SCOPE 3
CAT.8 ASSETS LEASED**

Stationary stores, warehouses and offices

- Assets leased to LPP include all stationary stores (both in Poland and abroad), fulfillment centre warehouses in Poland, all warehouses abroad and offices abroad. The emissions associated with the above are analogous to those for the LPP buildings in Scope 1 and 2 (electricity and heat consumed, natural gas and refrigerant leaks).
- Emissions related to electricity, heat, natural gas and refrigerant leaks were calculated using the **average-data** method and **location-based** factors for electricity.
- Emission factors for electricity for Poland were sourced from **the National Balancing and Emission Management Centre KOBiZE**⁵ database, and for other countries from the **Carbon Footprint Country Specific Electricity Grid Greenhouse Gas Emission Factors** file¹⁵, country energy profiles from **the International Renewable Energy Agency (IRENA)**¹⁶, and for heat, natural gas and refrigerants from the **UK Government GHG Conversion Factors for Company Reporting**⁴ database.

- Stores. The electricity consumption in stores was determined by taking the consumption readings of 210 stores in Poland, converting them into consumption per m² of floor space and then calculating the average consumption for the stores in each country of sale. Heat consumption was calculated using last year's thermal energy consumption given in kWh/m² and successively calculating the average consumption for the stores in each country of sale. The quantities of refrigerants replenished in the stores came from invoices.

- **Offices and warehouses.** The consumption values for electricity, heat, natural gas and supplemented refrigerants were derived from invoices.
- Emissions were calculated by multiplying the amount of electricity, heat, natural gas and supplemented refrigerants consumed in the respective units by the corresponding rate given in t CO₂e/unit of consumption.
- The calculated emissions were added up to obtain a value of **277,908.89 t CO₂e**.

**SCOPE 3
CAT.9 TRANSPORT AND DISTRIBUTION - DOWNSTREAM**

Transport of goods to the customer - e-commerce

- Emissions related to the transport of goods purchased via the e-commerce channel to the customer were calculated using the **average-data** method and **supplier-specific** indicators. Emissions were calculated for both the transport of parcels sent to the customer and those returned.



- Emission factors for parcels transported by Polish carriers came directly from the carriers and were provided in direct messages sent by e-mail. Indicators are average emissions calculated by the carrier. For foreign carriers, due to their large variation, average rates were established on the basis of the rates of Polish carriers.
- Emissions were calculated by multiplying the number of parcels sent and returned via a given carrier in units by the rate in kg CO₂e/parcel provided by the carrier (PL) or averaged (nonPL).
- The resulting emissions were added up to obtain a value of **28,959.62 t CO₂e**.

SCOPE 3 CAT.10 PROCESSING OF PRODUCTS SOLD

LPP only sells finished products, it is not a distributor of semi-finished products requiring processing by the customer. Consequently, the emissions in category 10 are 0.

SCOPE 3 Cat. 11 USE OF PRODUCTS SOLD

- Emissions related to the use of the products sold came from the washing and ironing of textile products (indirect energy consumption, hereafter referred to as care) and the use of lighting powered from an electrical socket (direct energy consumption). For textile products, the method described in the GHG Protocol as for **'Products that indirectly consume energy (fuels or electricity) during use'** was used, while the **average-data** method was used for socket-powered lighting.

- Emission factors for electricity for Poland were taken from the database of the **National Balancing and Emission Management Centre KOBIZE**¹⁵ and for the other countries from the **Carbon Footprint Country Specific Electricity Grid Greenhouse Gas Emission Factors**¹⁴ file and country energy profiles from the **International Renewable Energy Agency (IRENA)**¹⁵.
- Emissions related to the care of the textile products sold were calculated on the basis of the product care instructions. Emissions associated with washing and ironing products were taken into account. Care instructions (Washing Care Labels) are placed on every textile product that may require washing and ironing and other special care measures. The assumption is that the customer follows the instructions on the product every time.
- In order to calculate the emissions from washing the products, the number of washing cycles with a given temperature programme over the lifetime of the product was multiplied (assuming that all products in the category were washed in a fully filled 6 kg washing machine with a given temperature programme, the number of care cycles was indicated by Higg in the technical document for the Higg Product Module tool¹⁷) by the average energy consumption per cycle in kWh and the country-specific emission factor given in kg CO₂e/kWh and the number of units sold in each country.
- To calculate the emissions from ironing the products, the number of ironings with a given programme during the entire life of the product was multiplied by the energy consumption of the iron during ironing

with the given programme (kWh/minute), by the ironing time in minutes and by the country-specific emission factor given in kg CO₂e/kWh and the number of units sold in each country.

- Emissions associated with the use of socket-powered lighting (18 models) were calculated based on the electricity consumption of the lights. The 18 models considered have 60 W incandescent bulbs, i.e. they consume energy equivalent to 0.06 kWh per hour. Based on our own findings, it was assumed that the average time the lamp is switched on is 2 hours per day and the lamp is used for approximately 2 years, so energy consumption occurs for a total of 1,460 hours. The total running time of the lamp was multiplied by the number of units sold in each country, the energy consumption in kWh and the emission factor for the country given in kg CO₂e/kWh.
- The other products do not generate GHG emissions over the course of their use by customers, so were not included in the calculations. Footwear care as recommended in **Higg PM Methodology**¹⁶ was also omitted from the calculation.
- The emissions obtained for all countries were added together to obtain a value of **171,358.99 t CO₂e**.

SCOPE 3 CAT.12 DISPOSAL OF SOLD PRODUCTS

How to dispose of the product at the end of its use by the customer

- Emissions associated with the disposal of sold products were calculated using the **average-data** method.

- Emission factors were sourced from the **UK Government GHG Conversion Factors** for Company Reporting database⁴.
- Also included in the calculation are the emissions associated with the disposal of bags from stores and the disposal of e-commerce packaging sent to the customer.
- Landfill was assumed as the destination for textile waste, electronics, glass and ceramics and plastics, while recycling was assumed for other waste and composting for wood.
- Emissions were calculated by multiplying the weight of the waste to be disposed of in tonnes by the emission factor given in t CO₂e/t.
- The calculated emissions were added up to obtain a value of **45,179.33 t CO₂e**.

SCOPE 3 CAT.13 LEASED ASSETS

LPP only leases premises for the security of LPP facilities. Emissions associated with leased assets represent a small fraction of emissions and have therefore been omitted from the calculation.

SCOPE 3 CAT.14 FRANCHISES

- LPP is the franchisor for 10 stationary stores.
- Franchise-related emissions were calculated using the **average-data** method.
- The electricity and heat consumption of the franchised stores was determined



analogously to the consumption of the stores calculated for category 8.

- The calculated emissions were added up to obtain a value of **1,280.54 t CO₂e**.

**SCOPE 3
CAT.15 INVESTMENTS**

LPP has no equity investments outside of the LPP Group, therefore the emissions in category 15 are 0.

**6. RESULTS
AND COMMENTARY**

In 2023, we calculated our carbon footprint for the second time, taking into account all scopes and all categories defined by the GHG Protocol. The total carbon footprint of the LPP CG for the reporting period 01.02.2022-31.01.2023 was **2,653,145.82 t CO₂e**. Scope 1 emissions, which include direct emissions from fuel combustion and refrigerant leakage in the company's buildings and vehicles, amounted to **13,762.35 t CO₂e** and represented **0.52%** of total CO₂e emissions. Scope 2 emissions, which include indirect emissions associated with the consumption of purchased electricity (for the market-based method) and heat in LPP buildings, amounted to **7,827.65 t CO₂e**, representing **0.30%** of total CO₂e emissions. Scope 2 emissions calculated using the location-based method amounted to **12,734.28 t CO₂e**. The largest contribution to LPP's total carbon footprint came from indirect emissions included in scope 3, related to the production and distribution of purchased goods, delivery to the customer, the customer's use and disposal of sold goods, and the operation

of the entire company in scopes other than those described in scopes 1 and 2. These emissions amounted to **2,631,555.83 t CO₂e** and accounted for **99.18%** of total CO₂e emissions (Table 2).

In Scope 3, emissions related to purchased goods and services (category 1) accounted for the largest share of emissions - **64.82%**. This is followed by emissions resulting from the operation of stores, rented warehouses and offices (category 8) - **10.56%** and emissions resulting from the purchase of investment assets (category 2) - **7.55%** (Table 2, Figure 1).

In the relevant reporting period, LPP purchased a total of **470,333,854 items**. Converting the emissions per unit of goods purchased yields a value of **5.64 kg CO₂e/ piece**.

Sales revenue for the financial year 2022/2023 amounted to **PLN 15,927,000,000**. Converting emissions into revenue yields a value of **166.58 t CO₂e/M PLN** (Table 3).

The largest share of total GHG emissions was accounted for by the production of materials (**32.90%**) and the acquisition of raw materials for the production of the goods (14.96%) (Figure 2). Emissions related to purchased goods, including its production and transport, accounted for **62.96%** of total emissions, or more than half of the LPP Group's emissions (Figure 3). Emissions related to production processes accounted for a total of **56.32%** and emissions related to the transport of purchased goods accounted for **6.64%** of total emissions (Figure 4). Emissions related to products sold, i.e. generated by the customer, accounted for 9.64% of the LPP Group's total emissions (Figure 3), with the largest part, **6.46%** of total emissions,

being those related to the customer's use of the product (Figure 5). Emissions related to the company's operations, comprising Scopes 1 and 2 and some Scope 3 categories, accounted for **27.40%** of the LPP Group's total emissions (Figure 3).

Total electricity consumption from renewable sources in Scope 2 after the conversion without Russia amounted to 4,751,118.34 kWh (26.44% of total electricity consumption) in 2022/2023, and 0 a year earlier. Energy consumption from conventional sources: 13,220,731.25 kWh per year. 2022/2023 and 14,857,223.71 kWh a year earlier.

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

Table 2. Carbon footprint of the LPP Group in the financial year 2022/2023 by emission scopes and categories together with the percentage of emission ranges and categories in the total carbon footprint. Comparison with financial year 2021/2022 (recalculated without Russia)

| | 2021/2022 | | 2022/2023 | | YoY change |
|--|---------------------|--------|---------------------|--------|------------|
| | t CO ₂ e | %* | t CO ₂ e | %* | %* |
| SCOPE 1 | 4,420.67 | 0.15% | 13,762.35 | 0.52% | +211.32% |
| SCOPE 2 | 10,267.11 | 0.36% | 7,827.65 | 0.30% | -23.76% |
| SCOPE 3 | 2,865,952.62 | 99.49% | 2,631,555.83 | 99.18% | -8.18% |
| Cat 1 Goods and services purchased. | 1,892,769.20 | 66.04% | 1,705,738.53 | 64.82% | -9.88% |
| Cat 2 Investment assets | 197,454.69 | 6.89% | 198,798.33 | 7.55% | +0.68% |
| Cat 3 Emissions from energy and fuel use (not included in Scope 1 and 2)** | 3,555.63 | 0.12% | 5,777.88 | 0.22% | +62.50% |
| Cat 4 Transport and distribution of purchased products** | 157,610.94 | 5.50% | 176,198.81 | 6.70% | +11.79% |
| Cat 5 Waste generated during operations | 385.10 | 0.01% | 400.13 | 0.02% | +3.90% |



| | | | | | |
|---|--------------|--------|--------------|--------|---------|
| Cat 6 Business trips | 2,390.09 | 0.08% | 3,062.98 | 0.12% | +28.15% |
| Cat 7 Transport of employees to work | 16,319.17 | 0.57% | 16,891.80 | 0.64% | +3.51% |
| Cat 8 Leased assets | 388,443.36 | 13.55% | 277,908.89 | 10.56% | -28.46% |
| Cat 9 Transport and distribution of products sold | 26,212.33 | 0.91% | 28,959.62 | 1.10% | +10.48% |
| Cat 10 Processing of products sold | 0.00 | 0.00% | 0.00 | 0.00% | 0.00% |
| Cat 11 Use of products sold | 146,559.20 | 5.11% | 171,358.99 | 6.51% | +16.92% |
| Cat 12 Disposal of products sold | 32,969.36 | 1.15% | 45,179.33 | 1.72% | +37.03% |
| Cat 13 Assets under lease | 0.00 | 0.00% | 0.00 | 0.00% | 0.00% |
| Cat 14 Franchises | 1,283.55 | 0.04% | 1,280.54 | 0.05% | -0.23% |
| Cat 15 Investments | 0.00 | 0.00% | 0.00 | 0.00% | 0.00% |
| SUMMARY Scope 1+2+3 | 2,880,640.39 | | 2,653,145.82 | | -7.90% |

* For the scope 3 category, the percentages refer to the total emissions in scope 3

**For categories 3 and 4, emissions were recalculated for 2021/2022 according to the SBTi methodology

Table 3. Emission intensity per item of goods purchased and per unit of revenue for the financial year 2022/2023. Comparison with financial year 2021/2022 (recalculated without Russia)

| | Emission volume | | YoY change |
|-------------------------------|----------------------------------|----------------------------------|------------|
| | 2021/2022 | 2022/2023 | % |
| Total emissions | 2,880,640.39 t CO ₂ e | 2,653,145.82 t CO ₂ e | -7.90% |
| Emission per item ordered | 4.97 kg CO ₂ e/item | 5.64 kg CO ₂ e/item | +13.60% |
| Emissions per unit of revenue | 202.65 t CO ₂ e/M PLN | 166.58 t CO ₂ e/M PLN | -17.80% |

Table 4. SCOPE 1: emissions by source type for the financial year 2022/2023. Comparison with financial year 2021/2022 (recalculated without Russia)

| | 2021/2022 | | 2022/2023 | | YoY change |
|---|---------------------|--------|---------------------|--------|------------|
| | t CO ₂ e | % | t CO ₂ e | % | % |
| SCOPE 1 | 4,420.67 | 100% | 13,762.35 | 100% | +211.32 |
| Direct emissions from stationary combustion | 2,100.87 | 47.52% | 12,064.43 | 87.66% | +474.26% |
| Direct emissions from mobile combustion | 1,848.43 | 41.81% | 1,697.92 | 12.34% | -8.14% |
| Direct emissions from refrigerants | 471.36 | 10.66% | 0.00 | 0.00% | -100.00% |



**Table 5. SCOPE 2: emissions by source type for the financial year 2022/2023.
Comparison with financial year 2021/2022 (recalculated without Russia)**

| | 2021/2022 | | 2022/2023 | | YoY change |
|---|---------------------|--------|---------------------|--------|------------|
| | t CO ₂ e | % | t CO ₂ e | % | % |
| SCOPE 2 | 10,267.11 | 100% | 7,827.65 | 100% | -23.76% |
| Indirect emissions from purchased/acquired electricity | 8,004.54 | 77.96% | 7,134.51 | 91.14% | -10.87% |
| Indirect emissions from purchased/acquired steam | 0.00 | 0.00% | 0.00 | 0.00% | 0.00% |
| Indirect emissions from purchased/acquired thermal energy | 2,262.57 | 22.04% | 693.14 | 8.86% | -69.36% |
| Indirect emissions from purchased/acquired cold | 0.00 | 0.00% | 0.00 | 0.00% | 0.00% |

**Table 6. SCOPE 3: emissions by source type for the financial year 2022/2023.
Comparison with financial year 2021/2022 (recalculated without Russia)**

| | 2021/2022 | | 2022/2023 | | YoY change |
|------------------------------|---------------------|--------|---------------------|--------|------------|
| | t CO ₂ e | % | t CO ₂ e | % | % |
| SCOPE 3 | 2,865,952.63 | 99.49% | 2,631,555.82 | 99.19% | -8.18% |
| Acquisition of raw materials | 500,081.95 | 17.45% | 396,993.35 | 15.09% | -20.61% |
| Production of materials | 1,033,289.26 | 36.05% | 872,780.51 | 33.17% | -15.53% |
| Production of finished goods | 205,330.27 | 7.16% | 165,776.20 | 6.30% | -19.26% |

| | | | | | |
|--|------------|--------|------------|-------|----------|
| Emissions related to purchased goods calculated using the spend-based method | 66,672.42 | 2.33% | 58,794.87 | 2.23% | -11.82% |
| Production of store bags | 1,900.80 | 0.07% | 2,476.20 | 0.09% | +30.27% |
| Production of e-commerce packaging | 5,240.16 | 0.18% | 7,698.92 | 0.29% | +46.92% |
| Other purchased services | 80,254.35 | 2.80% | 201,218.49 | 7.65% | +150.73% |
| Investment assets | 197,454.69 | 6.89% | 198,798.33 | 7.55% | +0.68% |
| WTT emissions of energy and fuels | 47,558.37 | 1.66% | 38,632.71 | 1.47% | -18.77% |
| LPP supplier-warehouse transport | 121,701.08 | 4.25% | 112,418.99 | 4.27% | -7.63% |
| Transportation within LPP (between warehouses and stores) | 35,909.85 | 1.25% | 63,779.82 | 2.42% | +77.61% |
| Waste generated during operations | 385.1 | 0.01% | 400.13 | 0.02% | +3.90% |
| Business travels | 2,390.09 | 0.08% | 3,062.98 | 0.12% | +28.15% |
| Transporting employees to work | 16,319.17 | 0.57% | 16,891.80 | 0.64% | +3.51% |
| Store rental (including franchising) | 289,365.02 | 10.10% | 215,486.87 | 8.19% | -25.53% |
| Warehouse rental | 55,362.91 | 1.93% | 28,765.20 | 1.09% | -48.04% |
| Office rental | 996.24 | 0.03% | 2,082.52 | 0.08% | +109.04% |
| Transport and distribution of sold products to the customer (e-commerce transport) | 26,212.33 | 0.91% | 28,959.62 | 1.10% | +10.48% |
| Use of sold products by the customer | 146,559.20 | 5.11% | 171,358.99 | 6.51% | +16.92% |
| Disposal of sold products by the customer | 32,969.36 | 1.15% | 45,179.33 | 1.72% | +37.03% |



Figure 1. Comparison of Scope 3 emissions by category (financial year 2022/2023)

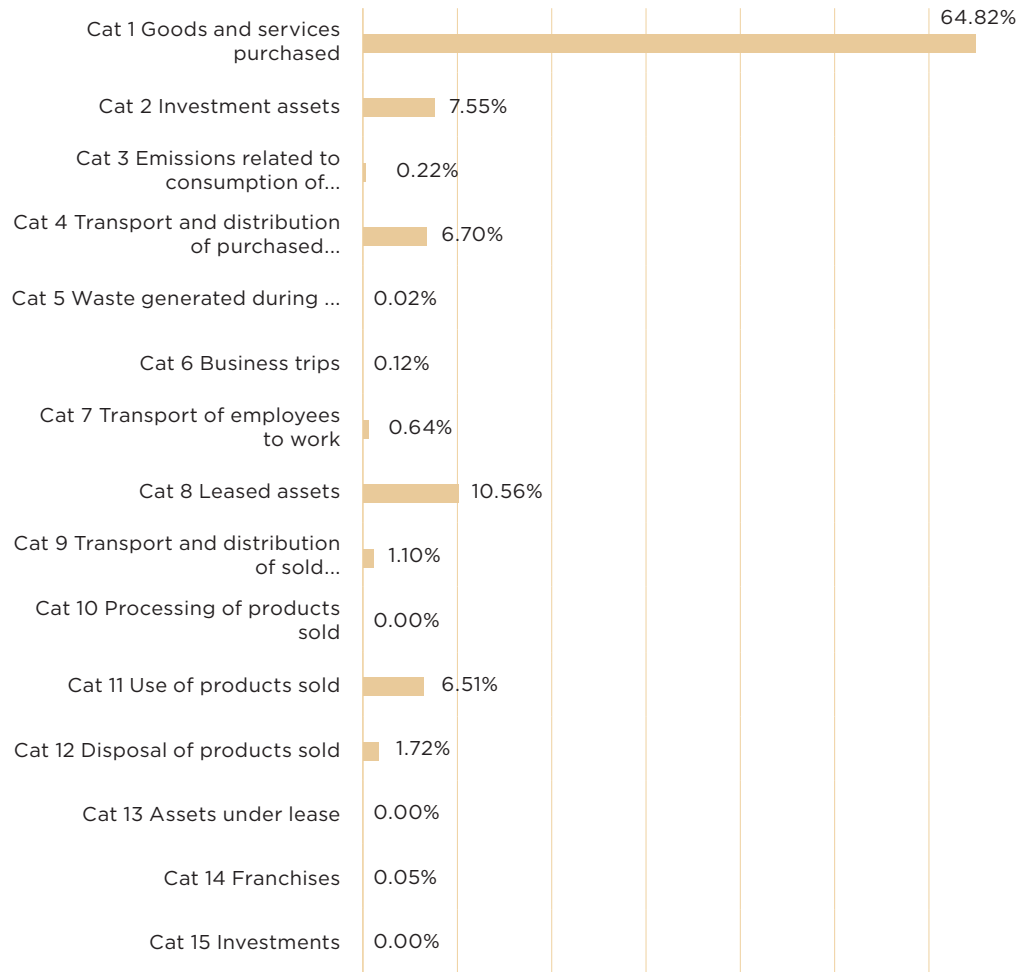
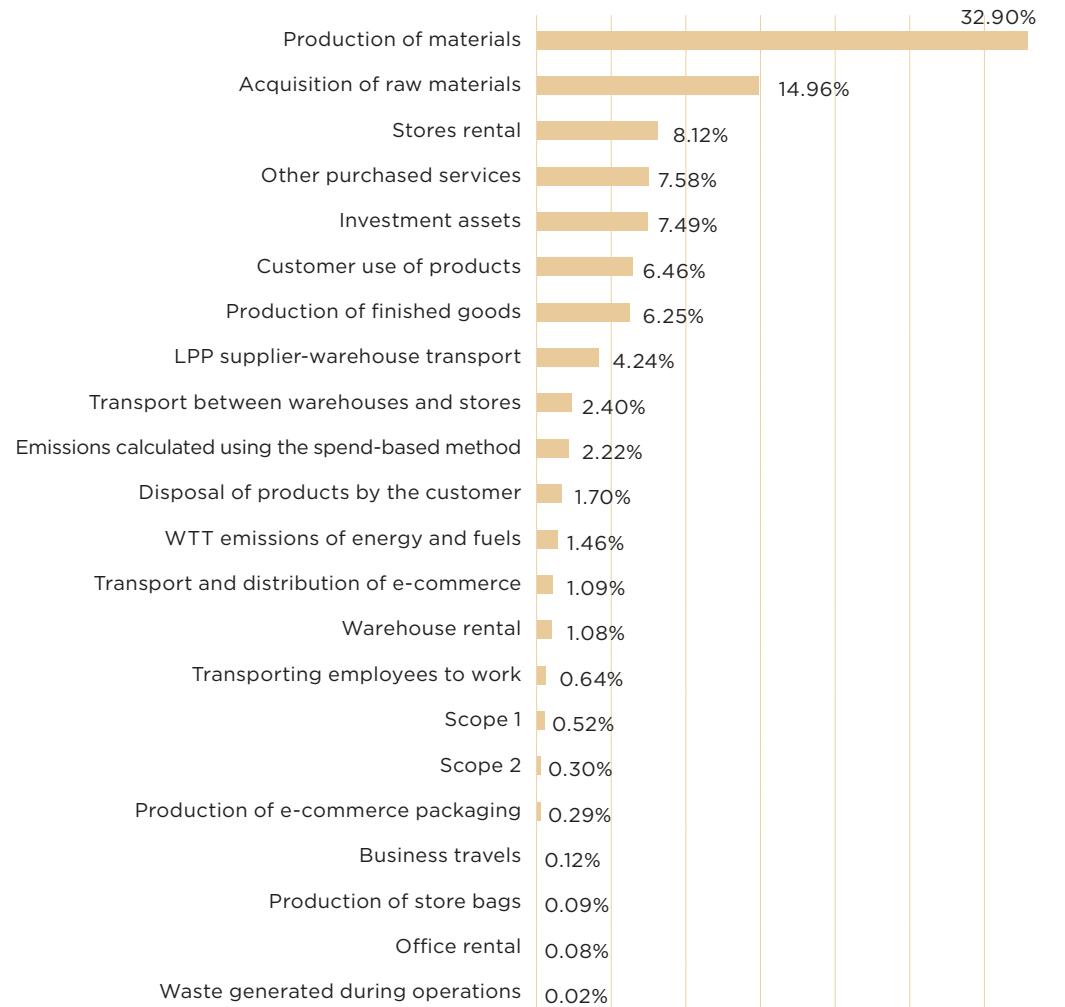


Figure 2. Comparison of key emissions for the financial year 2022/2023

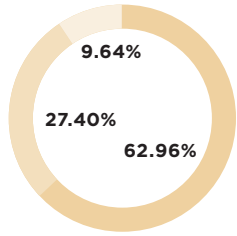


Total emissions: 2,653,123.01 t



Figure 3. Detailed breakdown of emissions into three main groups

Division of emissions into three main groups



- Purchased goods
- Company operations
- Product sold

Total emissions: 2,653,145.82 t CO₂e

Figure 4. Detailed breakdown of emissions related to purchased goods (compared to total emissions)

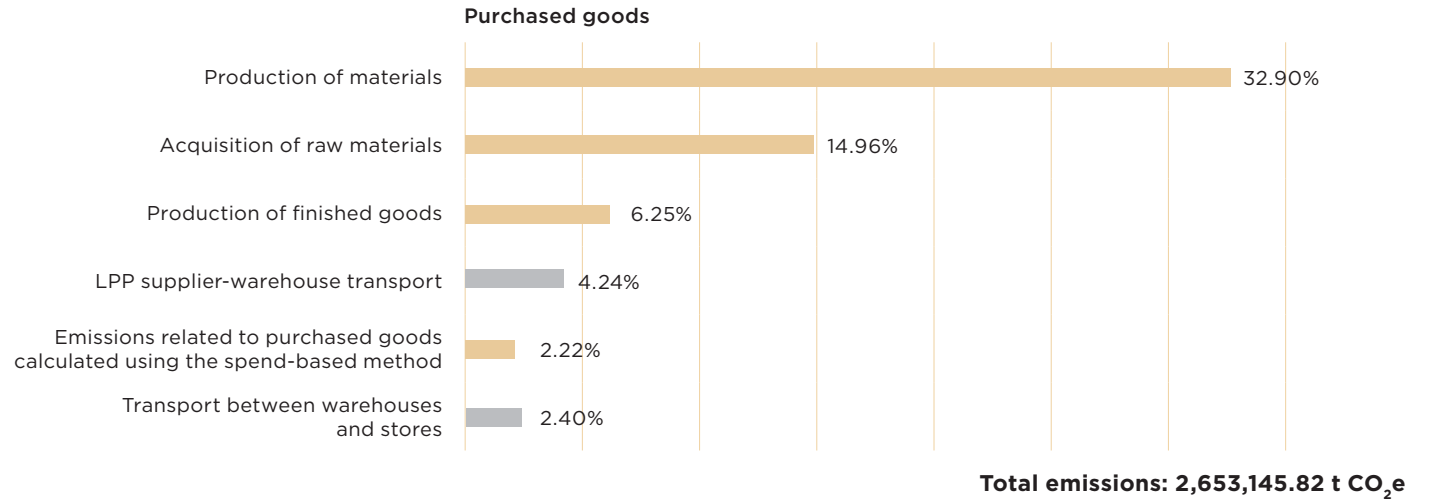
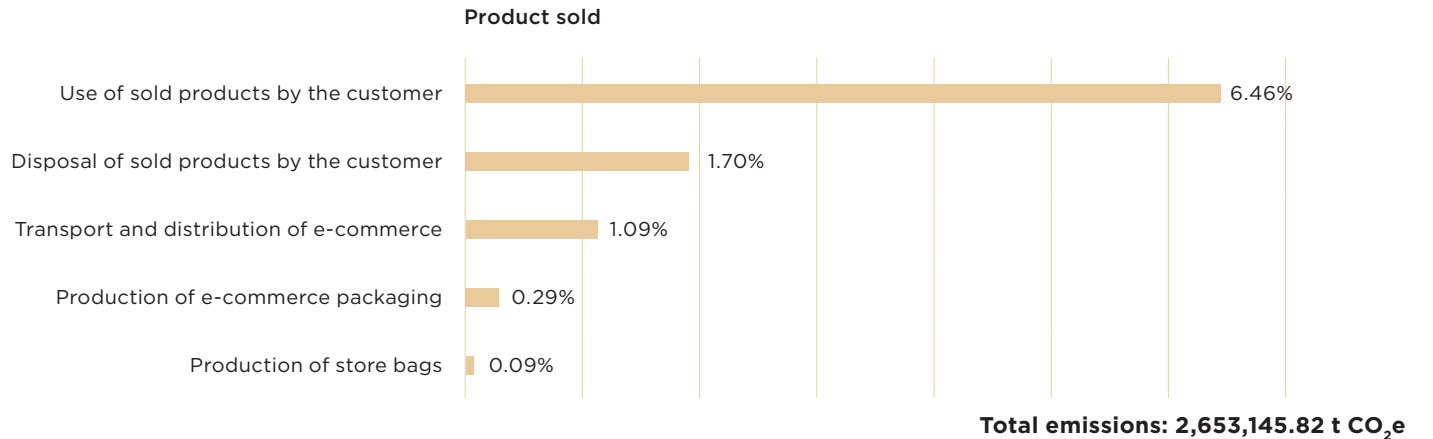


Figure 5. Detailed breakdown of emissions associated with the product sold (compared to total emissions)





7. COMPARISON OF RESULTS: 2022/2023 VS. 2021/2022

In the 2022/2023 financial year, we counted emissions in all scopes and all Scope 3 categories for the second time according to the GHG Protocol methodology. This approach has allowed us, for the first time, to take a realistic look at the extent to which the company's activities contribute to changing the carbon footprint generated by LPP.

Scope 1 shows an increase in emissions. This is related to the full-scale commissioning of the new distribution centre in Brześć Kujawski in 2022 and the consumption of natural gas for heating the building (Table 2).

In scope 2, we achieved a **23.76%** decrease in emissions, which is due to the start of using wind electricity in our offices and warehouses in January 2023. This means that changing to a less carbon-intensive electricity source in just one month, as indicated by the timeframe considered, contributed to a significant decrease in greenhouse gas emissions, which is a good prospect for future years (Table 2).

In terms of Scope 3, we have seen a decrease in the categories related to purchased goods. For production processes, this is due to an increase, compared to the previous year, in the use of raw materials with lower emission factors, e.g. African cotton, organic and recycled cotton, recycled polyester, certified cellulose fibres, relative to the amount of conventional raw materials used (Figure 6). In the 2022/2023 financial year, emissions resulting from the procurement of raw materials for the production of the goods per kilogram of raw material consumed decreased by **6.08%** (Table 9).

Emissions from the transport of goods from the supplier to the LPP warehouses, per tonne of goods transported, decreased by 6.18% (Table 9), due to the shift from transport by air to less emission-intensive transport by sea and land.

In scope 3, we also observe a **40.47%** decrease in emissions resulting from the operation of our stores, per square metre of floor space (Table 9). We have achieved this by introducing a telemetry system that allows us to monitor and optimise the electricity consumption of the entire store, of the air-conditioning units and of the lighting. In addition, we optimised the operating schedules of the advertising screens and the intensity of the lighting according to the store's operating time (e.g. 30% of the lighting outside the store's opening hours for customers, during employees' working hours) and replaced the spotlights with LED lighting, which resulted not only in a reduction in electricity consumption for lighting, but also had the effect of reducing the temperature in the stores and therefore the use of air conditioning.

In the category related to the use of the products sold by the customer, we observe an increase in emissions, but when converted per unit of product sold, taking into account the commodity from whose use the emissions arise, i.e. clothes and accessories that require washing and ironing and accessories powered by an electrical outlet, we observe a decrease in emissions of **55.29%** (Table 9). This is the result of our review last year of the washing and ironing instructions on products that require this type of care and their change to instructions with lower washing and ironing temperatures for products for which such a change does not affect the refreshing quality of the garment. In parallel, we ran a customer education campaign

called 'Take Care of Your Clothes', which promotes the conscious use of clothes in such a way as to preserve their appearance and original qualities and reduce one's impact on the environment by carefully reading care instruction labels and following them.

Last year's calculations enabled us to properly prepare for joining the Science Based Targets (SBTi) initiative. In May 2022, we

submitted a Commitment Letter, by which we committed to setting science-based decarbonisation targets within two years. An in-depth analysis of the calculated emissions allowed us to develop targets and submit them to SBTi as early as November 2022. We are currently waiting for the start of the revision of our targets, which is scheduled for May 2023.

Figure 6. Percentage of more sustainable raw materials in relation to the total weight of a given raw material

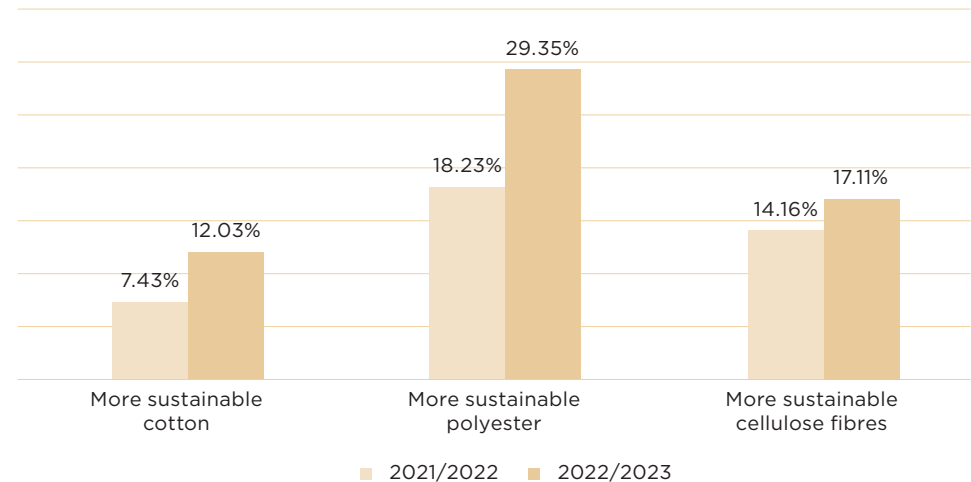




Table 7. Emission intensity for the financial year 2022/2023. Comparison with financial year 2021/2022 (recalculated without Russia)

| | Emission volume | | Change |
|--|---------------------------|---------------------------|---------|
| | 2021/2022 | 2022/2023 | % |
| Emissions from raw material extraction per kilogram of raw material used | 3.63 kg CO ₂ e | 3.41 kg CO ₂ e | -6.08% |
| Emissions from supplier-LPP transport per tonne transported from supplier to LPP | 0.85 t CO ₂ e | 0.80 t CO ₂ e | -6.18% |
| Emissions from stores operations per m ² of floor space | 0.21 t CO ₂ e | 0.12 t CO ₂ e | -40.47% |
| Emissions from use per unit sold | 0.99 kg CO ₂ e | 0.44 CO ₂ e | -55.29% |

Table 8. SCOPE 1: detailed breakdown of emissions for the financial year 2022/2023. Comparison with financial year 2021/2022 (recalculated without Russia)

| | 2021/2022 | | 2022/2023 | | YoY change |
|-----------------------|---------------------|-------------|---------------------|-------------|----------------|
| | t CO ₂ e | % | t CO ₂ e | % | % |
| SCOPE 1 | 4,420.67 | 100% | 13,762.35 | 100% | +211.32 |
| Petrol | 726.58 | 16.44% | 1,022.94 | 7.43% | +40.79% |
| Diesel fuel | 1,121.85 | 25.38% | 674.98 | 4.90% | -39.83% |
| Natural gas | 2,100.87 | 47.52% | 12,054.68 | 87.59% | +473.79% |
| Heating oil | 0.00 | 0.00% | 9.75 | 9.74% | +100.00% |
| Refrigerating mediums | 471.36 | 10.66% | 0.00 | 0.00% | -100.00% |

Table 9. Carbon footprint of the LPP Group in the financial year 2022/2023 by emission scopes and categories together with the percentage of emission ranges and categories in the total carbon footprint. Comparison with the financial year 2021/2022 (including Russia)

| | 2021/2022 | | 2022/2023 | | YoY change |
|--|---------------------|--------|---------------------|--------|------------|
| | t CO ₂ e | %* | t CO ₂ e | %* | %* |
| SCOPE 1 | 4,420.67 | 0.15% | 13,762.35 | 0.51% | 211.32% |
| SCOPE 2 | 10,267.11 | 0.36% | 7,889.78 | 0.29% | -23.15% |
| SCOPE 3 | 3,073,832.32 | 99.49% | 2,678,994.34 | 99.20% | -12.85% |
| Cat 1 Goods and services purchased. | 1,911,943.33 | 66.04% | 1,711,526.91 | 63.89% | -10.48% |
| Cat 2 Investment assets | 264,768.80 | 6.89% | 198,798.33 | 7.42% | -24.92% |
| Cat 3 Emissions from energy and fuel use (not included in Scope 1 and 2)** | 3,555.63 | 0.12% | 5,777.88 | 0.22% | +62.50% |
| Cat 4 Transport and distribution of purchased products** | 211,218.83 | 5.50% | 183,591.49 | 6.85% | -13.08% |
| Cat 5 Waste generated during operations | 386.83 | 0.01% | 400.88 | 0.01% | +3.63% |
| Cat 6 Business trips | 2,390.09 | 0.08% | 3,062.98 | 0.11% | +28.15% |
| Cat 7 Transport of employees to work | 22,043.65 | 0.57% | 22,068.23 | 0.82% | +0.11% |



| | | | | | |
|---|---------------------|--------|---------------------|--------|----------------|
| Cat 8 Leased assets | 416,952.37 | 13.55% | 300,567.13 | 11.22% | -27.91% |
| Cat 9 Transport and distribution of products sold | 28,945.86 | 0.91% | 29,428.39 | 1.10% | +1.67% |
| Cat 10 Processing of products sold | 0.00 | 0.00% | 0.00 | 0.00% | 0.00% |
| Cat 11 Use of products sold | 169,307.20 | 5.11% | 175,679.53 | 6.56% | +3.76% |
| Cat 12 Disposal of products sold | 41,036.18 | 1.15% | 46,812.05 | 1.75% | +14.08% |
| Cat 13 Assets under lease | 0.00 | 0.00% | 0.00 | 0.00% | 0.00% |
| Cat 14 Franchises | 1,283.55 | 0.04% | 1,280.54 | 0.05% | -0.23% |
| Cat 15 Investments | 0.00 | 0.00% | 0.00 | 0.00% | 0.00% |
| SUMMARY Scope 1+2+3 | 3,088,520.10 | | 2,700,646.47 | | -12.56% |

**For the scope 3 category, the percentages refer to the total emissions in scope 3

**For categories 3 and 4, emissions were recalculated for 2021/2022 according to the SBTi methodology

8. SOURCES OF INDICATORS

The indicators used had a CO₂e unit that is a universal unit of measurement indicating the potential for creating the greenhouse effect of gases Global Warming Potential (GWP).

¹ *The GHG Protocol Corporate Accounting and Reporting Standard*. World Resources Institute and World Business Council for Sustainable Development, March 2004

² *GHG Protocol Scope 2 Guidance. An amendment to the GHG Protocol Corporate Standard*. World Resources Institute 2015

³ *Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Supplement to the GHG Protocol Corporate Accounting and Reporting Standard*. World Resources Institute and World Business Council for Sustainable Development, September 2011

⁴ *UK Government GHG Conversion Factors for Company Reporting*. Department for Business, Energy & Industrial Strategy, Department for Environment Food & Rural Affairs, version 2.0, September 2022

⁵ *Emission factors for CO₂, SO₂, NO_x, CO and total dust for electricity based on information in the National Greenhouse Gas and Other Substances Emissions Database for 2021*. National Balancing and Emission Management Centre, Institute of Environmental Protection, National Research Institute, December 2022

⁶ Higg MSI Version 3.5, <https://portal.higg.org/>, last update: December 2022, accessed January 2023-March 2023

⁷ Quantis, <https://quantis-suite.com/Scope-3-Evaluator/>; date last updated: February 2021, accessed January-March 2023

⁸ <https://nbp.pl/statystyka-i-sprawozdawczosc/kursy/archiwum-tabela-a-csv-xls/>, accessed January-March 2023

⁹ https://sdw.ecb.europa.eu/quickview.do?SERIES_KEY=120.EXR.D.USD.EUR.SPO0.A, as of: 27 January 2023

¹⁰ Higg PM, <https://portal.higg.org/>, accessed January 2023-March 2023

¹¹ UK Government GHG Conversion Factors for Company Reporting. Department for Business, Energy & Industrial Strategy, Department for Environment Food & Rural Affairs, version 1.0, February 2022

¹² 2021 Global Ocean Container Greenhouse Gas Emission Intensities. Clean Cargo, June 2022

¹³ *Clean Cargo Working Group Carbon*, Clean Cargo, June 2015

¹⁴ *Emission factors for CO₂, SO₂, NO_x, CO and total dust for electricity based on information in the National Greenhouse Gas and Other Substances Emissions Database for 2021*. National Balancing and Emission Management Centre, Institute of Environmental Protection, National Research Institute, December 2022

¹⁵ *2021 Grid Electricity Emissions Factors v1.1*. Carbon Footprint, March 2022

¹⁶ <https://www.irena.org/Data/Energy-Profiles/>; accessed March 2023

¹⁷ *Higg Product Module Methodology*. Sustainable Apparel Coalition, June 2015

GRI 2-3

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EU TAXONOMY





EU taxonomy

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088 on systematic (EU Taxonomy), is an important part of the EU's response to climate and environmental challenges. This act, together with Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 (Delegated act for technical qualification criteria), Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 (Delegated act for Article 8 of the EU Taxonomy), and Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 (Delegated act for nuclear and natural gas activities) provide companies and investors with uniform criteria for economic activities that can be considered environmentally sustainable, and thus aims to increase transparency and consistency in the classification of such activities. An economic activity can be considered environmentally sustainable if it meets the criteria set out in Article 3 of the EU Taxonomy, i.e.:

- makes a significant contribution to one or more of the six environmental objectives
- does not cause serious harm to any other environmental objective
- is carried out in accordance with minimum guarantees, and
- meets the technical eligibility criteria that have been established by the Commission.

The LPP Group, with a view to the aforementioned regulations, has undertaken to disclose the percentage of compliant, qualifying and non-qualifying business activities in total turnover (revenue), capital expenditure (CapEx) and operating expenditure (OpEx). In addition to these key indicators, the LPP Group publishes the methodology developed and qualitative information.

As of the time of this disclosure, the aforementioned delegated acts setting requirements for technical eligibility criteria and 'no significant harm' principles only cover the first two environmental objectives - mitigation and adaptation to climate change. In view of the above, the analysis of the activity has been limited to these environmental objectives. With the publication of the new delegated acts for the remaining four environmental objectives, the LPP Group's disclosures are going to be updated accordingly and aligned with the new legislation.

Assessment of compliance with Regulation 2020/852

Companies meeting the criteria indicated in Article 19a or 29a of Directive 2013/34/EU are covered by the disclosure obligations set out in the EU Taxonomy and three delegated acts, i.e. Commission Delegated Regulation (EU) 2021/2139, Commission Delegated Regulation (EU) 2021/2178 and Commission Delegated Regulation (EU) 2022/1214. The LPP Group is subject to the obligations under the indicated directive and prepares a report on non-financial information and is therefore obliged to provide taxonomic disclosures for the financial year 2022/2023. The LPP Group's reporting of taxonomic disclosures complies with the aforementioned legislation.

In order to present the disclosures and perform the relevant calculations of key performance indicators, the LPP Group assessed its activities in terms of taxonomy-eligibility and taxonomy-alignment.

In step one, the LPP Group identified the activities eligible for the taxonomy. As in the previous year, all activities described in the delegated acts of the EU Taxonomy were analysed in terms of revenue, capital expenditure (CapEx) and operating expenditure (OpEx) of the LPP Group. The descriptions of economic activities in Delegated Regulation 2021/2139 (establishing technical eligibility criteria for the activities indicated therein) and Delegated Regulation 2022/1214 (establishing technical eligibility criteria for nuclear and natural gas activities) were used to identify the turnover, CapEx and OpEx from qualifying activities.

In step two, the identified activities eligible for systematisation under the KPIs, CapEx and OpEx were assessed in terms of meeting technical eligibility criteria, the 'do no serious harm' principle, as well as minimum guarantee requirements. This analysis, both at the eligibility and compliance assessment level, was carried out individually for each item within the KPIs of turnover, CapEx and OpEx across all LPP Group companies ensuring that each revenue, capital expenditure and operating expenditure was not included more than once in the calculations.

Activities that have been identified by the LPP Group as complying with the taxonomy have been matched and make a significant contribution to only one of the two environmental objectives, i.e. either climate change mitigation or climate change adaptation. Furthermore, the activities reported by the LPP Group do not simultaneously contribute to several environmental objectives.



Analysis of the LPP Group's activities with regard to compliance with the EU Taxonomy

The main activities of the LPP Group are related to the retail sector and the sale of clothing, footwear and textiles. It should be pointed out that this activity is not included in the list of activities indicated in the EU Taxonomy and delegated acts. However, this does not mean that the LPP Group's activities cannot be considered environmentally sustainable, only that they have not currently been properly assessed for qualification to the EU Taxonomy. It should be noted that the EU Taxonomy is subject to periodic revisions, which in the future may define a separate category and specific technical qualification criteria for retail and clothing activities. For the time being, the LPP Group has provided as part of the disclosures its other activities that are included in the EU Taxonomy and delegated acts.

The ESG department and the relevant business departments related to the reported activities were responsible for the data collection process and assessment to identify qualifying and compliant activities. The final calculation and aggregation of data was carried out by the LPP Group Controlling Department.

As part of the analysis of the activity for compliance with the taxonomy, it should be verified that the requirements of the technical eligibility criteria and the 'no serious harm' principles covering the assessment of climate-related risks and exposure to

these risks are met. The LPP Group has analysed its activities in terms of making a significant contribution to climate change mitigation – one of the two environmental targets currently available. The risk assessment was conducted in the context of the twenty-eight physical climate-related hazards identified in Appendix A of Delegated Regulation 2021/2139. The first stage of the assessment involved establishing a list of climate-related risks affecting the activity being checked. These risks were identified as adequate. Hazards not present at the location of the business being assessed for compliance with the taxonomy and hazards present at the location but not affecting any of the elements of the system enabling the business being assessed were excluded as inadequate. The second stage of the risk and exposure assessment concerned the determination of the significance of the effects of the materialization of each relevant risk for the assessed economic activities. The analysis of the identified risks was carried out over two time horizons, i.e. a horizon of up to 10 years and a horizon of 10 to 30 years, as required by Delegated Regulation 2021/2139. As a result of the analysis, no risks were rated as 'high' (significant) and most were rated as 'low' and a few as 'medium'.

The activities that have been recognised by the LPP Group as compliant with the taxonomy only make a significant contribution to





climate change mitigation. Thus, the climate risk assessment included the fulfilment of the criteria indicated for the 'do no serious harm' principle in relation to the climate change adaptation objective.

Minimum guarantees

Minimum guarantees are a condition of compliance with the Taxonomy. It involves excluding from environmentally sustainable activities and investments those that are linked to human rights violations, labour rights, corruption, fair competition violations and tax violations. The fulfilment of the criteria for operating in accordance with minimum guarantees during the period under review was assessed based on the recommendations of the EU Sustainable Finance Platform – Final Report on Minimum Safeguards.

LPP Group's human rights due diligence procedure

The minimum safeguards are the procedures referred to in the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles for Business and Human Rights. The LPP Group has for years been undertaking activities that correspond to the elements of due diligence as defined in the aforementioned Guidelines.

The LPP Group's approach to human rights is described in the "LPP Group Policy on Respect for Human Rights". This policy contains a publicly available expectation for our employees and business partners. Its process was accompanied by a document summarising the risk analysis of human rights violations. The creation of the policy was preceded by training of the LPP board together with key managers from Poland and foreign companies on the UN Guiding

Principles on Business and Human Rights and the OECD Guidelines for Transnational Enterprises.

The LPP Group's human rights expectations towards its business partners are also governed by a "Code of Conduct". The requirements that we set for all suppliers are:

- the need to have an appropriate remuneration policy and formal conditions of employment for employees,
- an absolute ban on the employment of children,
- voluntary work,
- freedom of association,
- equal treatment of all employees,
- health and safety standards.

Other documents that complement our approach to human and labour rights are the 'Principles for Working with Contractors', the 'LPP Principles', the 'The LPP Rules For Employees of Retail Stores' and the Health, Safety and HR guidelines.

Due to the complexity of supply chains in the retail sector and working with suppliers from both Asia and Europe, the LPP Group seeks to counteract the occurrence of negative impacts on people through activities such as: the use of auditing companies to check working conditions in selected factories, cooperation with the Bangladesh office and SGS e.g. in organising an Awareness Day for local suppliers, as well as partnerships for health and improved working conditions (membership of International Accord in Bangladesh and Pakistan, participation in initia-

tives: Cotton Made in Africa, Zero Discharge of Hazardous Chemicals). The LPP Group also works with national stakeholders. For example, the expectations and needs of local stakeholders were explored when creating new warehouses in Brześć and Rzeszów. Examples of other activities are described in the *Human and labour rights* due diligence chapter of this report.

The LPP Group has a complaint mechanism as described in the "Whistleblowing Policy". It is available to whistleblowers within the European Union and protects the anonymity of the whistleblower.

The LPP Group publicly reports on its approach to human rights due diligence activities. Since 2017, comprehensive annual reports have been published, describing our impact and activities for employees and communities.

In the future, the LPP Group plans to develop programmes to counteract negative business impacts and follow-up procedures responding to complaints raised by stakeholders. Activities are going to be implemented in accordance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Infringements found in the LPP Group

In 2022, no court-confirmed violations of human rights, labour rights, tax law, antitrust law or corruption cases were identified in the LPP Group. The OECD National Contact Points have not accepted any cases involving LPP Group companies. They also found no violations of the OECD Guidelines for Multinational Enterprises by the LPP Group. Over the past 2 years, LPP Group and its companies have responded within 3 months

to messages from the Business and Human Rights Resource Center on human rights in the supply chain.



Summary of LPP Group key performance indicators

Turnover Key Performance Indicators (Turnover KPIs)

Due to the lack of inclusion in the EU Taxonomy and delegated acts of the LPP Group's main activities related to the retail sector and the sale of clothing, footwear and textiles, no qualifying or compliant activities were identified within the key turnover indicator.

Capital Expenditure Key Performance Indicators (CapEx)

compliance with taxonomy

The LPP Group categorised primarily activity 7.3 in the area of capital expenditures as in line with the taxonomy. Installation, maintenance and repair of energy efficiency equipment (HVAC) – this was a total of PLN 4,067,000 incurred for air-conditioning units (property, plant and equipment recognised under IAS 16 Property, Plant and Equipment).

eligibility for taxonomy, but incompatibility with it

Within the scope of activity 7.3 described above, there were still capital expenditures considered eligible for taxonomy but, due to their failure to pass compliance requirements, not categorised as compliant. These were mainly increases in fixed assets incurred for energy-efficient LED lighting (sources, fixtures, cables) for a total of PLN 12,821,000.

In addition to activity 7.3, the group of capital expenditures eligible and non-compliant included:

- 6.5. Transport by motorbikes, cars and commercial vehicles – in the case of the LPP Group, comprising expenditure on motor vehicles (total amount of PLN 3,351,000)
- 7.1. Construction of new buildings – in the case of the LPP Group, comprising expenditure on a construction project related to the erection of a non-residential building (total amount of PLN 34,962,000)
- 8.1. Data processing; website management (hosting) and similar activities – in the case of the LPP Group including expenditure on IT equipment (total amount of PLN 11,681,000)

Key performance indicators in relation to operational expenditure (OpEx)

compliance with taxonomy

The LPP Group categorised activity 6.5. Transport by motorbikes, passenger cars and commercial vehicles as consistent with the taxonomy. This includes operating expenditure on owned electric vehicles of PLN 16,000.

eligibility for taxonomy, but incompatibility with it

Similarly, the same type of business (6.5.) the LPP Group shows as qualifying for the taxonomy, and not in compliance with the taxonomy – these are operating expenses relating to the maintenance of its motor vehicles (total amount of PLN 3,765,000). In addition to activity 6.5, eligible but non-compliant operating expenditure included:

- 7.3. Installation, maintenance and repair of energy efficiency equipment covering operating expenditure incurred for the maintenance, upkeep and replacement of energy-efficient LED lighting, totalling PLN 3,949,000;
- 8.1. Data processing; website management (hosting) and similar activities - in the case of the LPP Group, including expenditure on the remuneration of employees involved in the maintenance of IT equipment (total amount of PLN 8,689,000).

The regulations imposing Taxonomy obligations on companies are new regulations, to which comments from the EU regulator periodically arise. Thanks to the growing experience of the LPP Group in this area and the constantly evolving market practice and interpretation, it was identified that last year the percentage of capital expenditures qualifying for the taxonomy in the total value of capital expenditures (61%) and the percentage of operating expenses qualifying for the taxonomy in the total operating expenses (98%) were presented as too high. According to the application of the revised criteria, which were also used in the creation of the taxonomic disclosures for 2022/2023, the percentage for both of the aforementioned key performance indicators for last year would be at a level similar to this year's.



Accounting principles

In order to adequately report the key performance indicators comprising: the percentage of business activities complying with the systematics, eligible but not complying with the systematics, and not eligible for the systematics in total turnover, capital expenditure (CapEx) and operating expenditure (OpEx), the individual categories were established using data from the financial and accounting systems used in the LPP Group (the accounting books of the companies in the LPP Group are maintained mainly using the SAP computer system, which ensures the reliability and credibility of the processed information). The accounting policy takes into account the principles contained in International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) and related interpretations promulgated in the form of implementing regulations of the European Commission. Regulation 2021/2178, which defines key performance indicators within the meaning of the EU Taxonomy, refers precisely to these regulations for the selection of figures, hence the LPP Group was able to precisely determine the various amounts required for its purposes:

Turnover Key Performance Indicators (Turnover KPIs)

The percentage of turnover was calculated as the proportion of net revenue from the sale of products or the provision of services, including intangible assets related to taxonomy business activities, divided by net revenue from sales in accordance with International Accounting Standard (IAS) 1(82)(a).

Capital Expenditure Key Performance Indicators (CapEx)

The percentage of capital expenditures (CapEx), was calculated by dividing the capital expenditures into assets or processes related to taxonomy-compliant business activities, which are part of a plan to expand taxonomy-compliant business activities or enable taxonomy-eligible business activities to align with the taxonomy, or regarding the purchase of products from business activity in accordance with the taxonomy and individual measures enabling the target activity to become low-emission or enabling it to reduce greenhouse gas emissions through capital expenditures specified in international financial reporting standards (IFRS), which are accounted for on the basis of:

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

The CapEx values relate directly to the values in the consolidated financial statements Note 13 (Property, plant and equipment; sum of Acquisitions), Note 14 (Leases; sum of Additions (new leases) and Changes in leases (in the Additions section) and Note 15 (Intangible assets; sum of Acquisitions and Other additions).

Key performance indicators in relation to operational expenditure (OpEx)

Percentage of operating expenses was calculated by dividing direct, non-capitalised costs for assets or processes related to taxonomy-compliant business activities as

part of a capital expenditure plan to expand taxonomy-compliant business or enable taxonomy-eligible business to align with taxonomy, or regarding the purchase of products from economic activity in accordance with the taxonomy and individual measures enabling the targeted activity to become low-emission or enabling it to reduce greenhouse gas emissions through the aggregated expenses defined in the Taxonomy as operating expenses.

Within this category (the denominator of the indicator), the following are primarily recognised:

- cleaning services, especially in stores and logistics facilities,
- ongoing repair services to fixed assets,
- salaries of staff maintaining IT equipment (Service Desk) and machinery and equipment,
- maintenance of the vehicle fleet,
- electrical fixture.

The most important category of operating expenditure in the group of 'other expenses related to the day-to-day operation of property, plant and equipment' is cleaning services, especially in stores and logistics facilities (as described above) and property security services (both of which are only in the denominator of the indicator; no compliant activity in this respect, hence these amounts are missing from the numerator).



Turnover Key Performance Indicators (Turnover KPIs)

| Economic activity (1) | Code or codes (2) | Turnover (absolute value) (3) | Part of the turnover(4) | Criteria for significant contribution | | | | | | Criteria for the "no serious harm" principle | | | | | | Minimum guarantees (17) | Percentage of taxonomy compliant turnover, year N (18) | Percentage of taxonomy compliant turnover, year N-1 (19) | Category (supporting activity or) (20) | Category (transition activities) (21) |
|---|-------------------|-------------------------------|-------------------------|---------------------------------------|----------------------------------|--------------------------------|----------------------|---------------|----------------------------------|--|-----------------------------------|---------------------------------|-----------------------|----------------|----------------------------------|-------------------------|--|--|--|---------------------------------------|
| | | | | Climate change mitigation (5) | Adaptation to climate change (6) | Water and marine resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | Climate change mitigation (11) | Adaptation to climate change (12) | Water and marine resources (13) | Circular economy (14) | Pollution (15) | Biodiversity and ecosystems (16) | | | | | |
| | | thousand PLN | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Percent | Percent | E | T |
| A. ACTIVITIES ELIGIBLE FOR TAXONOMY | | | | | | | | | | | | | | | | | | | | |
| A.1 Environmentally sustainable activities (consistent with the taxonomy) | | | | | | | | | | | | | | | | | | | | |
| N/A | N/A | 0 | 0% | 0% | 0% | 0% | 0% | 0% | 0% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0% | N/A | N/A | N/A |
| Turnover from environmentally sustainable activities (in accordance with the system) (A.1) | | 0 | 0% | 0% | 0% | 0% | 0% | 0% | 0% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0% | N/A | | |
| A.2 Activities that qualify for systematics but are not environmentally balanced (non-taxonomy activities) | | | | | | | | | | | | | | | | | | | | |
| N/A | N/A | 0 | 0% | | | | | | | | | | | | | | | | | |
| Turnover from systematically eligible but environmentally unsustainable activities (non-taxonomy activities) (A.2) | | 0 | 0% | | | | | | | | | | | | | | | | | |
| Total (A.1 + A.2) | | 0 | 0% | | | | | | | | | | | | | | 0% | N/A | | |
| B. ACTIVITIES NOT ELIGIBLE FOR TAXONOMY | | | | | | | | | | | | | | | | | | | | |
| Turnover from activities not eligible for the taxonomy (B) | | 15,926,504 | 100% | | | | | | | | | | | | | | | | | |
| Total (A + B) | | 15,926,504 | 100% | | | | | | | | | | | | | | | | | |



Key performance indicators related to capital expenditure (CapEx) (KPIs related to capital expenditure)

| Economic activity (1) | Code or codes (2) | Absolute capital expenditure (3) | Percentage of investment (4) | Criteria for significant contribution | | | | | | Criteria for the "no serious harm" principle | | | | | | | Percentage of capital expenditures compliant with the taxonomy, year N (18) | Percentage of capital expenditures compliant with the taxonomy, year N-1 (19) | Category (supporting activity or) (20) | Category (transition activities) (21) |
|---|-------------------|----------------------------------|------------------------------|---------------------------------------|----------------------------------|--------------------------------|----------------------|---------------|----------------------------------|--|-----------------------------------|---------------------------------|-----------------------|----------------|----------------------------------|-------------------------|---|---|--|---------------------------------------|
| | | | | Climate change mitigation (5) | Adaptation to climate change (6) | Water and marine resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | Climate change mitigation (11) | Adaptation to climate change (12) | Water and marine resources (13) | Circular economy (14) | Pollution (15) | Biodiversity and ecosystems (16) | Minimum guarantees (17) | | | | |
| | | thousand PLN | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Percent | Percent | E | T |
| A. ACTIVITIES ELIGIBLE FOR TAXONOMY | | | | | | | | | | | | | | | | | | | | |
| A.1 Environmentally sustainable activities (consistent with the taxonomy) | | | | | | | | | | | | | | | | | | | | |
| Transport by motorbikes, passenger cars and commercial vehicles | 6.5. | 18 | 0.0% | 100% | 0% | 0% | 0% | 0% | 0% | N/A | T | N/A | T | T | N/A | T | 0.0% | N/A | N/A | N/A |
| Installation, maintenance and repair of energy efficiency equipment | 7.3. | 4,067 | 0.2% | 100% | 0% | 0% | 0% | 0% | 0% | N/A | T | N/A | N/A | T | N/A | T | 0.2% | N/A | E | N/A |
| Investment expenditures for environmentally sustainable activities (in accordance with the taxonomy) (A.1) | | 4,085 | 0.2% | 100% | 0% | 0% | 0% | 0% | 0% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0.2% | N/A | N/A | N/A |
| A.2 Activities that qualify for systematics but are not environmentally balanced (non-taxonomy activities) | | | | | | | | | | | | | | | | | | | | |
| Transport by motorbikes, passenger cars and commercial vehicles | 6.5. | 3,351 | 0.1% | | | | | | | | | | | | | | | | | |
| Construction of new buildings | 7.1. | 34,962 | 1.4% | | | | | | | | | | | | | | | | | |



| | | | | | | | | | | | | | | | | | | | | |
|---|------|------------------|--------------|--|--|--|--|--|--|--|--|--|--|--|--|--|-------------|------------|--|--|
| Installation, maintenance and repair of energy efficiency equipment | 7.3. | 12,821 | 0.5% | | | | | | | | | | | | | | | | | |
| Data processing, hosting and related activities | 8.1. | 11,681 | 0.5% | | | | | | | | | | | | | | | | | |
| Investment expenditures for activities that qualify for taxonomy but are environmentally unsustainable (non-taxonomy activities) (A.2) | | 62,815 | 2.5% | | | | | | | | | | | | | | | | | |
| Total (A.1 + A.2) | | 66,900 | 2.7% | | | | | | | | | | | | | | 0.2% | N/A | | |
| B. ACTIVITIES NOT ELIGIBLE FOR TAXONOMY | | | | | | | | | | | | | | | | | | | | |
| Capital expenditure from non-taxonomy activities (B) | | 2,401,238 | 97.3% | | | | | | | | | | | | | | | | | |
| Total (A + B) | | 2,468,138 | 100% | | | | | | | | | | | | | | | | | |



Key performance indicators for operational expenditure (OpEx) (KPIs for operational expenditure)

| Economic activity (1) | Code or codes (2) | Absolute operating costs (3) | Percentage of operating expenditure (4) | Criteria for significant contribution | | | | | | Criteria for the "no serious harm" principle | | | | | | Minimum guarantees (17) | Percentage of operational expenditure compliant with the taxonomy, year N (18) | Percentage of operational expenditure compliant with the taxonomy, year N-1 (19) | Category (supporting activity or) (20) | Category (transition activities) (21) |
|---|-------------------|------------------------------|---|---------------------------------------|----------------------------------|--------------------------------|----------------------|---------------|----------------------------------|--|-----------------------------------|---------------------------------|-----------------------|----------------|----------------------------------|-------------------------|--|--|--|---------------------------------------|
| | | | | Climate change mitigation (5) | Adaptation to climate change (6) | Water and marine resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | Climate change mitigation (11) | Adaptation to climate change (12) | Water and marine resources (13) | Circular economy (14) | Pollution (15) | Biodiversity and ecosystems (16) | | | | | |
| | | thousand PLN | % | % | % | % | % | % | % | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Percent | Percent | E | T |
| A. ACTIVITIES ELIGIBLE FOR TAXONOMY | | | | | | | | | | | | | | | | | | | | |
| A.1 Environmentally sustainable activities (consistent with the taxonomy) | | | | | | | | | | | | | | | | | | | | |
| Transport by motorbikes, passenger cars and commercial vehicles | 6.5. | 16 | 0.0% | 100% | 0% | 0% | 0% | 0% | 0% | N/A | T | N/A | T | T | N/A | T | 0.0% | N/A | N/A | N/A |
| Operating expenditure for environmentally sustainable activities (consistent with the taxonomy) (A.1) | | 16 | 0.0% | 100% | 0% | 0% | 0% | 0% | 0% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0.0% | N/A | N/A | N/A |
| A.2 Activities that qualify for systematics but are not environmentally balanced (non-taxonomy activities) | | | | | | | | | | | | | | | | | | | | |
| Transport by motorbikes, passenger cars and commercial vehicles | 6.5. | 3,765 | 1.8% | | | | | | | | | | | | | | | | | |
| Operating expenditure for activities that qualify for taxonomy but are environmentally unsustainable (non-taxonomy activities) (A.2) | | 16,403 | 7.7% | | | | | | | | | | | | | | | | | |



| | | | | | | | | | | | | | | | | | | | |
|---|------|-------|------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Installation, maintenance and repair of energy efficiency equipment | 7.3. | 3,949 | 1.8% | | | | | | | | | | | | | | | | |
| Data processing, hosting and related activities | 8.1. | 8,689 | 4.1% | | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | | | | |
|--------------------------|--|---------------|-------------|--|--|--|--|--|--|--|--|--|--|--|--|--|-------------|------------|--|--|
| Total (A.1 + A.2) | | 16,419 | 7.7% | | | | | | | | | | | | | | 0.0% | N/A | | |
|--------------------------|--|---------------|-------------|--|--|--|--|--|--|--|--|--|--|--|--|--|-------------|------------|--|--|

| | | | |
|---|--|----------------|--------------|
| B. ACTIVITIES NOT ELIGIBLE FOR TAXONOMY | | | |
| Operating expenditure for activities not eligible for the taxonomy (B) | | 197,250 | 92.3% |
| Total (A + B) | | 213,669 | 100% |

Legend of the designations used in the above tables:

N/A = not applicable;

Y (columns 11-17) = YES answer in terms of not causing serious damage or meeting minimum guarantees (select Y / N);

E (column 20) = designation of the economic activity defined in Delegated Regulation 2021/2139 as supporting;

T (column 21) = designation of the economic activity defined in Delegated Regulation 2021/2139 as being for the benefit of the transition.

Article 8(6), (7) and (8) of Delegated Regulation 2022/1214 requires non-financial undertakings to provide relevant information on nuclear and natural gas activities. In fulfilment of this obligation, the LPP Group provides the required information in the following tables covering key performance indicators for trading, CapEx and OpEx for the nuclear and natural gas business.

At the same time, the LPP Group indicates that it has no exposure to nuclear and natural gas activities, so the disclosure does not include the indication of additional data.

1. Nuclear and natural gas activities

| Nuclear energy activities | | |
|----------------------------------|--|----|
| 1 | The company conducts, finances or has exposure to the research, development, demonstration and deployment of innovative power generation facilities that produce energy through nuclear processes with minimal fuel cycle waste. | NO |
| 2 | The company constructs, finances or has exposure to the construction and safe operation of new nuclear facilities for the generation of electricity or process heat, including for district heating or industrial processes such as hydrogen production, as well as their safety upgrades using the best available technology. | NO |
| 3 | The company safely operates, finances or has exposure to existing nuclear facilities generating electricity or process heat, including for district heating or industrial processes such as hydrogen production from nuclear energy. | NO |
| Natural gas activities | | |
| 4 | The company constructs or operates facilities for the generation of electricity using gaseous fossil fuels, finances this activity or has exposure to it. | NO |
| 5 | The company builds, modernises and operates combined heat/cooling and electricity facilities using gaseous fossil fuels, finances this activity or is exposed to these activities. | NO |
| 6 | The company constructs, modernises and operates heat/cooling generation facilities using gaseous fossil fuels, finances or has exposure to these activities. | NO |



2. Economic activity in accordance with the taxonomy (denominator)

| Types of business | | Amount and share (information to be provided in monetary amounts and percentages) Mitigating climate change | | | | | |
|-------------------|--|---|------|-----------|------|----------|------|
| | | Turnover KPI | | CapEx KPI | | OpEx KPI | |
| | | Amounts | % | Amounts | % | Amounts | % |
| 1 | Amount and share of economic activities complying with the taxonomy referred to in Section 4.26 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 2 | Amount and share of economic activities complying with the taxonomy referred to in Section 4.27 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 3 | Amount and share of economic activities complying with the taxonomy referred to in Section 4.28 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 4 | Amount and share of economic activities complying with the taxonomy referred to in Section 4.29 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 5 | Amount and share of economic activities complying with the taxonomy referred to in Section 4.30 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 6 | Amount and share of economic activities complying with the taxonomy referred to in Section 4.31 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 7 | Amount and share of other economic activities compliant with the taxonomy not listed in rows 1 to 6 above in the denominator of the applicable KPI | 0 | N/A | 4,085 | 0.2% | 16 | 0.0% |
| 8 | Overall applicable key performance indicator | 15,926,504 | 100% | 2,468,138 | 100% | 213,669 | 100% |



3. Economic activity in accordance with the taxonomy (numerator)

| Types of business | | Amount and share (information to be provided in monetary amounts and percentages) Mitigating climate change | | | | | |
|-------------------|--|---|-----|-----------|------|----------|------|
| | | Turnover KPI | | CapEx KPI | | OpEx KPI | |
| | | Amounts | % | Amounts | % | Amounts | % |
| 1 | Amount and share of economic activities complying with the taxonomy referred to in Section 4.26 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 2 | Amount and share of economic activities complying with the taxonomy referred to in Section 4.27 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 3 | Amount and share of economic activities complying with the taxonomy referred to in Section 4.28 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 4 | Amount and share of economic activities complying with the taxonomy referred to in Section 4.29 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 5 | Amount and share of economic activities complying with the taxonomy referred to in Section 4.30 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 6 | Amount and share of economic activities complying with the taxonomy referred to in Section 4.31 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 7 | Amount and share of other economic activities compliant with the taxonomy not listed in rows 1 to 6 above in the numerator of the applicable KPI | 0 | N/A | 4,085 | 100% | 16 | 100% |
| 8 | Total amount and total share of taxonomy economic activities in the numerator of the applicable KPI | 0 | N/A | 4,085 | 100% | 16 | 100% |



4. Economic activity eligible for the taxonomy, but not in accordance with the taxonomy

| Types of business | | Share (information to be provided in monetary amounts and percentages) Climate change mitigation | | | | | |
|-------------------|--|--|-----|-----------|------|----------|------|
| | | Turnover KPI | | CapEx KPI | | OpEx KPI | |
| | | Amounts | % | Amounts | % | Amounts | % |
| 1 | Amount and share of economic activities eligible for the taxonomy but not in accordance with the taxonomy referred to in Section 4.26 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 2 | Amount and share of economic activities eligible for the taxonomy but not in accordance with the taxonomy referred to in Section 4.27 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 3 | Amount and share of economic activities eligible for the taxonomy but not in accordance with the taxonomy referred to in Section 4.28 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 4 | Amount and share of economic activities eligible for the taxonomy but not in accordance with the taxonomy referred to in Section 4.29 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 5 | Amount and share of economic activities eligible for the taxonomy but not in accordance with the taxonomy referred to in Section 4.30 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 6 | Amount and share of economic activities eligible for the taxonomy but not in accordance with the taxonomy referred to in Section 4.31 of Appendices I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 7 | Amount and share of other economic activities eligible for the taxonomy but not compliant with the taxonomy, not listed in rows 1-6 above in the denominator of the applicable KPI | 0 | N/A | 62,815 | 2.5% | 16,403 | 7.7% |
| 8 | Total amount and total share of economic activities eligible for the taxonomy but not compliant with the taxonomy in the denominator of the applicable KPI | 0 | N/A | 62,815 | 2.5% | 16,403 | 7.7% |



5. Economic activities not eligible for the taxonomy

| Types of business | | Share (information to be provided in monetary amounts and percentages) | | | | | |
|-------------------|--|---|------|-----------|-------|----------|-------|
| | | Turnover KPI | | CapEx KPI | | OpEx KPI | |
| | | Amounts | % | Amounts | % | Amounts | % |
| 1 | Amount and share of the economic activity referred to in row 1 of template 1 which is an economic activity that does not qualify for the taxonomy according to section 4.26 of Appendices I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 2 | Amount and share of the economic activity referred to in row 2 of template 1 which is an economic activity that does not qualify for the taxonomy according to section 4.27 of Appendices I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 3 | Amount and share of the economic activity referred to in row 3 of template 1 which is an economic activity that does not qualify for the taxonomy according to section 4.28 of Appendices I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 4 | Amount and share of the economic activity referred to in row 4 of template 1 which is an economic activity that does not qualify for the taxonomy according to section 4.29 of Appendices I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 5 | Amount and share of the economic activity referred to in row 5 of template 1 which is an economic activity that does not qualify for the taxonomy according to section 4.30 of Appendices I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 6 | Amount and share of the economic activity referred to in row 6 of template 1 which is an economic activity that does not qualify for the taxonomy according to section 4.31 of Appendices I and II of Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI | 0 | N/A | 0 | N/A | 0 | N/A |
| 7 | Amount and share of other economic activities not eligible for taxonomy not listed in rows 1 to 6 above in the denominator of the applicable KPI | 15,926,504 | 100% | 2,401 238 | 97.3% | 197,250 | 92.3% |
| 8 | Total amount and total share of economic activities that do not qualify for taxonomy in the denominator of the applicable KPI" | 15,926,504 | 100% | 2,401 238 | 97.3% | 197,250 | 92.3% |



6. Approach to reporting





Approach to reporting

GRI 2-1, GRI 2-2, GRI 2-3, GRI 2-4, GRI 2-5, GRI 2-29, GRI 3-1, GRI 3-2

The sustainability report for the financial year 2022/2023 includes information on the entire LPP Group, including the parent company LPP SA, with the exception of LPP Italy SRL and LPP Greece Single Member Private Company, which joined the LPP Group in the middle of the reporting period. These companies will be included in the sustainability reporting in subsequent reporting periods. LPP SA does not hold minority shares in other entities. The data is consolidated in the manner recommended by the GRI Standards, omitting differences resulting from legal definitions in different markets. The list of companies included in the financial statements and the list of companies from the sustainability report are identical, there are no differences between them. Reporting of individual performance indicators along with restrictions

are indicated under individual tables with results. The data presented in the report refer to the period of 12 months of the financial year: from 1.02.2022 to 31.01.2023. This is the sixth non-financial report published by the LPP Group.

The LPP Group reports on an annual basis. This report is a continuation of the LPP Group's reporting practice, which in previous years was carried out in the formula of integrated sustainability reports.

-  Reports for previous years are available [HERE](#).
-  More detailed information about our current ESG and sustainability practices is published [HERE](#).

THE DOUBLE-MATERIALITY ANALYSIS PROCESS FOR ESG REPORTING TOPICS

The report for 2022/2023 was prepared in accordance with the guidelines of the international reporting standard GRI Standards 2021. In accordance with the GRI guidelines, when determining the most important reporting topics, we took into account the opinions of our stakeholders, employees and top management. When revising the relevance of ESG reporting topics:

- we have taken into account the guidelines of the Corporate Sustainability Reporting Directive (CSRD²⁴) adopted in December 2022 on the inclusion of "double-materiality" in the process of identifying relevant topics,
- we have taken into account the reporting guidelines of the international UN Global Compact,

- we analysed the conclusions from online meetings with the participation of LPP management and specialists,
- we conducted a dialogue with stakeholders in the formula of an **expert panel of LPP stakeholders**. The meeting concerned the opinions and expectations of the experts, social and business partners of LPP participating in the meeting regarding the implementation of responsible business obligations by LPP, including social objectives pursued under LPP's policies and environmental objectives included e.g. in the LPP Sustainability Strategy "For People For Our Planet",
- when analysing the relevance of reporting topics in terms of stakeholder expectations, we also took into account the results of previous dialogue processes with stakeholders, as well as

²⁴ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU as regards corporate sustainability reporting <https://eur-lex.europa.eu/legal-content/PL/TXT/PDF/?uri=CELEX:32022L2464&from=PL>



questions addressed to us by current and potential investors,

- as part of further stages of the materiality revision, we analysed ESG topics in terms of the strength of LPP's impact on the environment and the quality of life of people (including assessing the scale and likelihood of impact) as well as the strength of the impact of ESG issues on the strategy, the financial results of LPP.

The final decision regarding important ESG reporting topics was made by the Management Board, discussing their scope, m.in during a workshop meeting dedicated to reporting held at the end of 2022. In the process of preparing the report, we were supported by the educational and consulting company CSRinfo.

GRI 2-4

There were no material corrections to the information published in the previous Sustainability Report of the LPP Group for the financial year 2021/2022

EXTERNAL VERIFICATION

GRI 2-5

To confirm the reliability and credibility of the presented results we decided to provide external assurance by auditors from Deloitte. The scope of the information to be verified has been defined as based on benchmarking analysis for industry carried out by an auditor. The scope of verification included selected indicators marked accordingly in the GRI table. The audit report is presented to the ESG Committee and the Management Board and attached to this Report on page 149. Deloitte is independent of LPP Group companies.



LET'S STAY IN TOUCH

GRI 2-3

If, having read the report, you would like to share your reflections, comments or ideas with us, feel free to contact us. We care about what each and every one of you thinks. We look forward to reading your e-mails.

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KEY REPORTING ISSUES LPP²⁵

GRI 3-2 List of key topics

| Key topics in the report for the financial year | | |
|---|--|--|
| 02.2022 - 01.2023 | 02.2021 - 01.2022 | 02.2020 - 01.2021 |
| Climate impact | Sustainable fashion and climate impact | Sustainable fashion |
| Circular economy | LPP as an employer | LPP as an employer |
| Chemical safety and water impact | Improving ESG management processes | LPP economic and social impact during the pandemic |
| LPP as an employer | Omnichannel and new technologies | New business model and omnichannel development |
| Improving ESG management processes | Development of the retail network | Product safety |
| Human rights in the value chain | Assessment of suppliers' workplace conditions | Product quality |
| Business ethics and compliance with the law | Customer satisfaction | Legality of operations |
| Product quality and safety | Product quality and safety | Customer satisfaction |
| Customer satisfaction | Business ethics and compliance with the law | Assessment of suppliers' workplace conditions |
| Development of the retail network | LPP economic and social impact during the pandemic | Investing in advanced technologies |
| | | Development of the retail network |

MAIN SOCIAL AND ENVIRONMENTAL IMPACTS VS. KEY REPORTING TOPICS

GRI 3-1, GRI 3-3

| Key topics | MAIN IMPACTS | IMPACT MANAGEMENT |
|---|---|------------------------------|
| Climate impact | Emissivity of production and transport processes and logistics. Reducing carbon footprint in the entire LPP value chain. | 37-41, 44-46, 51-66, 108-122 |
| Circular economy | Closing the loop of textiles, searching for innovative fabrics and technologies reducing the scale of undeveloped textile waste. | 47-50 |
| Chemical safety and water impact | Impact of fabric production processes and applied in them chemicals for water resources and human health. | 38-43 |
| LPP as an employer | Scale of employment, job creation, impact on the well-being of employees through the working conditions offered. | 67-79, 80-83 |
| Improving ESG management processes | Development of ESG management processes translating on the quality of the analysis of social impacts - environmental and the effectiveness of their management. | 33-35 |
| Human rights in the value chain | Direct impact on LPP employees' well-being and indirect impact on LPP suppliers' practices towards employed people. | 25-27, 81-84 |
| Business ethics and compliance with the law | Impact on the level of responsible practices business in the industry and the region through its own standards of operation and expectations towards suppliers. | 31-32 |
| Product quality and safety | Impact on customer health and safety use of LPP products. Impact on customer satisfaction with LPP products and quality. | 84-86 |
| Customer satisfaction | | |
| Development of the retail network | Impact of e.g. on employment and the possibility of offering jobs and the climate by the magnitude of greenhouse gas emissions associated with transport. | 6-12 |

²⁵ The order in which the 9 reporting topics are written does not mean a gradation of their importance. All of these topics have been rated as highly relevant.



TABLE OF NON-FINANCIAL DISCLOSURES

List of reporting disclosures required by the Polish Accounting Act with references to specific pages of the report.

| Topic | Page number |
|--|--------------|
| 1. LPP business mode | 6-13 |
| 2. Key performance measures | 7-10, 107 |
| 3. Politics, procedures, regulatory documents at w LPP: | |
| employees matters | 67-79 |
| social matters | 87-92 |
| environmental matters | 37-66 |
| protection of human rights | 25-27, 80-83 |
| anti-corruption | 31-32 |
| 4. Non-financial risks and their management | 28-30, 57-62 |

COMMUNICATION ON PROGRESS UN GLOBAL COMPACT DATA TABLE

LPP SA has been a member of the UN Global Compact initiative since 2019. This means that we implement activities in accordance with the 10 principles set out in the Global Compact and report our progress in this area. We declare that we will continue to support the implementation of the Global Compact principles in business practice and other areas of our activities.

| Issue | Page number |
|---|--|
| Expression of continued support for the UN Global Compact | |
| Human rights | |
| Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights. | 25-27, 80-83 |
| Principle 2. Businesses should make sure that they are not complicit in human rights abuses. | 25-27, 80-83 |
| Labour | |
| Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. | LPP respects the freedom of association and the right to collective bargaining. In the reporting period, there were no trade unions or instances of collective bargaining at LPP. For more on this, go to p. 67-79 |
| Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour | 80-83 |
| Principle 5. Businesses should uphold the effective abolition of child 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. 80-83. |
| Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation. | 75-77 |
| Environment | |
| Principle 7. Businesses should support a precautionary approach to environmental challenges. | 37-66 |
| Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility. | 37-66 |
| Principle 9. Businesses should support the development and diffusion of environmentally friendly technologies. | 37-66 |
| Anti-corruption | |
| Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery. | 31-32 |



GRI CONTENT INDEX

STATEMENT OF APPLICATION

The LPP Group Sustainability Report for the period from 1.02.2022 to 31.01.2023 was prepared in accordance with the GRI Reporting Standards

Version applied GRI 1 GRI 1 Foundation 2021

Sector Standard None

GRI 2 GENERAL DISCLOSURES

| Disclosure No. | GRI Standard Title | Disclosure Name | Omitted requirements + omission explained | Location in the report | External assurance |
|---|----------------------------|--|---|------------------------|--------------------|
| The organization and its reporting practices | | | | | |
| GRI 2-1 | GRI 2. General Disclosures | Organizational details | | 6, 9, 105, 140 | |
| GRI 2-2 | | Entities included in the organization's sustainability reporting | | 105, 109, 140 | ✓ |
| GRI 2-3 | | Reporting period, frequency and contact point | | 123, 140, 141 | |
| GRI 2-4 | | Restatements of information | | 140, 141 | |
| GRI 2-5 | | External assurance | | 140, 141 | |
| Działalność i pracownicy | | | | | |
| GRI 2-6 | GRI 2. General Disclosures | Activities, value chain and other business relationships | | 6, 9, 11 | ✓ |
| Own measure | | Retail space in sq. meters for the whole Group and the percentage increase YoY | | 9-11 | |
| | | Store count and YoY increase for the whole Group. | | 9-11 | |
| | | E-commerce revenue - share in the Group's total revenue. | | 107 | |
| | | Foreign suppliers' percentage share in the overall procurement value by country (all products) | | 84 | |
| GRI 2-7 | | Employees | | 98-99 | ✓ |
| GRI 2-8 | | Workers who are not employees | | 98 | ✓ |
| Governance | | | | | |
| GRI 2-9 | GRI 2. General Disclosures | Governance structure and composition | | 22 | |
| GRI 2-10 | | Nomination and selection of the highest governance body | | 23 | |
| GRI 2-11 | | Chair of the highest governance body | | 22 | |
| GRI 2-12 | | Role of the highest governance body in overseeing the management of impacts | | 22, 23, 33 | |
| GRI 2-13 | | Delegation of responsibility for managing impacts | | 33 | |
| GRI 2-14 | | Role of the highest governance body in overseeing the management of impacts | | 33 | |
| GRI 2-15 | | Conflicts of interest | | 23 | |
| GRI 2-16 | | Communication of critical concerns | | 31-32 | |
| GRI 2-17 | | Collective knowledge of the highest governance body | | 23 | |



| | | | | | |
|----------|----------------------------|--|---|----|--|
| GRI 2-18 | GRI 2. General Disclosures | Evaluation of the performance of the highest governance body | | 23 | |
| GRI 2-19 | | Remuneration policies | | 23 | |
| GRI 2-20 | | Process to determine remuneration | | 23 | |
| GRI 2-21 | | Annual total compensation ratio | Reason for omitting information: Sensitive data | | |

Strategy, policies and practices

| | | | | | |
|----------|----------------------------|--|-----------------------------------|------------|---|
| GRI 2-22 | GRI 2. General Disclosures | Statement on sustainable development strategy | | 2, 14 | |
| GRI 2-23 | | Policy commitments | | 2, 25, 31 | ✓ |
| GRI 2-24 | | Embedding policy commitments | | 14, 31, 35 | |
| GRI 2-25 | | Processes to remediate negative impacts | | 25 | |
| GRI 2-26 | | Mechanisms for seeking advice and raising concerns | | 25, 32 | ✓ |
| GRI 2-27 | | Compliance with laws and regulations | UOKiK investigation ²⁶ | | |

Stakeholder engagement

| | | | | | |
|----------|----------------------------|------------------------------------|--|---------|---|
| GRI 2-28 | GRI 2. General Disclosures | Membership associations | | 18 | |
| GRI 2-29 | | Approach to stakeholder engagement | | 16, 140 | ✓ |
| GRI 2-30 | | Collective bargaining agreements | No such agreements in the organization | | |

GRI 3 KEY TOPICS

| Disclosure No. | GRI Standard Title | Disclosure Name | Omitted requirements + omission explained | Location in the report | External assurance |
|----------------|-----------------------------|------------------------------------|---|------------------------|--------------------|
| GRI 3-1 | GRI 3. Material Topics 2021 | Process for identifying key topics | | 140, 142 | ✓ |
| GRI 3-2 | | List of key topics | | 140, 142 | ✓ |

II. SPECIFIC DISCLOSURES ON MATERIAL TOPICS

| Disclosure No. | GRI Standard Title | Disclosure Name | Omitted requirements + omission explained | Location in the report | External assurance | |
|--|-----------------------------|-----------------|--|------------------------|----------------------|--|
| ECONOMIC TOPICS AND ORGANIZATION MANAGEMENT | | | | | | |
| Key topic: Improving ESG management processes | | | | | | |
| GRI 3-3 | GRI 3. Material Topics 2021 | Due diligence | Due diligence Risk management model Social and environmental impact management | | ✓ | |
| Own measure | | Not applicable | Risk management model | | 25, 28, 33-35, 53-54 | |
| | | | Social and environmental impact management | | 83 | |



| Key topic: Business ethics and compliance with the law | | | | | |
|---|-------------------------------|--|--|----------------------|---|
| GRI 3-3 | GRI 3. Material Topics 2021 | Management of material topics | Ethics | | ✓ |
| GRI 205-2 | GRI 205. Anti-corruption 2016 | Operations assessed for risks related to corruption | | 106 | ✓ |
| GRI 205-3 | | Communication and training about anti-corruption policies and procedures | No such situations in the reporting period | | ✓ |
| Key topic: Development of the retail network | | | | | |
| GRI 3-3 | GRI 3. Material Topics 2021 | Management of material topics | | 9, 12 | ✓ |
| Own measure | Not applicable | Average number of garments sent to stores daily | | 107 | |
| | | Percent share of different modes of transportation in the reporting year | | 46 | |
| ENVIRONMENTAL TOPICS | | | | | |
| Key topic: Climate impact | | | | | |
| GRI 3-3 | GRI 3. Material Topics 2021 | Management of material topics | Climate impact TCFD Report | | ✓ |
| GRI 302-1 | GRI 302. Energy 2016 | Energy consumption within the organization | | 95 | ✓ |
| GRI 305-1 | GRI 305. Emissions 2016 | Direct (Scope 1) GHG emissions | | 51, 95, 109, 116-120 | ✓ |
| GRI 305-2 | | Energy indirect (Scope 2) GHG emissions | | 51, 95, 109, 116-120 | ✓ |
| GRI 305-3 | | Other indirect (Scope 3) GHG emissions | | 51, 95, 109, 116-120 | ✓ |
| GRI 305-4 | | | | 96, 109, 117 | |
| Key topic: Circular economy | | | | | |
| GRI 3-3 | GRI 3. Material Topics 2021 | Management of material topics | Closed loop Garments made from more sustainable materials | | ✓ |
| GRI 306-3 | GRI 306. Waste 2020 | Waste generated | | 96 | |
| GRI 306-4 | | Waste diverted from disposal | | 96 | ✓ |
| Key topic: Chemical safety and water impact | | | | | |
| GRI 3-3 | GRI 3. Material Topics 2021 | Management of material topics | Standards of responsible product offering Environmental management in production processes | | ✓ |
| Own measure | Not applicable | Percentage of factories covered by the ZDHC "Roadmap to Zero" initiative | | 38, 41 | |



| SOCIAL TOPICS | | | | | |
|---|---|---|---|-------------|--------------|
| Key topic: LPP as an employer | | | | | |
| GRI 3-3 | GRI 3. Material Topics 2021 | Management of material topics | Social impact/management approach Employment and development of employees Diversity, equality and inclusion | | ✓ |
| Employment | | | | | |
| Own measure | GRI 401. Employment 2016 | New employee hires and employee turnover | | 101 | |
| GRI 401-2 | | Benefits provided to full-time employees that are not provided to temporary or part-time employees | | 74 | |
| GRI 401-3 | | Parental leave | | 102 | |
| Training and Education | | | | | |
| GRI 404-1 | GRI 404 Training and Education 2016 | Average hours of training per year per employee | | 73, 102 | ✓ |
| GRI 404-2 | | Programs for upgrading employee skills and transition assistance programs | | 72, 74 | |
| Diversity and Equal Opportunity | | | | | |
| Own measure | GRI 405. Diversity and Equal Opportunity 2016 | Diversity of governance bodies and employees | | 99 | |
| GRI 405-2 | | Ratio of basic salary and remuneration of women to men | | 69, 78, 100 | |
| Own measure | Not applicable | Percentage share of employees with disabilities | | 78, 100 | |
| Non-discrimination and counteracting mobbing | | | | | |
| GRI 406-1 | GRI 406. Non-discrimination 2016 | Incidents of discrimination and corrective actions taken | No such confirmed situations in the reporting period | 76, 106 | ✓ |
| Occupational Health and Safety | | | | | |
| GRI 403-1 | GRI 403. Occupational Health and Safety 2018 | Occupational health and safety management system | | 79-80, 103 | |
| GRI 403-2 | | Hazard identification, risk assessment, and incident investigation | | | |
| GRI 403-3 | | Occupational health services | | | |
| GRI 403-4 | | Worker participation, consultation, and communication on occupational health and safety | | | |
| GRI 403-5 | | Worker training on occupational health and safety | | | |
| GRI 403-6 | | Promotion of worker health | | | |
| GRI 403-7 | | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | | | 25-27, 81-84 |
| GRI 403-9 | | Work-related injuries | | 103 | |



| Key topic: Human rights in the value chain | | | | | |
|---|--|--|---|------------|---|
| GRI 3-3 | GRI 3. Material Topics 2021 | Management of material topics | Human rights in the value chain | | ✓ |
| GRI 414-1 | GRI 414. Supplier Social Assessment 2016 | New suppliers that were screened using social criteria | | 84 | ✓ |
| Own measure | Not applicable | Number of audits in terms of health and safety, working conditions, compliance with human rights in the reporting year | | 81, 84, 86 | |
| | | Percentage of suppliers covered by the amfori BSCI system | | 27, 41, 83 | |
| Key topic: Product safety and quality | | | | | |
| GRI 3-3 | GRI 3. Material Topics 2021 | Management of material topics | Product safety and quality | | ✓ |
| Own measure | Not applicable | Number of quality inspections in factories and the Distribution Centre carried by LPP inspectors daily in the reporting year | | 86-87 | |
| GRI 416-2 | GRI 416. Customer Health and Safety 2016 | Incidents of non-compliance concerning the health and safety impacts of products and services | | 87, 107 | ✓ |
| Key topic: Customer satisfaction | | | | | |
| GRI 3-3 | GRI 3. Material Topics 2021 | Management of material topics | Customer satisfaction | | ✓ |
| Own measure | Not applicable | Sales revenue | | 8 | |
| Topic: Local communities | | | | | |
| Own measure | Not applicable | Donations in the reporting year | | 104 | |
| | | Number of volunteers involved in community service projects in the reporting year. | | 104 | |
| GRI 415-1 | GRI 415. Public Policy 2016 | Political contributions | LPP does not make any monetary or in-kind contributions towards political initiatives | | |

²⁶ In the financial year 2022/2023, there were no relevant proceedings before any court, arbitration authority or public administration body, involving any obligations or liabilities of LPP or its subsidiary. However, LPP is a party to a clarification procedure initiated by the Office for the Protection of Competition and Consumers in order to determine whether, in connection with the pursued marketing activity involving ecology issues, the Company committed a breach giving grounds for the initiation of a procedure involving practices infringing consumers' collective interests. The enquiry made by the Office for the Protection of Competition and Consumers is a part of coordinated actions taken by European anti-trust authorities, addressed to companies operating in the clothing sector in respect of standards for ECO labelling of clothes. Upon formal request of the Head of the Office for the Protection of Competition and Consumers, LPP SA provided extensive clarifications and evidence. At the present stage, no charges have been brought against the Company in terms of application of practices infringing any collective interest of consumers. Should the said authority recognise that there are prerequisites for attributing any such practices to the Company, the maximum fine permitted under statutory law amounts to no more than 10% of turnover yielded in the year preceding the year in which such fine was imposed.



External verification

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Independent Limited Assurance Report on Independent Limited Assurance Engagement on selected indicators Presented in the Sustainability Report of LPP Group for 2022, for the period from 1 February 2022 to 31 January 2023

To the Management Board of LPP S.A.
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80-769 Gdańsk

Scope of work performed and applicable criteria

We have undertaken a limited assurance engagement on the indicators presented in the Sustainability Report of LPP Group for 2022/2023, for the period from 1 February 2022 to 31 January 2023 (the "ESG Report"), developed by LPP S.A. (the "Company").

The scope of our work covered 10 of the Company's reported General Disclosures presented in the GRI Index: 2-2, 2-6, 2-7, 2-8, 2-23, 2-26, 2-29, 3-1, 3-2, 3-3 and 8 selected Topic Specific Disclosures: 205-2, 205-3, 302-1, 306-4, 404-1, 406-1, 414-1, 416-2. The indicators included in the GRI index presented in the ESG Report have been reported in the manner defined in the GRI Standards - Sustainability Reporting Standards, issued by the Global Reporting Initiative (GRI).

The scope of our work included also 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 was limited to the indicators presented in the ESG Report listed above and marked "✓" in the GRI index and did not address the other information included in this report or this report understood as a whole. Accordingly, our conclusion below applies only the GRI indicators within the scope of our work 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 ESG Report in accordance with Sustainability Reporting GRI Standards, as 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 the provision of reliable, correct, and fair information, and for the 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 the International Auditing and Assurance Standards Board's (IAASB) International Quality Management Standard 1, we maintain and apply a comprehensive quality management system that operates continuously and iteratively and responds to changes in the nature and circumstances of the Company and its recommendations.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the selected indicators as marked in the GRI index 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 3000 (Revised), Assurance

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Engagements Other than Audits or Reviews of Historical Financial Information and 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 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 reconciling with underlying records.

In order to perform our conclusion on the indicators as marked in the GRI index presented in the ESG Report we undertook in the period 22nd March 2023 – 26th April 2023 the following procedures:

- through inquiries, obtained an understanding of control environment and information systems of LPP Group 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 through inquiries, analytical procedures, observation and other applicable evidence gathering procedures on a sample basis, an understanding of the key structures, systems, processes, procedures and internal controls relating to collation, aggregation, validation and reporting of data for the indicators under review;
- compared the information contained in the ESG Report with the GRI Standards and GHG Protocol for the indicators under review;
- compared the information included in the ESG Report to internal documentation of the Company.

Inherent limitations

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 ESG Report is subject to inherent limitations given its nature and the methods for determining, calculating, or estimating such information.

Conclusion

Based on the work we have done and the procedures we have performed, nothing has come to our attention that causes us to believe that the indicators in the scope of our work, presented in the ESG Report and marked "✓" in the GRI index, for the period from 1 February 2022 to 31 January 2023 prepared by LPP S.A. have not been prepared, in all material respects, in accordance with the GRI Standards 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, 26th April 2023

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