

**LPP**

A GLOBAL BRAND,  
A POLISH COMPANY

LPP Integrated Report for 2018

RESERVED

CROPP

 **house**

MOHITO

**sinsay**

# LPP IN 2018

**JANUARY**

LPP retail space exceeded a million square meters.

**FEBRUARY**

Cropp online store launched in Russia.

**MARCH**

Reserved launched its global campaign featuring supermodel Cindy Crawford.



**APRIL**

LPP became a strategic partner of the Annual CSR Outlook 2018.

**MAY**

LPP presented its first integrated report containing an outlook of its CSR activity



**JUNE**

LPP held a press conference to discuss its investments in advanced technologies along its supply chain.

**JULY**

Company founders transferred their stock to the Semper Simul and Sky foundations to maintain the company's Polish identity.

LPP announced its decision to invest PLN 400 million to build a distribution centre in Brześć Kujawski, Poland.

**AUGUST**

LPP entered the Israeli market

**SEPTEMBER**

Reserved launches its global campaign 'I Can Boogie' featuring actress Joanna Kulig.



LPP entered Slovenia, its fifth Balkan market.

**OCTOBER**

LPP opens its first retail store in Kazakhstan, its 23rd market.

**NOVEMBER**

A line of Premium products 40% of which were made of eco materials introduced into the autumn-winter collection from Reserved.

**DECEMBER**

Monetary and in-kind donations of the LPP Foundation exceeded PLN 1.5 million after the first year of operations.

Launch of the New Year's Eve collection from Reserved created together with stylists of the British Vogue.



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# HELLO!

[GRI 102-14]



We have another year of intense, yet absolutely exciting work to turn other people's dreams into reality under our belt. The collections that hit our stores every year are made for those who wish to express their emotions and make their dreams come true with the way they look. It is them, our customers, who never stop inspiring us. It is for them that we exist and create. It is to them that we dedicate this annual report.

When we debuted our integrated report last year we wanted to tell the world about our company and the way we create our collections. We showed LPP from behind the scenes, the people who work with us and the values that we hold dear. It seems we did a good job, as the report received a honourable mention in the 'Debut' category in a CSR report competition organised by the Responsible Business Forum, Warsaw and Deloitte. It is a great honour and a big challenge as we are determined to make this year's report equally interesting and inspiring, in particular for those who pay attention to social responsibility.

We tune in to the needs of the world around us and the challenges we all face today. Human rights and environment protection concern every single one of us. We cannot and are not indifferent. It is our duty to limit the environmental impacts of our operations to a minimum. One of the key factors here is education. When we deliberated how to make our approach to fashion more sustaina-

ble, we concluded that apart from implementing eco-conscious practices we need to tackle the way we influence our customers' awareness. In other words, our job is not only to introduce eco-friendly products to our collections, but to reliably inform our customers about the options they have. That is why, in this year's report we are presenting what we do in this regard. And so, below you will find a great deal of information on how we approach customer relations, respond to our customers' needs and expectations, and adapt our brands and collections to our customers' desires while staying eco-conscious. Reading the report, you will find out about the eco-friendly lines we have successfully introduced to our collections and how we make our customers' dream come true while reminding them that we can all help protect our environment.

We live in a rapidly changing world. The fashion industry has opened up to advanced technologies: smart labels, smart fitting rooms, progressive lighting and state-of-the-art air-conditioning systems. LPP has become fashion tech. The days of regular products and a simple till are over. Today's clothing stores are places where customers what to find items that exactly meet their needs, or even exceed their expectations. Often customers want the store to provide them with extra stimuli that will make shopping a pleasant and relaxing experience. We have not been indifferent to these expectations. We have embraced fashion tech with

enthusiasm. For a few years now we have been implementing new store concepts, remodelling our stores and fitting them with technologies that help create more beautiful and eco-friendly spaces for our customers. Energy saving screens, lighting that adapts to sunlight and the conditions inside the store and smart cooling systems that use less energy than traditional ones are just a few of the solutions that we now have at our disposal thanks to embracing advanced technologies. But our efforts do not stop there. We also invest in the virtual spaces you enter when shopping online. Read on, and you will be let on an interesting secret regarding our Internet operations.

When we were setting up LPP years ago, we knew that it would never be about instant profits, but something much more profound. We wanted to create a company that would survive decades, generations even, and would be able to share its success with others. I am very proud that last year we made a giant leap forward to achieve both of these goals.

LPP has been supporting those in need almost from the very beginning, that is for over 20 years now. With time, however, we realised more should be done. That is why we decided to set up the LPP Foundation to help mainly those who faced social exclusion, especially children and youth, but not exclusively. The report details the foundation's goals and achievements in the first year of operations. I believe it is the beginning of a great project that will produce concrete results if we work together.

In the middle of the year together with my partner we also set up family foundations to make sure the company is not sold even in the event that we both die. As a result, the company's future is secure for many years to come. It will also forever remain a Polish firm upholding the values we hold dear today.

I am sure that with this report we are again one step closer to proving that a Polish family business can become a real inspiration for others and make Poles proud. We have set ambitious goals for ourselves. We would like to take this opportunity

to tell you about them. We would also like you to know that we pursue these goals in a responsible manner. We constantly look for new solutions and monitor risks in order to be the best clothing retailer in the world as well as to make the world a better place.

Each year we do our best to introduce more and more customers to Polish creativity, creative concepts and business responsibility. Last year we launched operations in Slovenia, Kazakhstan and Israel. And we are not slowing down. We have the courage to aim higher. I can already assure you that over the next few years our collections will hit stores in more and more far-away markets. After all, our intention is to be a global brand and a Polish company.

That is also how we have entitled this year's report. On behalf of myself and everyone here at LPP, I hope you all enjoy it and that it provides you with plenty of inspiration.

**Marek Piechocki**  
**President of the Management Board**



Sustainable Development Goals



over  
**PLN 8bn**  
in net sales revenue in 2018

**1 765**  
stores in 2018

**In this chapter you will read about:**

- » LPP's philosophy of business.
- » Business model, strategy and future plans.
- » Creating customer value.
- » The Semper Simul Foundation and LPP as a family business.
- » LPP's approach to sustainable development.



**1**  
**A GLOBAL BRAND,  
A POLISH COMPANY**



# ABOUT THE COMPANY

We are a Polish company listed on the Warsaw Stock Exchange that designs, manufactures and sells clothing. Our retail network covers Poland, Central, Eastern and Western Europe, the Balkans and the Middle East. To the millions of customers who visit our stores and shop for our products online we offer clothing, accessories and shoes from five popular brands: **Reserved, House, Cropp, Mohito i Sinsay.** [GRI 102-2]

*You will learn more about our brands in Chapter 2 'Made to Measure'.*

## **THINKING LOCALLY, ACTING GLOBALLY**

LPP's philosophy [GRI 102-1] is about thinking locally and acting globally. While we grow, we tailor our offer to meet the preferences of our customers in different countries. We develop a Polish family business expanding to foreign markets showing the world how we approach entrepreneurship.

### LPP, a socially responsible Polish family business



#### **SOCIALLY RESPONSIBLE**

Ethical.  
Responsible production.  
Caring for jobs.  
Supporting its employees and partners.  
Eco-conscious.



#### **POLISH**

Poland is where we have our roots.  
Poland is where all our strategic decisions are made.  
Poland is where our concepts are designed, including brand concepts.  
Poland is where we pay all our due taxes.  
Poland is where our main stakeholders live.



#### **FAMILY BUSINESS**

Set up and managed by two college friends from Poland.  
Family capital and determination to maintain the status quo.  
Growth is about stability and a long-term approach coupled with big investments, not spending all your profits.  
The wellbeing of the company and its employees takes priority over short-term profit.

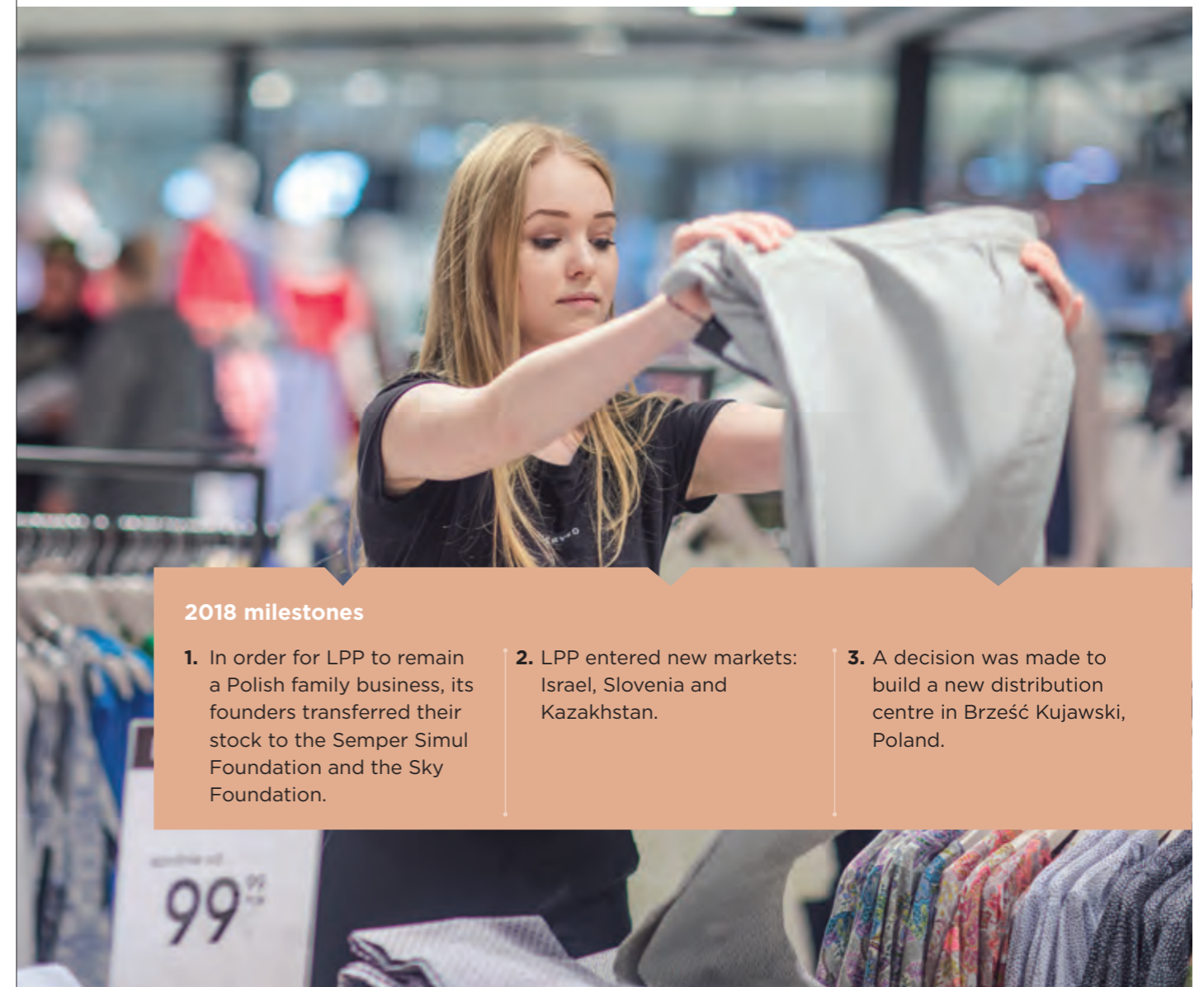
While Poland remains the most important market for us, in line with our strategy we continue to develop our retail network abroad and increase our sales in foreign markets. At this point, our retail space abroad constitutes more than a half of the group's retail space in total.

## **LIVING UP TO OUR CUSTOMERS' EXPECTATIONS**

LPP's mission is to make it possible for our customers to express their emotions and make their dreams come true. Shopping for clothing offered by our brands in our unique stores our customers get a chance to express themselves. We know that shopping is a complex experience and have been focusing our attention on developing our store concepts for years now. Taking customer experience into consideration, we regularly evaluate and

refresh the design of our stores. Shopping is not only about finding the right outfit to wear; it is an aesthetic experience that involves both the senses and the mind.

With our customers' needs and expectations in mind, we have also made it possible for them to comfortably shop for our items online. We invest heavily in technologies that drive our online shops. Our customers may shop from the comfort of their home and collect their items at a store, or place an order online while at our of our stores. This way, by responding to rapidly changing customer preferences and market trends, we have become **a company that brings together fashion, art and technology.**



#### **2018 milestones**

- 1.** In order for LPP to remain a Polish family business, its founders transferred their stock to the Semper Simul Foundation and the Sky Foundation.
- 2.** LPP entered new markets: Israel, Slovenia and Kazakhstan.
- 3.** A decision was made to build a new distribution centre in Brześć Kujawski, Poland.





## **LPP IS A DYNAMIC COMPANY WITH LASTING VALUES**

[GRI 102-16]

LPP's global success was built on a local foundation: our joint vision, mission and values. These elements of our organisational culture inspire our everyday work and shape the way we operate in Poland and abroad. They inform the daily operations of the company as a whole and shape the way we approach our customers, employees, business partners, shareholders and other stakeholders.

### Mission, vision, values

#### MISSION

**WE HELP OUR CUSTOMERS  
TO EXPRESS THEIR EMOTIONS  
AND REALIZE THEIR DREAMS  
THROUGH THE WAY  
THEY LOOK AND FEEL.**

#### VISION

**PASSION DRIVES OUR ACTION,  
MAKING US THE BEST CLOTHING  
COMPANY IN THE WORLD.**

#### VALUES



**WE ARE  
FUELLED BY  
INTERNAL FIRE**

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



**AMBITION  
DRIVES US  
IN ACTION**

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



**WE ARE  
RESPONSIBLE  
FOR WHAT  
WE DO**

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



**AS A TEAM  
WE ARE  
THE GREATEST  
STRENGTH**

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

**LPP GLOBALLY**  
[GRI 102-4] [GRI 102-6]

**LPP Group in the world** [GRI 102-6]

retail space (in thousand sq. metres) / store count / e-store



In 2019 LPP will expand to Bosnia and Herzegovina as well as Finland.

**GDAŃSK, POLAND:**

- LPP's main headquarters [GRI 102-3],
- the design centre for Reserved, Cropp and Sinsay.

**PRUSZCZ GDAŃSKI, POLAND:**

- a distribution centre.

**BRZEŚĆ KUJAWSKI, POLAND:**

- a new distribution centre for Reserved under construction.

**STRYKÓW, POLAND:**

- a distribution centre for online orders.

**MOSCOW, RUSSIA:**

- a distribution centre

**BUCHAREST, ROMANIA:**

- a distribution centre under construction.

**WARSZAWA, POLAND:**

- Reserved design studio marki Reserved

**KRAKÓW, POLAND:**

- a showroom for 5 brands
- the design centre for House and Mohito brands.

**Key performance measures**  
[GRI 102-7]

**3**

new markets in 2018



**25,174**

employees all over the world (incl. 14 294 in Poland)

**7.2%**

LFL sales 2017/2018<sup>1</sup>

[Own measure: LFL sales in the reporting year]

**PLN 712m**

in e-commerce revenue in 2018 (97% ↑ YoY)



**1,091 thousand**  
**sq. metres combined retail space** of the LPP Group (9% ↑ YoY)

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



over **212m** clothing items sold annually

**1,765**

stores across 23 countries on 3 continents (22 ↑ YoY) Net increase in store openings (minus store closures).

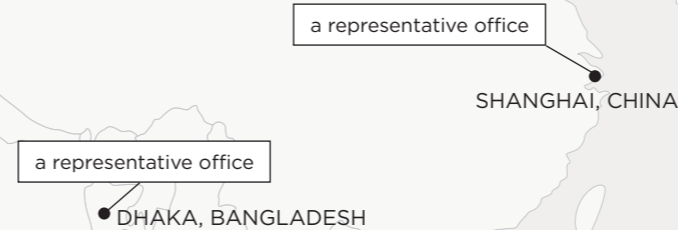
[Own measure: Store count and YoY increase for the whole Group]



over **99m** retail transactions in 2018 (35% ↑ YoY)

**PLN 798m**

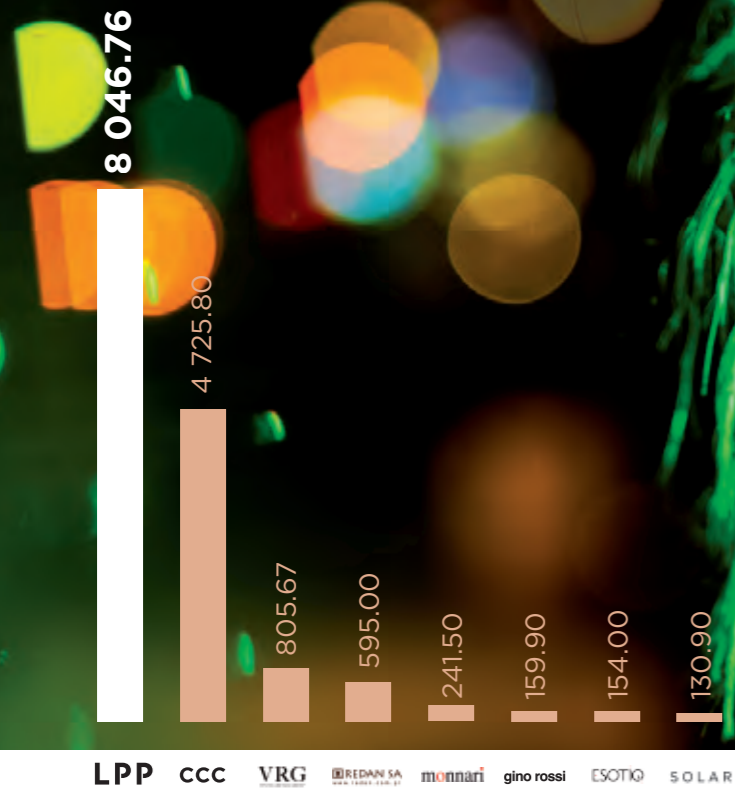
in total investments in 2018 (CAPEX)



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

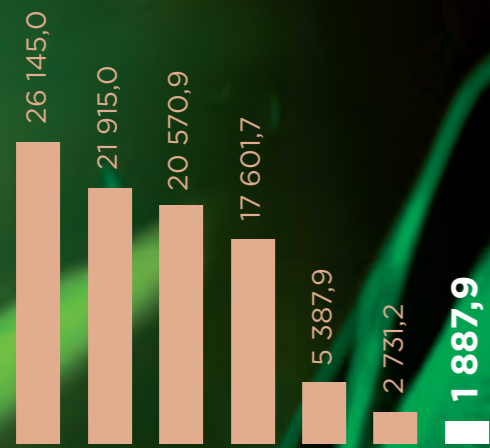


LPP in the Polish market and compared to leading international apparel retailers



**Undisputed leader in the Polish garment and footwear market**

Revenues (PLN m)



**Determined to become one of the international market leaders**

Revenues (EUR m)

**LPP GROUP'S BUSINESS STRATEGY**

[reporting topic: the company's business strategy and future plans]

The LPP Group's long-term strategy focuses on strengthening the company's position in the markets where it operates and expansion to new geographic areas: Western Europe, the Balkans and the Middle East. Our strategic goals is also to further increase our online sales. We intend to develop our retail network and improve our performance in each individual market. We are also set on foreign expansion, which means entering at least one new market a year.

**Market developments that influenced the implementation of LPP's strategy in 2018**

-  the political and economic situation in the countries where LPP corporate group has its stores
-  competition
-  currency rates of USD, EUR, RUB, UAH
-  rising popularity of online shopping
-  technological progress
-  changes in consumer behaviour
-  ban on Sunday shopping introduced in Poland

**Our strategic focus areas**



**Creativity**

- Creativity is a competitive advantage. Value added is what makes a product attractive and drives customers to make a purchase.
- 65% of our product value is created in Poland. LPP’s creative concepts originate in Poland and then spread across the world. This applies to our collections, which are designed in Poland, as well as our stores in Berlin or London, which have been fully designed by our Polish partners.



**Thinking locally, acting globally**

- Ever season our fashion designers, graphic designers and process engineers work together to create LPP collections taking into account the latest international fashion trends.
- As we develop our business, we adapt our offer to meet the preferences of our customers in different countries.



**Outsourcing production**

- We do not own production facilities. Just like our main international competitors, we outsource the production of our collections to our partners in Poland, elsewhere in Europe and in Asia.



**Developing traditional sales channels**

- We invest in the development of our retail network both in the countries where we have a presence and our prospective markets. Currently, we are mainly focusing on improving the recognisability of our flagship brand Reserved in Europe.



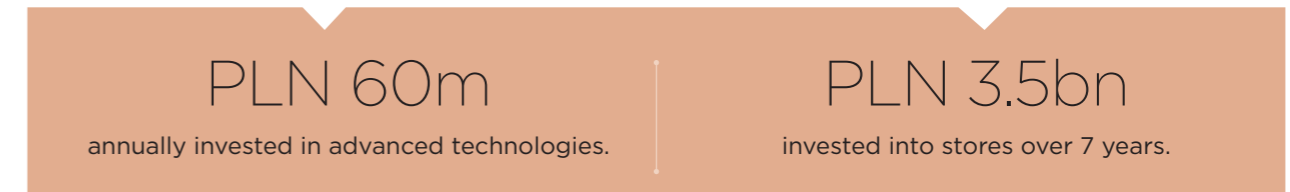
**Investing in modern sales channels**

- We invest in new sales channels and their integration, i.e. the omnichannel. Soon customers will be able to shop for our products online in all the markets where our stores operate. We estimate that thanks to the substantial investments we make, our online sales will go up by dozens of percentage points annually.

**PLANS FOR THE FUTURE:  
OUR 2021 STRATEGY**

[GRI 102-15] [reporting topic: the company’s business strategy and future plans]

Our 2021 Strategy is based on three pillars: constant growth, fashion tech investments and preserving LPP’s family business status.



**LPP DEVELOPMENT PLANS UNTIL 2021**

**Unstoppable growth**



**Foreign expansion**

We want to enter at least one new market each year.

**Reserved as a global brand**

We want to have a presence on Europe’s top shopping streets. We want the world’s biggest stars to appear in our campaigns.

**Investing in stores**

We focus on upgrading our stores; by the end of 2022 we will invest PLN 2.2 bn for that purpose.

**Fashion tech**



**Omnichannel**

We invest in advanced technologies. We are becoming a fashion tech company.

**Start-up thinking**

Our culture and operations are based on creativity and innovativeness.

**LPP as a Polish multigenerational family business**



**Preserving the company’s family business status**

We want LPP to remain a Polish company with Polish shareholders. The founder of LPP, Marek Piechocki set up the Semper Simul Foundation and transferred his stock to it, as a result of which LPP continues to be a family business.

**Contributing into the development of Polish and local economy**

We will stay in Pomerania and continue to invest most of our profit into the growth of the Polish economy.



Number of countries where LPP brands are present

Reserved	Cropp	House	Mohito	Sinsay
23	15	15	15	15

Net revenue by brand (traditional shopping) in 2018 and as compared to 2017

[GRI 102-7] [Own measure: Net revenue by brand in the reporting year and the percentage increase YoY]

	Sales in 2018 [in PLN m]	Percent change as compared to 2017
Reserved	3,578	13.3%
Cropp	1,120	5.3%
House	920	14.2%
Mohito	782	-5.7%
Sinsay	789	29.3%



Challenges faced by LPP:

- scale of operations
- digitalisation of daily life and economy
- changes in the labour market
- global recognisability
- transformations in retail\*
- questions about the future

\* In 2018 three significant changes in retail were noted: increased customer-perceived value, comfort of making purchases and building on positive experiences gained by customers when shopping.

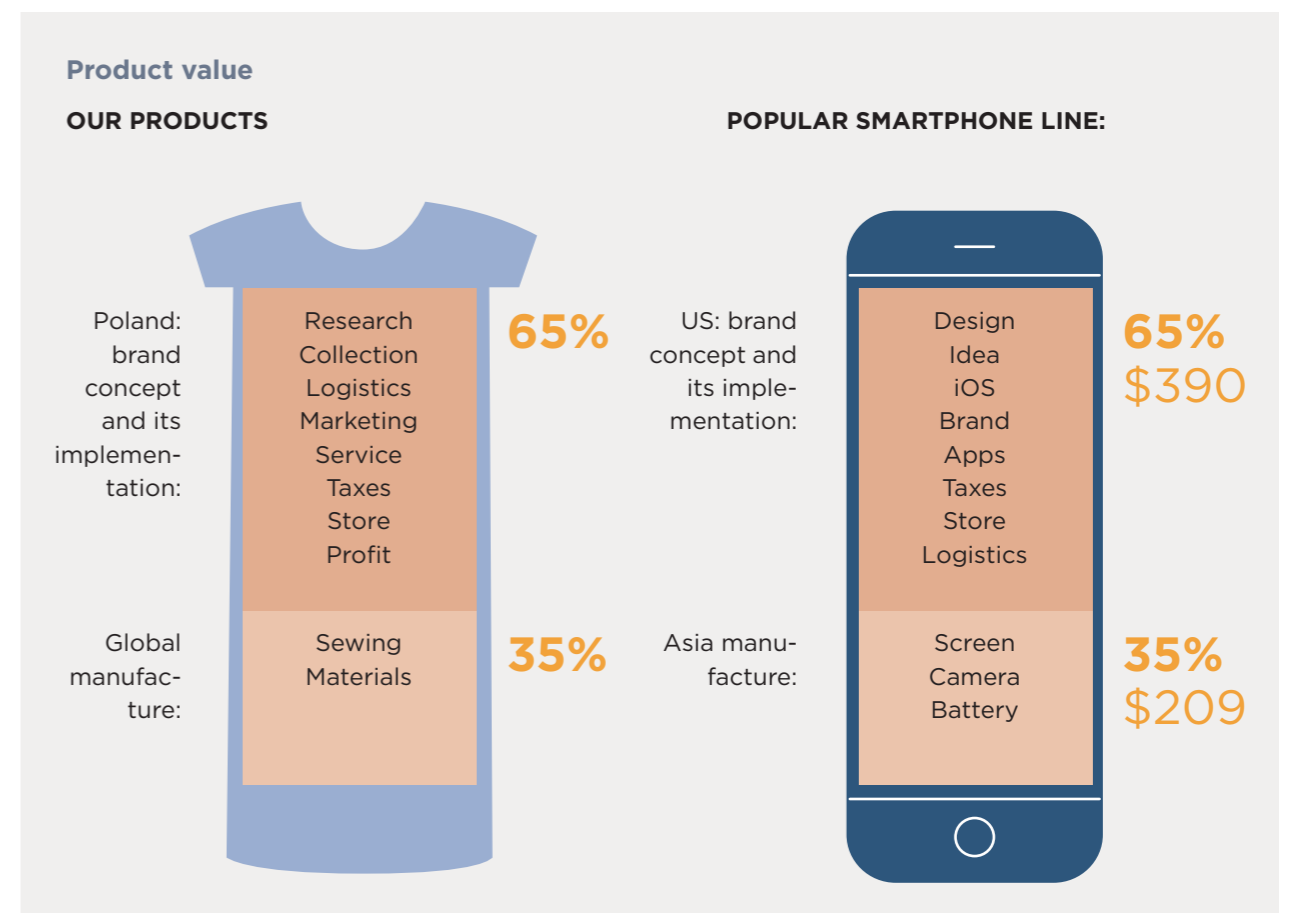


A GLOBAL BRAND,  
A POLISH COMPANY

PRODUCT VALUE

A well-known smartphone line is manufactured outside of the US, yet 2/3 of its value comes from its design, label, operational system and store

concept. These have been created and implemented in the US. The same applies to our collections: 65% of their value is created in Poland.



**AT THE HELM OF LPP**

**LPP Management Board and its members' responsibilities** [GRI 102-18]

**MAREK PIECHOCKI**  
PRESIDENT OF  
THE MANAGEMENT BOARD,  
LPP CREATOR  
AND COFOUNDER

responsibilities: CSR and environmental protection  
supervision over the Management Board's operations  
HR  
PR  
RESERVED, CROPP, HOUSE, MOHITO, SINSAY –  
brand development, product development, sales  
management



**PRZEMYSŁAW LUTKIEWICZ**  
VICE-PRESIDENT OF  
THE MANAGEMENT  
BOARD

responsibilities: finance  
controlling  
accounting  
internal audit  
investment relations  
supervision over subsidiary companies



**JACEK KUJAWA**  
VICE-PRESIDENT OF  
THE MANAGEMENT  
BOARD

responsibilities: e-commerce  
IT  
logistics  
administration



**SŁAWOMIR ŁOBODA**  
VICE-PRESIDENT OF  
THE MANAGEMENT  
BOARD

responsibilities: retail space lease  
store contraction  
legal matters

**LPP Supervisory Board** [GRI 102-18]

**JERZY LUBIANIEC**  
PRESIDENT OF THE SUPERVISORY BOARD

**WOJCIECH OLEJNICZAK**  
VICE-PRESIDENT OF THE SUPERVISORY BOARD

**PIOTR PIECHOCKI**  
MEMBER OF  
THE SUPERVISORY  
BOARD

**MAGDALENA SEKUŁA**  
INDEPENDENT MEMBER  
OF THE SUPERVISORY  
BOARD

**ANTONI TYMIŃSKI**  
INDEPENDENT MEMBER  
OF THE SUPERVISORY  
BOARD

**MIŁOSZ WIŚNIEWSKI**  
INDEPENDENT MEMBER  
OF THE SUPERVISORY  
BOARD

**PRESERVING THE COMPANY'S FAMILY BUSINESS STATUS**

[GRI 102-5] [GRI 102-10]

The parent corporation of the LPP corporate group is a joint-stock company. LPP SA has been listed on the Warsaw Stock Exchange's Main Market since 2001. LPP is among the 20 largest companies on the WSE.

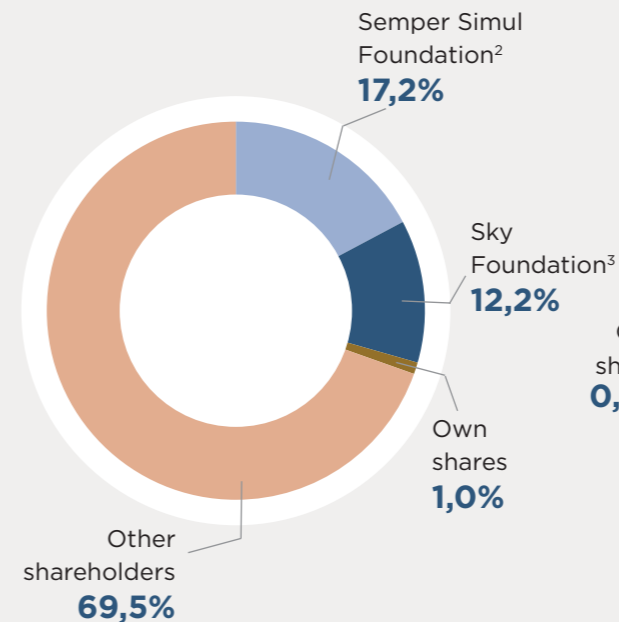
The year 2018 saw a change in LPP SA share ownership as its co-founders, Marek Piechocki and Jerzy Lubianiec transferred all their company stock to two foundations: Semper Simul (Always Together) and Sky, respectively. The foundations now own the company's control stock.

This way the founders implemented a succession plan for their business. As a result, future generations of their families will not be able to divide the company or sell it. They will also have to make sure that LPP is managed in the same spirit as it is managed today.

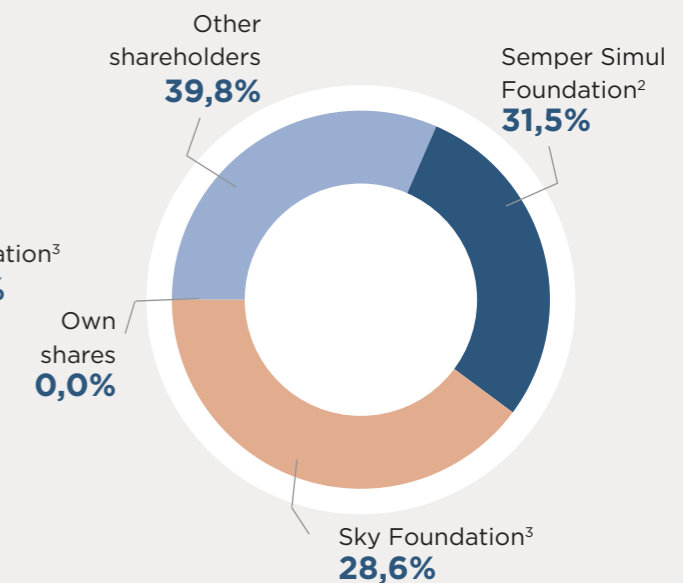
We know examples of many Polish companies that became successful and were then sold to foreign investors. LPP founders do not want this to happen to their company. By making sure that in the future LPP upholds the same values as it does today, they secured the company's future and put the wellbeing of the company and its employees before immediate gains.

**Shareholder**

Owned stock



Voting share at the General Shareholder Meeting



<sup>2</sup> The Semper Simul Foundation has close links with Marek Piechocki (Article 3(1)(26)(d) of the Market Abuse Regulation).

<sup>3</sup> The Sky Foundation has close links with Jerzy Lubianiec (Article 3(1)(26)(d) of the Market Abuse Regulation and Article 4 (15) of the Polish Act on Public Offering).



In 2018 our collections were available  
in **1750** LPP-run stores and **15** franchise stores  
(franchise stores outside of Poland).



'LPP's power lies in the atmosphere we all create and which is based on honesty, fairness and trust, which are possible only when the company and its management team does not have to pay attention to immediate gains, but strives to build something bigger and more important over a long term. This is our perspective and mission today: to build internationally recognisable Polish brands and take pride in their origins.'

**Sławomir Łoboda, vice-president of LPP**

## **LPP SUBSIDIARY COMPANIES AND THEIR SCOPE OF OPERATIONS**

The LPP corporate group includes: LPP SA (parent company), 4 Polish and 23 foreign subsidiaries.

LPP SA is in charge of the design and distribution of clothing in Poland, Central, Eastern and Western Europe, the Balkans and the Middle East. Most foreign subsidiaries deal with distributing Reserved, Cropp, House, Mohito and Sinsay products outside of Poland.

In 2018 we have welcomed three new subsidiaries to our Group: LPP Kazakhstan LLP, Reserved Fashion Modne Zamke DOO and LPP BH DOO, which deal with distribution in Kazakhstan, Slovenia and Bosnia and Hercegovina, respectively.

What is more, on 25 May 2018, the General Shareholder Meeting consented to the disposal of an organised part of LPP SA which now operates under the brand Promostars and which will become as a contribution in kind to LPP Printable Sp. z o.o. (formerly Amur Sp. z o.o.), a LPP subsidiary. [GRI 102-10]

### **LPP subsidiaries**

	<b>NAME</b>	<b>Registered offices</b>	<b>Stock owned</b>
1.	LPP Retail Sp. z o.o.	Gdańsk, Poland	100.0%
2.	DP&SL Sp. z o.o.	Gdańsk, Poland	100.0%
3.	IL&DL Sp. z o.o.	Gdańsk, Poland	100.0%
4.	Printable Sp. z o.o.	Gdańsk, Poland	100.0%
5.	LPP Estonia OU	Tallin, Estonia	100.0%
6.	LPP Czech Republic SRO	Prague, Czech Republic	100.0%
7.	LPP Hungary KFT	Budapest, Hungary	100.0%
8.	LPP Latvia LTD	Riga, Latvia	100.0%
9.	LPP Lithuania UAB	Vilnius, Lithuania	100.0%
10.	LPP Ukraina AT	Peremyshliany, Ukraine	100.0%
11.	RE Trading OOO	Moscow, Russia	100.0%
12.	LPP Romania Fashion SRL	Bucharest, Romania	100.0%
13.	LPP Bulgaria EOOD	Sofia, Bulgaria	100.0%
14.	LPP Slovakia SRO	Banská Bystrica, Slovakia	100.0%
15.	LPP Fashion Bulgaria EOOD	Sofia, Bulgaria	100.0%
16.	Gothals LTD	Nicosia, Cyprus	100.0%
17.	LPP Croatia DOO	Zagreb, Croatia	100.0%
18.	LPP Deutschland GMBH	Hamburg, Germany	100.0%
19.	IPMS Management Services FZE	Ras Al Khaimah, UAE	100.0%
20.	LPP Reserved UK LTD	Altrincham, UK	100.0%
21.	LLC Re Development	Moscow, Russia	100.0%
22.	LLC Re Street	Moscow, Russia	100.0%
23.	LPP Reserved doo Beograd	Belgrade, Serbia	100.0%
24.	P&L Marketing&Advertising Agency SAL	Beirut, Lebanon	97.3%
25.	LPP Kazakhstan LLP	Almaty, Kazakhstan	100.0%
26.	Reserved Fashion, Modne Zamke DOO namke DOO	Ljubljana, Slovenia	100.0%
27.	LPP BH DOO	Banja Luka, Bosnia and Hercegovina	100.0%



# LPP BUSINESS MODEL

## **DESIGNED IN POLAND, SOLD ALL OVER THE WORLD**

[GRI 102-7]

Over two decades we turned from a local business to one of the most rapidly growing international apparel retailers. Currently, we provide over 25,000 jobs and manage 5 fashion brands: **Reserved, Cropp, House, Mohito** and **Sinsay**, each addressing the needs of different target groups. [GRI 102-2] All of our collections are designed in Poland.

We sell our products through a retail network covering 23 markets. We are present all over Poland, in Central, Eastern and Western Europe, the Balkans and the Middle East. We offer online sales in 11 countries. [GRI 102-4]

We have set up one of the most modern distribution centres in this part of Europe in Pruszcz Gdański, Poland. What is more, we have two e-commerce distribution centres in Stryków, Poland and one near Moscow, Russia.

In the nearest future we are going to focus on continuous foreign expansion. It is our ambition to enter at least one new market annually. In 2019 we are launching our operations in Bosnia and Herzegovina as well as Finland. We are constantly expanding our online shopping too: in 2019 we are planning to launch online sales in Ukraine.



'To grow, you need to invest. That is why, to preserve the current rate of our development, we devote new means to upgrade our stores, logistics and e-commerce.'

**Przemysław Lutkiewicz, vice-president of LPP**

We also use franchising in our operations, which proves particularly useful when we see potential for growth but face limitations of different kinds, for instance when we have difficulty in accessing the real property market due to local regulations, which is the case in the Middle East. We have granted franchise to operate our stores in Poland, Belarus, Israel and the whole Middle East.

Three of our brands we listed among the most valuable Polish clothing brands in a 2018 ranking published by the Rzeczpospolita daily:

- Reserved in the 1st place,
- House in the 3rd place,
- Cropp in the 4th place.



PLN  
8,047m  
the Group's net sales  
revenue 2018  
(14% ↑ YoY).

PLN  
2,860,553  
thousand  
in equity in 2018.

PLN  
2,520,270  
thousand  
the amount set aside to cover  
liabilities and long- and short-  
term reserves in 2018 for  
the whole Group.

Our business model is based on 4 steps:



**STEP 1:  
DESIGNING**

**3** design studios in Poland  
more than **250** designers  
nearly **500** collections launched in 2018  
**5** different brands



**STEP 2:  
SEWING**

**1,148** suppliers  
**2** representative offices in Asia  
(Shanghai and Dhaka)  
**4.2m** items are produced  
annually in Poland



**STEP 3:  
SHIPPING**

**1.5m** items shipped from our distribution  
centre in Pruszcz Gdański daily  
**3** distribution centres across the world,  
**2** new distribution centres under construction  
total warehousing space exceeding  
**100 thousand sq. metres**  
**500-600 thousand** online orders  
handled monthly



**STEP 4:  
SELLING**

**1 765** stores in **23** countries  
on **3** continents  
online shopping available in **11** countries  
**over 212m** items sold annually

The most valuable things there are, our concepts are born in Poland. Our designs are created in design studios in Gdańsk, Cracow and Warsaw.



**Each year our fashion designers, graphic designer and process engineers create collections that follow the latest international trends to meet our customers expectations to the fullest.**

Approved designs are passed on to merchandisers who commission the production of selected models. We collaborate with well-tested suppliers (manufacturers) in Asia and Europe, e.g. in China, Bangladesh, Turkey and Poland.

We have representative offices in China and Bangladesh whose job it is to locate production and supervise the manufacturing process. We are putting increased emphasis on the supply chain supervision. Our office in Bangladesh ensures that our suppliers respect human rights. We also support our manufacturers in their efforts to improve working conditions at their plants.



**We monitor the quality of our products and check them for chemical content.**

Finished collections are shipped to stores from our distribution centres. Thanks to the use of advanced technologies, our distribution centre in Pruszcz Gdański may serve 1765 stores at the same time. The distribution centre in Stryków processes online orders, while the one near Moscow processes both online orders and redistributes products to our stores across Russia.



**To make shipping even faster, we have decided to build two new facilities: a distribution centre in Brześć Kujawski and a warehouse in Romania.**



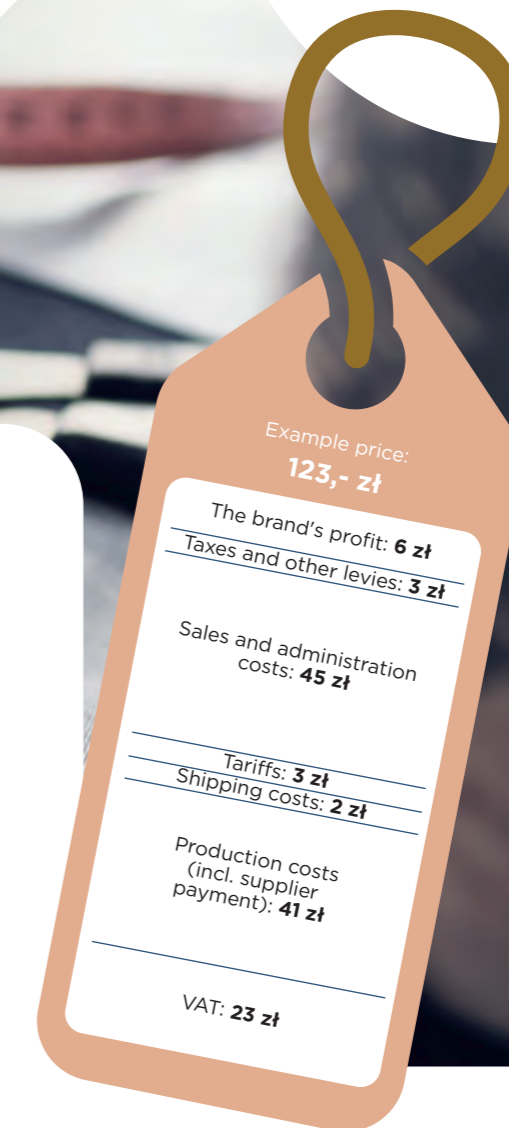
**We want to provide our customers everywhere with an immersive customer experience. We introduce new store concepts and strive for excellence when it comes to customer service. We develop traditional and online shopping channels to provide all our customer with easy access to our products.**



## From design to store, or how our collections come to life

- 1 Assortment planning and pricing policy for the upcoming season.
- 2 Mood boards – collection concept and colour palette in line with the latest trends.
- 3 Review of designs devised by our designers.
- 4
  - We select suppliers for individual designs and ask them produce samples.
  - We review the samples and choose the models that best meet our requirements.
  - We discuss changes that must be made to the models and decide on colours.
- 5 The designer and process engineer discuss selected models
- 6 We discuss changes to the sample with the manufacturer and approve the pattern once they have been made.
- 7 Selected models are produced.
- 8 Products are shipped to the warehouses in Pruszcz Gdański, Stryków and Moscow.
- 9 Products are redistributed to stores.
- 10 Products are sold at our stores and online.
- 11 We monitor sale results and customer satisfaction daily.

## The price tag and the supply chain





## VALUE CREATION

We create value for customers by offering them integrated customer experience. We both follow and set new fashion trends. Our five diverse brands meet the needs and expectations of our customers around the world. To do that we use and increase our capital in a responsible manner, and continue to implement our strategy and business model. Our strong reliance on technology makes it possible for us to address our customers' needs in an efficient and precise manner. Integrated shopping experience, either at our stores or when shopping online, allows our customers to express themselves through their clothes. We may invest our profit into our growth in Poland and abroad, taking the development of our environment into account.

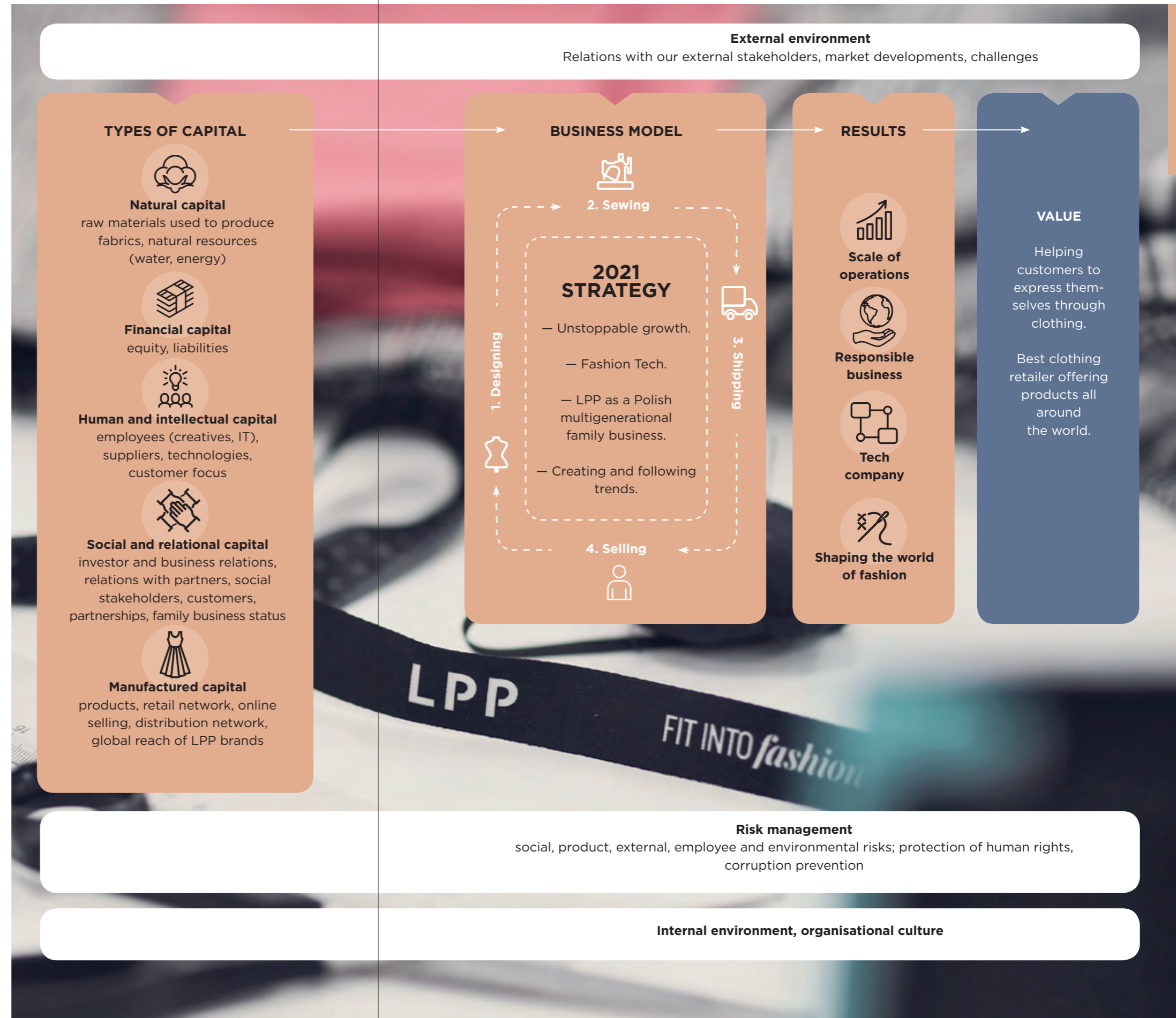
## RISK MANAGEMENT AT LPP

[GRI 102-15]

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

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

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





Non-financial Issue	Risks identified in The Internal Control System and The Transfer Pricing Policy	
	LPP SA	LPP Group
Social risks	– legislative changes (shopping hours)	– legislative changes (tariffs and taxes)
Product risks	– product quality – market trends and sales risks – choosing the right pricing strategy – rising material costs – dependence on individual recipients – logistic risks	– choosing the right pricing strategy – dependence on individual recipients
External risks	– macroeconomic risks – increased competition – dependence on one market segment – suppliers' credibility – dependence on individual suppliers of goods and services – reputation damage (copyright infringement)	– macroeconomic risks – increased competition – dependence on one market segment
Employee risks	– risks associated with technical means, technologies and technological development – low performance quality – dependence on staff – lack of qualified workforce	– dependence on staff – low performance quality – lack of qualified workforce – risk of increasing labour costs (outflow of unqualified workers)
Environmental risks	– increased raw material costs	– n/a
Protection of human rights	– reputation damage due to outsourcing work to manufacturers in developing countries – mobbing	– mobbing
Corruption prevention	– fraud	– the risk of embezzlement



A GLOBAL BRAND,  
A POLISH COMPANY

## CORRUPTION PREVENTION

In line with The LPP Sustainable Development Strategy for 2017-2019 (see the **More Ethical** section) we are obliged to act in a transparent and ethical manner, which includes preventing possible cases of corruption. To this end, we have adopted:

- business partner guidelines (LPP SA),
- an ethical code titled The LPP Principles (LPP SA and central headquarters of LPP subsidiaries),
- guidelines for business travelling (adapted in December 2018 by the LPP SA Management Board (LPP SA).

In September 2018 the Management Board approved the implementation of an ethical code titled The LPP Principles, which was communicated to the employees in our headquarters by e-mail. We also implemented a system to report misconduct.

*You will find out more about the code of conduct in Chapter 3 'Partnership at work'.*

To reduce the risk of corruption:

- We carry out regular audits and investigate any possible cases of corruption.
- We raise fraud awareness.
- Our procurement processes are fully transparent.
- We have adopted guidelines for business travelling and business gifts.
- Whistleblowers may report misconduct by e-mail to a dedicated address.
- We define standards of ethical behaviour.

All of our suppliers were informed about the anti-corruption policies and procedures in force at the organisation.

<sup>4</sup> The meetings are part of the on-boarding programme at LPP SA.

**RESPECTING THE LAW**

[reporting topic: legality of operations]

Making sure that we operate in line with the existing laws is our absolute priority. As a public company listed on the Warsaw Stock Exchange, LPP SA supervised by a number of regulatory authorities in Poland and abroad, first and foremost the Polish Financial Supervision Authority (KNF). The company's different organisational units responsible for legal matters, intellectual property and trademarks, internal audit, investment relations, communication and sustainable development work together with relevant regulatory authorities and external consultants to ensure that our operations around the world are fully legal.

The LPP Group has implemented an internal audit system supervised by the Supervisory Board and the Audit Committee of LPP SA. The system's objective is to prevent dangers and crimes resulting from the actions of the Group's employees. In 2018 we conducted 19 internal audits in our foreign subsidiaries, different departments at our corporate headquarters and our foreign offices.

The biggest legal challenges faced by the company in 2018 were: implementing the EU General Data Protection Regulation, creating procedures to prevent money laundering and terrorism, and supervising the process of preventing intellectual property infringements.

**LPP'S APPROACH TO SUSTAINABLE DEVELOPMENT**

Implementing our business strategy we want to make sure that LPP's growth is stable, sustainable and socially responsible. In a nutshell, our business approach boils down to acting in a fair manner.

We have been acting for the benefit of local communities from the very moment the company was established. Since 2014 we have been implementing global solutions for sustainable development, which include promoting sustainable design, work safety and good working conditions at our suppliers' plants. We monitor our suppliers' human rights record and support them in their efforts to improve their working conditions. We care about the development of our employees and business partners. We put strong emphasis on environmental protection. We have made our offices eco-friendly and use the most advanced technologies to save energy and reduce waste at our stores and distribution centres.



**THE LPP MORE SUSTAINABLE DEVELOPMENT STRATEGY**

A GLOBAL BRAND,  
A POLISH COMPANY

**LPP MORE**

In 2017 we adopted The **LPP More** Sustainable Development Strategy for 2017-2019, which is supported by 4 pillars: products, employees, environment our principles. [GRI 102-15] We will revise the strategy in 2019 and set new goals for the future.

Here is the current implementation status of the LPP More strategy.



'Our strategy applies to all the processes taking place at the company. Thanks to this holistic approach we can make a real, significant change.'

**Anna Miazga, CSR coordinator**

status	started	underway	implemented
<b>MORE SAFE</b> Our product	<b>Our practices concerning clothing and accessories design and production.</b>		
We champion FAIR and SUSTAINABLE DESIGN: Our designers undergo training on sustainable clothing design.			✓
We expand our ECO AWARE line, which in practice means using more sustainable materials.			✓
We champion safe workplaces: We say NO to endangering workers at plants producing our collections.		✓	
Safe production: 100% of our plants in Bangladesh undergo regular ACCORD and SGS inspections.			✓
FEEL SAFE: fabrics free from harmful substances and needles accidentally left in an item of clothing.		✓	
YOUR CHOICE: Extended information on the types of fabric, fabric composition and country of origin on the label.			✓



status	started	underway	implemented
<b>MORE CARE</b> Our employees <b>We give new hires a great start and good atmosphere every day.</b>			
We give newcomers a great start: a smooth on-boarding scheme			✓
We promote DIVERSITY among our employees as value added	✓		
Better together: We support our employees' social action projects	✓		
We make our offices more eco-friendly — we owe it to Mother Nature		✓	
WolontWARIAT, our volunteering scheme, is a real 'do good' revolution			✓
<b>MORE ETHICAL</b> Our principles <b>We say NO to misconduct, corruption and crime. Ethical and aesthetic is the only way to go. Everything makes sense with transparent principles.</b>			
ETHICAL CODE trumps DRESS CODE: We are FAIR to one another and others			✓
NO WAY! to corruption: Anti-corruption training for our managers			✓
No such thing as a stupid question: You may always pop out for coffee with the ethics officer			✓
We implement a sustainable development strategy because BALANCE is the most important thing in business		✓	
DiaLOGue: We build relationships with consumers and stakeholders			✓
<b>MORE MINDFUL</b> Our environment <b>We act here and now! We promote a conscious and consistent approach to growth. We share knowledge and learn from others. Share and grow!</b>			
SOCIALISE, our strategy of supporting local communities, brings about a real change in the place where we operate			✓
CHEERING IS YOUR WINNING: We have a donation fund and sponsoring budget			✓
We work with colleges and universities to share our immense professional experience with young people who are passionate about fashion		✓	
INFORMATION IS THE KING: We educate consumers on proper garment maintenance and care	✓		



A GLOBAL BRAND,  
A POLISH COMPANY

Promoting ethical fashion



We have not been using angora wool since 2014.



We use TENCEL™ Lyocell, a fabric consisting of cellulose fibre. Nearly 0.7% of all our T-shirts were made of TENCEL™ Lyocell in 2018. [GRI 301-1]



In 2016 we signed an agreement with Otwarte Klatki [Open Cages] and have not used natural fur since.



We supervise our suppliers. They undergo inspections concerning working conditions, pay, environmental protection (as prescribed by the LPP Code of Conduct) by an international auditor, SGS.



We are a member of the international Fur Free Retailer Programme.



Our Mohito collections use down feather sourced from certified and ethical suppliers. Reserved has also started collaborating with these suppliers.



As the only Polish clothing retailer, we are a member of the ACCORD programme whose aim is to improve the working conditions in the garment industry in Bangladesh.



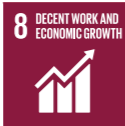
Our ECO AWARE line used sustainable materials.

**THE UN SUSTAINABLE DEVELOPMENT GOALS FOR 2015-2030**

[GRI 102-12] [GRI 102-13]

We contribute to the achievement of the UN Sustainable Development Goals. The following are the SDGs which we consider the most important for our industry and our operations.

- We work together with art colleges for the development of the fashion industry and to promote fashion occupations.



- We own one of the largest and most technologically advanced garment distribution centres in Central and Eastern Europe.
- We invest in the development of fashion technologies.



- We promote diversity using a dedicated internal campaign. Over half of LPP managers are women.
- We monitor the working conditions and wages paid at our suppliers.
- We help those in need through the LPP Foundation.
- Our employees take part in an internal volunteering scheme to give back to local communities.



- We are one of the largest taxpayers in Poland and the largest taxpayer among the companies based on the Polish coast of the Baltic.
- We create over 25 thousand jobs, 14 thousand of which are based in Poland.
- We outsource production to Asian manufacturers contributing to the development of the textile and garment industry in the region.
- We have implemented a Vendor Code of Conduct for suppliers which requires them to provide their employees with access to drinking water and clean toilet facilities.
- We have inspected plants in Bangladesh to check their compliance with the Code of Conduct as regards timely payment of wages, overtime and employment of minors.
- We collaborate with 87 garment factories in Poland. Together they employ over 1700 workers.

- We support the development of Gdańsk and the Dolne Miasto district because that is where our central offices are.
- We work with local communities in our immediate environment.

- We prioritise product quality and check our garments for hazardous chemicals.
- We run a scheme to teach customers how to maintain and care for their clothes.
- We have inspected factories in Bangladesh to check their compliance with the LPP Code of Conduct.



- We have made our offices eco-friendly and implemented measures to minimise our environmental footprint.
- Our stores and distribution centres use latest technologies to reduce their energy consumption.

- We work together with colleges and universities to improve the quality of education we offer.
- We take part in events promoting sustainable development and responsible business.







## PARTNERSHIPS AND MEMBERSHIPS

[GRI 102-12] [GRI 102-13]

Since 2013 have been the only Polish member of **The Bangladesh Accord on Fire and Building Safety (AC-CORD)**, an agreement between global brands and retailers and trade unions designed to build a safe and healthy ready-made garment industry in Bangladesh.

In 2017 we joined the **Family Business Network Poland**.

Since 2018 we have been a partner of **FIR Grant Programme (Fund for Initiating Development)**, a local fund established to provide financial support and know-how to the best interindustry initiatives bringing about real social and economic change at the local level and across the Pomerania Province.

2013 — 2016 — 2017 — 2018 —

In 2016 we signed an agreement with **Otwarte Klatki [Open Cages]** renouncing natural fur and joined the international Fur Free Retailer Programme.

Since 2018 we have been a member of **Pomeranian Employers**, the largest employer organisation in the Pomerania Province. It exists to promote the interests of employers to state authorities and regulatory institutions.

**We are a member of the Responsible Business Forum**, a Polish NGO that promotes sustainable development and social responsibility in business.

## OUR ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS

[GRI 102-15]

### Economic impacts



- We promote local development in the Pomerania Province. We work together with over 300 Polish businesses providing them with opportunities to grow.
- 80% of our profit is taxed in Poland.
- We make significant and constantly growing investments into different elements of our value chain. We mainly invest in Poland.
- LPP founders transferred their stock to the Semper Simul and Sky foundations to ensure that the company stays in Polish hands.

### Environmental impacts



- Our stores and distribution centres use the latest technologies to reduce their energy use.
- We have made our offices eco-friendly.
- We teach customers how to maintain and care for clothing so that it lasts long serves them for a long time.
- We have renounced fur and angora wool. By the end of 2020 we will either stop using mohair or find a responsible and humane way of sourcing the fabric.
- We have put in place stricter environmental controls on our suppliers and the whole supply chain.
- Our ECO AWARE line uses sustainable materials.

### Social impacts



- Through our products and comprehensive customer experience model we enable our customers to make their dreams come true.
- Our concepts and designs are created in Poland. We promote Polish creativity in the foreign markets where we operate.
- We employ over 25 thousand workers, 14 thousand of whom are based in Poland. We put emphasis on their development.
- We develop employee volunteering.
- We promote fashion occupations.
- We support local communities in our immediate environment.
- We support those in need through the LPP Foundation.



Sustainable Development Goals



99m

retail transactions in 2018.

LPP invests

PLN 60m

in advanced technologies annually.

**In this chapter you will read about:**

- » Our brands: Reserved, Cropp, House, Mohito and Sinsay
- » Our supply chain, suppliers monitoring, product safety and logistics
- » Marketing communications
- » Technology in fashion
- » Our stores and customer service
- » Online shopping



2  
**MADE TO MEASURE**

MADE TO MEASURE



# OUR BRANDS

[GRI 102-2]

## RESERVED

Reserved is LPP's flagship brand with stores in fashion capital such as London, Berlin, Moscow and, since 2018, Frankfurt. Reserved addresses latest trends drawing both from catwalks and avant-garde fashion influencers. The brand's collections combine the beauty of classical tailoring and up to the minute trends.

Reserved ladies wear collection offers three lines for its customers to choose from.

**Modern Line** brings together classic styles, more formal wear and trends of the season.

**Fashion Line** offers universal garments for every occasion and time of day, while **YFL** is a line dedicated to customers who prefer more causal styles.

Reserved also has a men's wear collection and a children's wear collection.

In 2018 Reserved collaborated with many well-known Polish and international figures, such as super model Cindy Crawford, who was the star of the *I Love You Cindy* campaign, actress **Joanna Kulig** and model and influencer **Jeanne Damas**, who appeared in the 'I Can Boogie' campaign. Reserved also worked together with the British **Vogue**.

*You will learn more about Reserved's ad campaigns later in this chapter.*

## RESERVED

established in	1998
website	<a href="http://www.reserved.com">www.reserved.com</a>
design studios	Gdańsk, Warszawa
net revenues in 2018	PLN 3 578m
change as compared to 2017	+13.3%
average gross purchase value (traditional stores)	108.90
store count (as of 31 Dec. 2018)	464
new openings in 2018	34
store space in thousands of sq. metres	616.7
store space change as compared to 2017	+10%
markets where the brand is present	23
countries where Reserved stores operate	Poland, Russia, Czech Republic, Slovakia, Estonia, Lithuania, Latvia, Hungary, Ukraine, Germany, Croatia, Bulgaria, Romania, UK, Serbia, Slovenia, Kazakhstan, Egypt, United Arab Emirates, Kuwait, Qatar, Belarus, Israel
countries where you can buy Reserved collections online	Poland, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Romania, Russia, Slovakia, Germany, UK

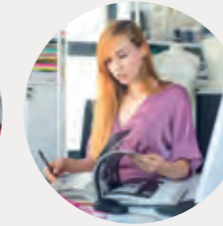
### Here is how Reserved collections come into life



We start off with a concept for the whole collection. We work with mood boards to choose the right colours, detailing and shapes.



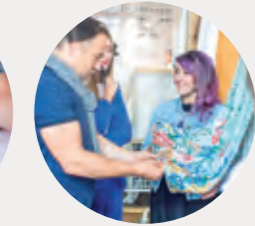
Next, we devise designs and arrange them into clusters: we select the designs that will be developed into first samples. We choose fabrics.



Merchandisers send relevant documentation to selected manufacturers asking them to develop first samples.



We test and choose the best samples for the collection. We decide on colours, make construction corrections and place a final order with the manufacturer.



While the collection is manufactured, we regularly review the products to make sure that the collection is both diverse and coherent.

'For Reserved, one of the highlights of 2018 was the project RESERVED x VOGUE. Our product team worked closely together with the editors and stylists of British Vogue to develop a special Christmas and New Year's Eve collection to be sold in our flagship stores. British Vogue featured a photoshoot of the collection in its January issue.'

**Anna Sołtys, director of the Reserved Design Studio in Warsaw**

2018

200  
collections  
launched.

nearly  
100  
designs devised  
daily at Reserved  
offices.

10 to 25  
weeks - average time  
needed to develop  
a collection.

27m  
T-shirts  
sold.



# CROPP

## CROPP

Cropp is a brand dedicated to young people living in the contemporary world. It offers both women's wear and men's wear, each in its specific style and character. They can be as different as chalk and cheese, and complement each other perfectly. Cropp's men's wear is inspired by urban energy, culture and music. It is a combination of sporty styles and latest trends. The clothes are meant to highlight the wearer's personality. We develop our men's wear collections working with illustrators and graffiti artists from all over the world. We also support music and cultural events. We are one of the main sponsors of the Baltic Games, music and extreme sports festival held in Gdańsk.

The Cropp woman is natural, ever-changing, drawing inspiration from the world around her and, most importantly, true to herself. She is sensible in the morning, romantic in the evening, sexy, scruffy, punk and naughty. We bring her the latest catwalk trends, but creates her own style herself on a daily basis.

Cropp's most important campaign of 2018 was #WeAreCropp. It was a tale of people with unique individuality and their passions: clothes do not define the wearer, the wearer defines the character of their clothes. The campaign was targeted at young people who want to keep up with the times without losing their individuality

established in	2004
website	<a href="http://www.cropp.com">www.cropp.com</a>
design studios	Gdańsk
net revenues in 2018	PLN 1,120m
change as compared to 2017	+5.3%
average gross purchase value (traditional stores)	96.57
store count (as of 31 Dec. 2018)	373
new openings in 2018	14
store space in thousands of sq. metres	134
store space change as compared to 2017	+5%
markets where the brand is present	15
countries where Cropp stores operate	Poland, Russia, Czech Republic, Slovakia, Estonia, Lithuania, Latvia, Hungary, Ukraine, Croatia, Bulgaria, Romania, Serbia, Kazakhstan, Belarus
countries where you can buy Cropp collections online	Poland, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Romania, Russia, Slovakia, Germany

'Cropp is a streetwear line. Our collections are inspired by pop culture, hiphop, graffiti, street art, urban sports and music. We interact with fashion daily, observing how our customers respond to trends. Once they react favourably to something, it becomes fashionable.'

**Aneta Raźniak, head menswear designer for CROPP**

2018

115

collections launched.

7

months — average time needed to develop a collection.

8m

T-shirts sold.



## HOUSE

House inspires its customers to find their own unique style. It is designed for people who want to look good on a daily basis and appreciate authenticity, comfort and latest trends in fashion. House's style may be broadly defined as casual.

When developing our collections we use professional tools to analyse current fashion trends. We also pay attention to what is happening in the streets of the world's largest cities, London, Seoul, Copenhagen, and in social media. Our motto is 'Youth Has No Age'. Most of our garments are dedicated to students and young adults, but we always keep in mind other age categories as well.

One of our biggest successes of 2018 was a collection celebrating 90 years of Mikey Mouse. We designed the women's wear and men's wear lines together with **Joannę Jędrzejczyk**, the six-time UFC champion and a great fan of the iconic Disney character. The photoshoot took place at Disneyland Paris.

established in	2001
website	<a href="http://www.housebrand.com">www.housebrand.com</a>
design studios	Cracow
net revenues in 2018	PLN 920m
change as compared to 2017	+14.2%
average gross purchase value (traditional stores)	86.68
store count (as of 31 Dec. 2018)	332
new openings in 2018	14
store space in thousands of sq. metres	116.2
store space change as compared to 2017	+5%
markets where the brand is present	15
countries where House stores operate	Poland, Russia, Czech Republic, Slovakia, Estonia, Lithuania, Latvia, Hungary, Ukraine, Croatia, Bulgaria, Romania, Serbia, Kazakhstan, Belarus
countries where you can buy House collections online	Poland, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Romania, Russia, Slovakia, Germany

'Our designers devise every model from scratch: they come up with the shape and form, choose the right fabric and additional features. Our T-shirt prints are original drawings or collages devised by our graphic designers. The end-result? Unique casual collections for every occasion.'

**Marzena Szura, collection director**

2018

70

collections launched.

8 000

designs devised, 1000 prints.

6m

T-shirts sold.



# MOHITO

## MOHITO

Mohito collections are dedicated to women who love fashion, original urban chic and are always on the lookout for new fashion ideas. The Mohito woman is self-confident, knows her strengths, allows herself a bit of freedom and nonchalance while staying sophisticated and feminine. Mohito offers her an energetic look in line with the latest international tastes.

We keep our finger on the pulse of fashion and culture. We visit fashion capitals, take part in industry events, collaborate with influencers, blogger and celebrities.

Mohito is not only about sophisticated ladies' wear; it is also about acting in a responsible manner. Our bags and packaging are wholly made of recycled materials. More and more of our garments are sewn in Poland and we are planning to switch to sustainable materials. We regularly give back by supporting different charity projects.

In 2018 we joined forces with Dominika Grosicka, the wife of Kamil Grosicki, the Polish professional football player, and raised nearly PLN 300,000 for the Empowering Children Foundation, Warsaw by selling a special T-shirt collection as part of the #Mistrzowskapomoc [Championsofhelp] campaign.

established in	2008
website	www.mohito.com
design studios	Cracow
net revenues in 2018	PLN 782m
change as compared to 2017	-5.7%
average gross purchase value (traditional stores)	116.17
store count (as of 31 Dec. 2018)	296
new openings in 2018	16
store space in thousands of sq. metres	109.4
store space change as compared to 2017	+5%
markets where the brand is present	15
countries where Mohito stores operate	Poland, Russia, Czech Republic, Slovakia, Estonia, Lithuania, Latvia, Hungary, Ukraine, Croatia, Bulgaria, Romania, Serbia, Kazakhstan, Belarus
countries where you can buy Mohito collections online	Poland, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Romania, Russia, Slovakia, Germany

'We work non-stop to keep Mohito collections modern and fresh; we also introduce materials from certified sources. We want to support the incredible force that femininity is and make our customers feel great in our original garments.'

**Karolina Sołtan,**  
chief designer, Mohito

2018

52  
collections  
launched.

12-16  
— average time needs  
to develop a collection.

2.7m  
dresses sold.

# Sinsay

## SINSAY

Sinsay is a brand for young girls who are not afraid to experiment with fashion. We instantly respond to the latest tastes offering our customers exactly what they are looking for here and now at affordable prices in our cutting-edge stores or online. Attractive pricing makes us a great choice for teenagers.

To get the best possible understanding of the fashion choices young girls make, we follow catwalks, fashion websites, social media and visit trade shows across Europe and Asia. We also keep an eye on street fashions in the world's metropolises. We translate haute couture trends into ready-made collections for teenagers. We draw a great deal of information about our customers' preferences from social media, an integral part of their life.

Our 2018 spring-summer campaign #Superheroes encouraged girls to look for their song points.

established in	2013
website	www.sinsay.com
design studios	Gdańsk
net revenues in 2018	PLN 789m
change as compared to 2017	+29.3%
store count (as of 31 Dec. 2018)	55.88
new openings in 2018	272
store space in thousands of sq. metres	42
store space change as compared to 2017	103
markets where the brand is present	+22%
countries where Sinsay stores operate	15
countries where you can buy Sinsay collections online	Poland, Russia, Czech Republic, Slovakia, Estonia, Lithuania, Latvia, Hungary, Ukraine, Croatia, Bulgaria, Romania, Serbia, Kazakhstan, Belarus
kraje, w których zakupisz kolekcje Sinsay on-line	Poland, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Romania, Russia, Slovakia, Germany

'Our customers rely on social media in their daily life: that is where they get information from and where they express themselves. We accompany them on the journey, we talk to them, present our new arrivals and promote our customers' best looks. We inspire each other.'

**Grzegorz Chyła,**  
marketing manager, Sinsay

2018

58  
collections  
launched.

24  
— designs devised  
in the Sinsay design  
office daily.

14m  
T-shirts sold.

MADE TO MEASURE

FREE SOUL

# ALWAYS ON THE LOOKOUT

One of the premises of our business model is outsourcing the production of our collections to manufacturers in Poland, elsewhere in Europe and in Asia. Production outsourcing is commonly used in the garment industry. This way our merchandisers may order specific types of garments from suppliers who specialise in this type of product.

Individual models are manufactured based on detailed orders complete with the **LPP Quality Guidebook** containing the list of forbidden chemicals and permissible concentrations. All suppliers must sign **The LPP Code of Conduct**. Our collaboration with suppliers is also governed by **The LPP More Sustainable Development Strategy**. [GRI 102-9]  
*You will learn more about the LPP Code of Conduct and The LPP Quality Guidebook later in this chapter.*

## LPP REPRESENTATIVE OFFICES IN SHANGHAI AND DHAKA

We have two representative offices in Asia to make our collaboration with our suppliers in the region smoother.

### Shanghai

Set up in 1997, our office in Shanghai currently employs 120 people who are responsible for finding suppliers, providing support for the manufacturing process and quality controls. Importantly, their task is also to check our suppliers' compliance with the LPP Code of Conduct as regards safety and employee rights.

### Dhaka

Our representative office in the capital of Bangladesh was set up in 2015. Currently, it employs 38 people. Their task is to coordinate and super-

vised the manufacturing of LPP collections in the country's factories. It is also their responsibility to monitor the working conditions at the production plants and inspect them for potential human rights violations. In 2018 we created the position of Social Auditor to help our team supervise Bangladeshi factories.

## PRODUCTION BASED IN POLAND

[reporting topic: garment manufacturing in Poland]

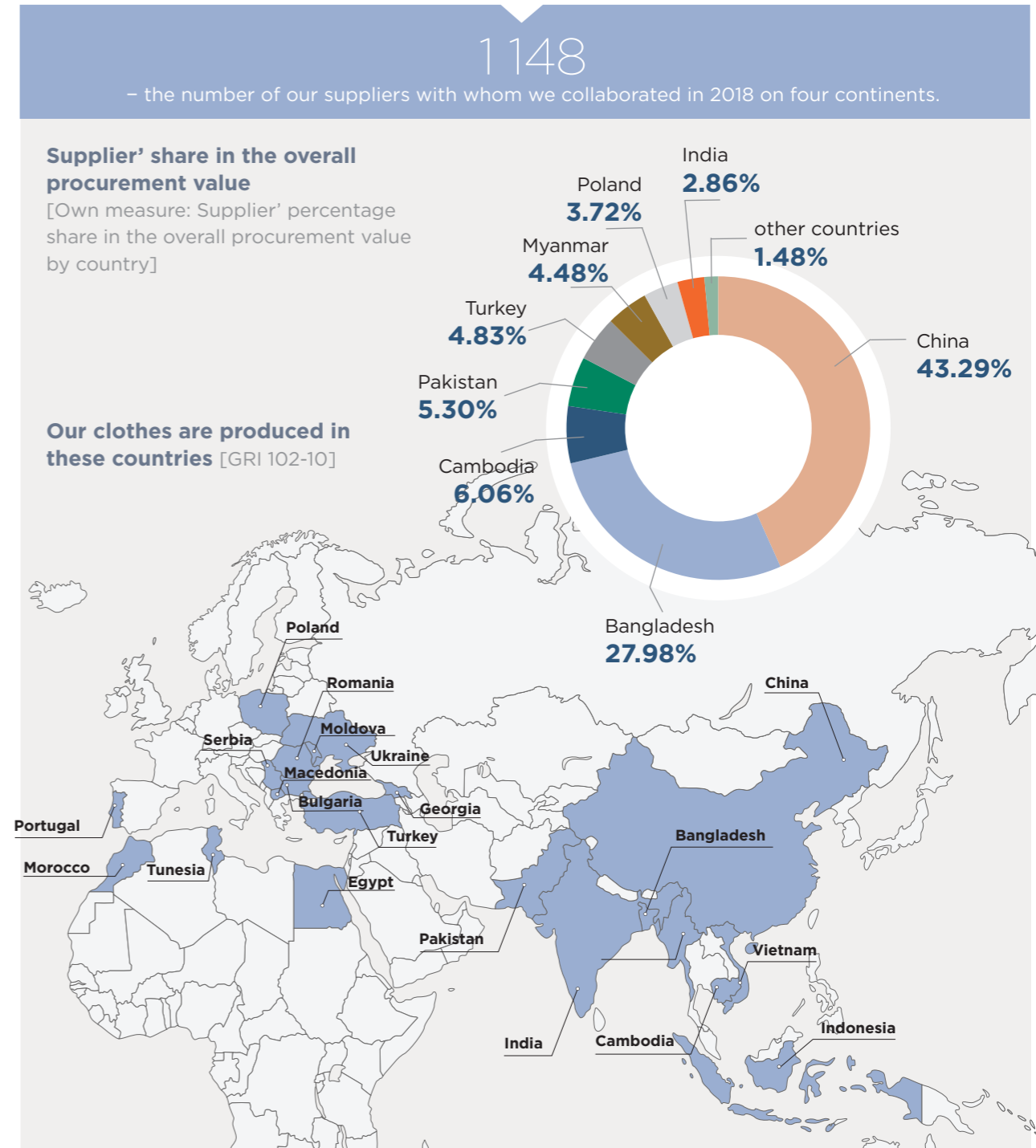
### MORE AND MORE OF OUR GARMENTS ARE PRODUCED IN POLAND

A significant part of our production is outsourced abroad, yet since 2016 the share of Polish-made garments in our collections has been steadily rising. [GRI 102-9] In 2018 the hike amounted to **14%** as compared to 2017. It may be safely assumed that we are the largest buyers in the industry in Poland.

Outsourcing production in Poland makes it possible for us to respond to the changing trends faster. We provide our customers with the clothes and accessories they want exactly when they want them thanks to the fact that the most time-consuming, complex and en vogue models are produced close to the outlet. This way we can avoid logistic delays of 2-6 months. For this reason we are constantly on the lookout for suitable garment manufacturers in Poland.

### WE BUILD RESPONSIBLE RELATIONS WITH OUR SUPPLIERS

- To standardise our procurement processes in Poland, we have created the position of Polish Production Coordinator in our procurement unit. The coordinator matches orders with specialised



factories to streamline the production process.

- We offer payment guarantees.
- We arrange with suppliers to plan their capacity three months in advance. With our largest partners in mind we have put in place a weekly scheduling system to optimise processes, ensure continuity in production and increase effectiveness of operations.
- We regularly get together with our suppliers to get to know their capacity, technological know-how and streamline our communication. This way we want to gradually increase their production capacity.

- We regularly audit our suppliers to inspect them for compliance with health and safety regulations as well as employee rights.





LPP collaborates with **87** manufacturers that employ around 1700 workers in Poland.

The share of Polish-made products in the procurement value of LPP's largest ladies' wear collection increased to **3.72%**.

Overall **4.2m** of our garments and accessories were produced in Poland.

**14.33%** of Mohito products are manufactured in Poland.

### DESIGNED IN POLAND, MADE IN EUROPE

We outsource the production of our collections to suppliers in a few European markets. These are: Bulgaria, Moldova, Georgia, Poland, Portugal, Romania, Serbia, Turkey and Ukraine. We plan a dynamic European expansion in 2019.

Thanks to speedy production and shipment we may provide our customers with garments inspired by the latest developments in fashion. The 'designed in Poland, made in Europe' philosophy allows us to immediately address our customers' needs.

**9.54%** of LPP production is based in Europe.  
[Own measure: Percent share of European-based production]

**72%** – this is how much European-based production for Reserved increased in 2018 as compared to 2017.

At the same time, European-based production for Mohito increased by **83%**.

**94%** of our Premium models are produced in Europe.

### TESTED SUPPLIERS

[reporting topic: assessment of supplier workplace conditions]

Over the last few years we have put in place a range of control mechanisms to monitor our supply chain. Bangladesh remains the focal point of these efforts. To further enhance the monitoring of our suppliers' performance in the country, we hired a Social Auditor in our office in Dhaka. In 2018 we also stepped up our inspections in Cambodia and Myanmar as we outsource more

and more of our production to suppliers in these countries. The markets are particularly challenging for us because we do not have representative offices in the markets and we collaborate with local suppliers by the agency of Chinese companies. We are currently in the process of inspecting these markets and locally adopted standards.

Three of our organisational units and two external partners are involved in LPP's assessment of supplier workplace conditions:

- LPP**
- The Audit Department in Gdańsk, Poland is responsible for creating standards and requirements, and monitoring compliance.
  - Our representative offices in Shanghai and Dhaka carry out audits at our suppliers' factories.
  - The Communication and Sustainable Development Department shapes our CSR policy and communicates its outcomes to the public.

- external partners**
- SGS is the world's leading inspection, verification, testing and certification company that assesses workplace conditions and wages.
  - ACCORD is an industry agreement as part of which regular fire, electrical and structural safety inspections are carried out.

In 2018 LPP auditors carried out **1 307** inspections across 12 countries.

[Own measure: Number of inspections concerning occupational health and safety, workplace conditions and human rights in the reporting year]







**CODE OF CONDUCTS FOR SUPPLIERS** [GRI 414-1]

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

The code covers social matters and occupational safety and health standards, requires suppliers to protect the environment, in particular the factories that use chemical substances, e.g. in garment printing. [GRI 308-2] We are in the process of translating the code into local languages, e.g. in Ukrainian. We also decided to share the code in Polish among Polish suppliers.

**The Code of Conduct requires:**



payroll policies and formal conditions of work,



freedom of association,



total ban of child labour and regulations regarding young employees,



equal treatment,



unforced labour,



occupational safety and hygiene,



supplier ecological commitments.

100% of our foreign suppliers are required to sign and comply with the Code of Conduct. Making sure that that happens is the responsibility of the merchandiser. What is more, every factory in Bangladesh must undergo a social audit and a safety inspection before they can start their collaboration with LPP. [GRI 414-1]

**THE ACCORD ON FIRE AND BUILDING SAFETY IN BANGLADESH**

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

body demonstrated its ability to take over the work of the Accord.

In 2018 the High Court of Bangladesh placed a restraining order on the Transition ACCORD effective as of 30 November 2018. As a result of mediation efforts undertaken by the ACCORD, the ILO, the UN and EU diplomats, the order has not come into effect and the court proceedings are ongoing. As of 31 December 2018 the ACCORD on Fire and Building Safety in Bangladesh was active.



PLN 4.5m  
– the amount invested by LPP to improve safety in suppliers' factories in 2018

PLN 20.5m  
– the amount invested by LPP to improve safety in suppliers' factories since 2013



## SGS — AN INTERNATIONAL AUDITING ORGANISATION

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

### Awareness Day

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



'The Accord is a global initiative: its signatories hail from all around the world and it is supported by international trade and labour organisations. The timing, methodology and scope of the Accord inspections ensure workplace safety for Bangladeshi garment workers.'

**Justyna Weryk,**  
factory inspection coordinator



110

– the number of inspections conducted by SGS in Bangladesh in 2018

84%

the average compliance score on SGS inspections. The score represents the level of adherence to our Code of Conduct at the suppliers' factories<sup>5</sup>

<sup>5</sup> Incompliant suppliers receive a Corrective Action Plan and must improve their conduct within a given deadline.

## SAFE PRODUCTS

[reporting topic: product safety]

[reporting topic: product quality]

We work hard to make sure that our products are safe and meet our quality standards. In 2018 we enlisted the cooperation of the Institute of Leather Industry in Łódź, Poland, which helps us verify our footwear quality standards. We also launched a colorfastness testing scheme for Reserved. In 2019 we will test selected products to eliminate the problem of colour change or staining during laundering.

### LPP QUALITY STANDARDS

The quality standards for all LPP brands are set out in **The LPP Quality Guidebook**. It lists such properties as colorfastness, propensity to shrink or the thickness of the wool fibre. The guidebook also defines the Acceptance Quality Limits for all LPP brands and includes a classification of faults. It stipulates that a metal detector must be used in the process of producing children's wear. The requirements apply to all of our suppliers.

In 2018 we expanded The LPP Quality Guidebook to include a list of banned chemicals and permitted concentrations, which were formerly attached to our orders. Now they form an integral part of The LPP Quality Guidebook. The requirements are compatible with the EU REACH regulation. We also added to the guidebook the requirement to use moisture meters to prevent mould growth during transportation.

### What we do to improve the quality of our products:

- As part of a pilot project, we carried out a series of inspections in factories facing the most

serious quality issues and subsequently we held meetings with the management of the factories to present conclusions of the exercise and agree a timeline for corrective measures.

- Our employees visit factories to inspect the manufacturing process and check the quality of finished products.
- We work hand in hand with the Retail Department to address issues reported by the stores.
- We have trained e-commerce inspectors working in Stryków as regards footwear quality testing.
- We have launched regular inspections of at our stores which are also meant to identify issues that may affect product quality (e.g. inappropriate hangers).
- We have created a user-friendly app for merchandisers where they can easily find all relevant quality metrics.

We know of no health issues linked to our garments in 2018. Five allergic reactions were reported, yet detailed laboratory tests did not find any harmful substances in the garments concerned. [GRI 416-2]

**70%** of all our clothes contain cotton fibres (are made of all cotton or a combination of cotton and other fibres). [GRI 301-1]

22 551

– the number of quality inspections carried out by LPP in factories and distribution centres

90

– the number of quality inspections carried out daily by LPP inspectors

420

– the number of meetings we held with suppliers to support them at the pre-production stage



**THE FITTING PROJECT**

We want our customers to feel comfortable and enjoy the garments we produce. That is why we make sure that our products fit different body shapes and are adequately marked according to a unified sizing scheme.

- In 2018 as part of the Fitting Project we:
- verified body measurements based on latest population studies and internal measurements;
  - identified the major construction and technological issues concerning our garments;
  - introduced a range of solutions to address the construction and technological issues;
  - monitor the implementation of the adopted changes while assessing how they affect fabric drape<sup>6</sup> in our future collections.

**ECO AWARE, OR ECO FASHION**

For a new years now, the collections from Reserved include garments made of organic cotton. The brand's latest fall-winter collection also included a premium line made of 40% eco materials. In 2019 we plan to increase the share of eco products in Reserved collections to a few percent. [GRI 301-1]

In 2018 **2 million** of our garments were made of organic cotton, 60% of which were T-shirts. Overall, 1.6% of our garments sold in 2018 were made using sustainable materials. [GRI 301-1]



We encourage our customers to go green. In 2018 20 of our stores collected hand-me-down clothes and donated them to the people in need through the LPP Foundation. Customers could bring garments from any brand and the clothes were donated to Towarzystwo Pomocy im. św. Brata Alberta [Saint Albert Charity Association], an organisation supporting the homeless and poor.

**RESPONSIBLE APPROACH TO RAW MATERIALS**

In 2014 we renounced angora wool, in 2016 we stopped using natural fur and by 2020 we will abandon mohair products unless we find a responsible and humane way of sourcing the fibre. [GRI 301-1]

When it comes to down feather, Mohito collaborates exclusively with certified suppliers who source the material in a humane and ethical way, meeting the Responsible Down Standard (RDS).



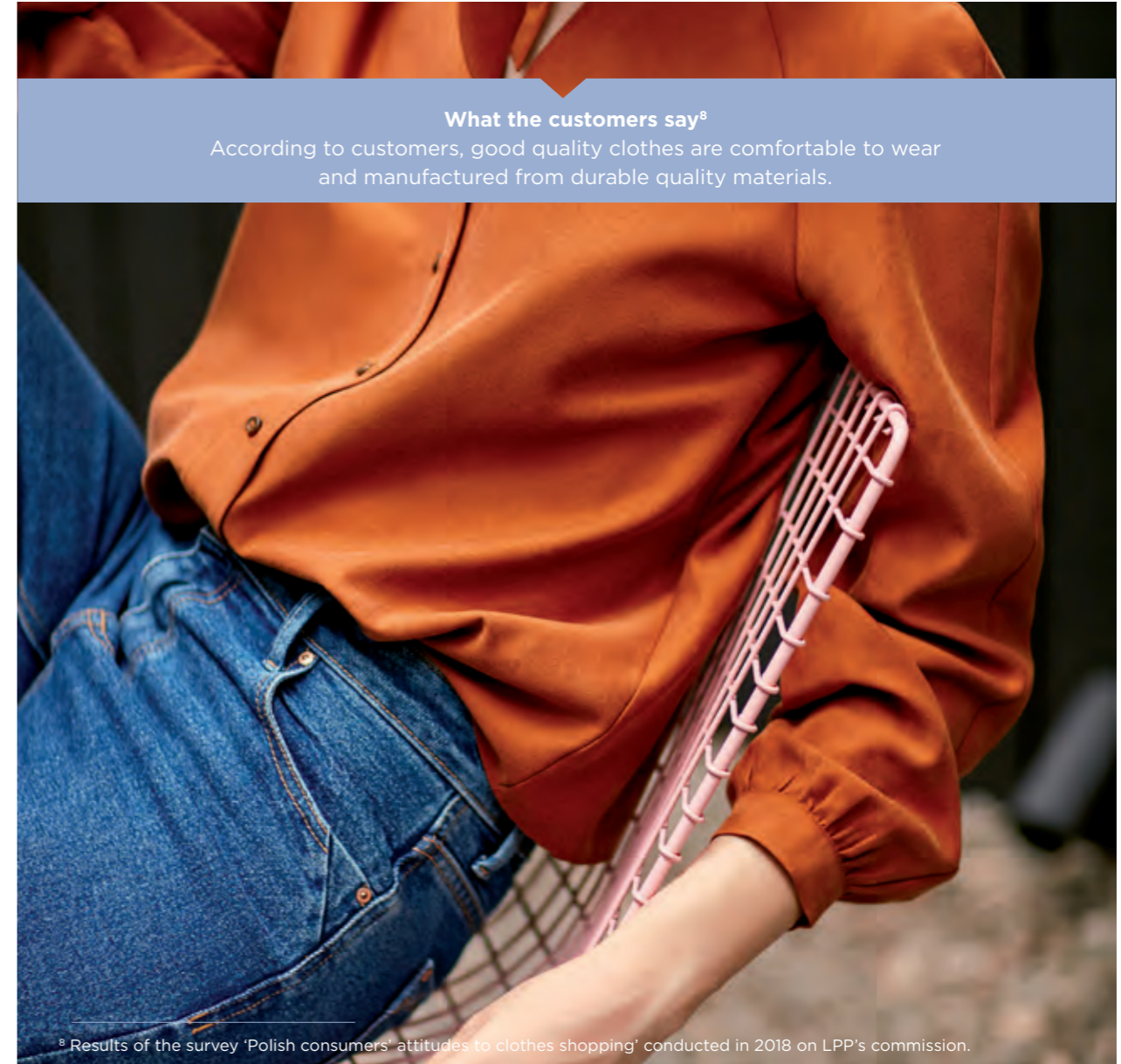
'We are all sensitive people aware of how we impact the environment. We want to create beautiful, timeless fashion as well as to promote the values associated with our collections.'  
**Anna Radzikowska, director of the ladieswear department, Reserved**

**What the customers say<sup>7</sup>**

Reserved and Mohito are perceived as brands that offer good quality products.

<sup>6</sup> Drape is the ability of fabric to assume a graceful appearance in use. Drape is an important property of textile materials that affects garments' aesthetic quality. Draping, colour, shine and texture all play an important part when it comes to the appearance and fiction of clothes.

<sup>7</sup> Results of the survey 'Polish consumers' attitudes to clothes shopping' conducted in 2018 on LPP's commission.



**What the customers say<sup>8</sup>**

According to customers, good quality clothes are comfortable to wear and manufactured from durable quality materials.

<sup>8</sup> Results of the survey 'Polish consumers' attitudes to clothes shopping' conducted in 2018 on LPP's commission.

**Certified materials in our ECO AWARE collection**

organic cotton	Organic cotton is grown using ecological methods and substances, in accordance with natural processes; water is used in a sustainable way in the production process.
Lyocell	TENCEL™ Lyocell is an eco-friendly fabric consisting of cellulose fibre. It is characteristic for its excellent breathability and perfect for people with allergies.
recycled fibres	Recycling reduces waste and the use of water, electricity and other resources.
jute	Fabrics made of jute fibres are extremely durable and very eco-friendly.
linen	Linen is highly resistant to abrasion and stretching. It is also biodegradable.



We will invest  
**PLN 500m**  
into our distribution centres by 2020.

We will invest **PLN 165m**  
into the development of our distribution  
centre in Pruszcz Gdański.

**EFFICIENT LOGISTICS**

**OUR LOGISTIC MODEL** [GRI 102-9]

We sell more than **200 million** garments a year across the world.<sup>9</sup> To deliver our collections to customers as fast as possible and efficiently stock our stores in Poland and abroad, we constantly work to streamline the logistic processes along the supply chain.

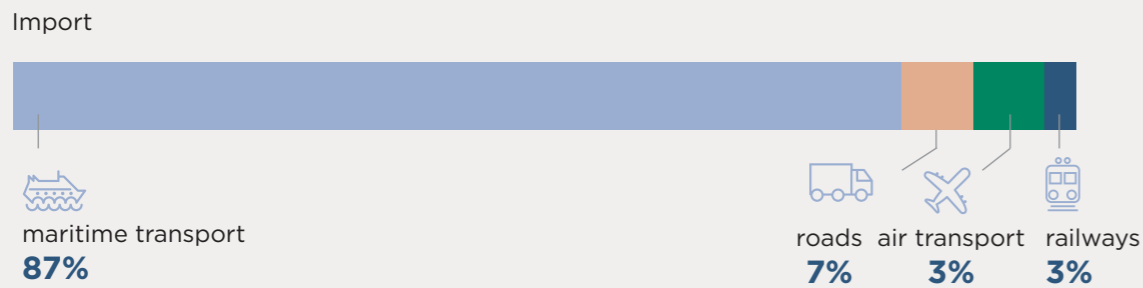
LPP's logistic model is based on central warehousing, which facilitates stock management and makes it possible to deliver products precisely where they are in demand. Our products are moved from suppliers to the logistic centre and from the logistics centre to stores by specialist freight companies. We also use intermodal containers or vehicles that use multiple modes of transportation without any handling of the freight itself when changing modes.

**Our three distribution centres take up over 100,000 sq. metres**

To manage spaces this vast you need to streamline the logistic processes along the supply chain and warehouse automation. By investing in logistics we are able to keep up with growing customer demand. We can, for instance, deliver the product on launch day to all stores at the same time. We work to improve these processes using advanced technologies. Better transportation management and a streamlined distribution network allows us to reduce our carbon footprint [GRI 308-2]. Compared to 2017, we reduced the share of air transport in our imports by 8%, increasing the share of maritime and toad transport.

**Share of different modes of transportation in 2018 (by the number of items shipped)**

[Own measure: Percent share of different modes of transportation in the reporting year]



Exports — shipment to stores and e-commerce

Roads  
**100%**

Until November 2018 1% of e-commerce deliveries were moved using intermodal transport operated by UK companies (planes and trucks).

<sup>9</sup> The data refer to sales in traditional stores and e-stores.

**LPP DISTRIBUTION CENTRES AND E-COMMERCE FULFILLMENT CENTRES**

**The distribution centre in Pruszcz Gdański, Poland**  
We own the largest and one of the most advanced garment distribution centres in Central and Eastern Europe. It is located in Pruszcz Gdański, Poland.

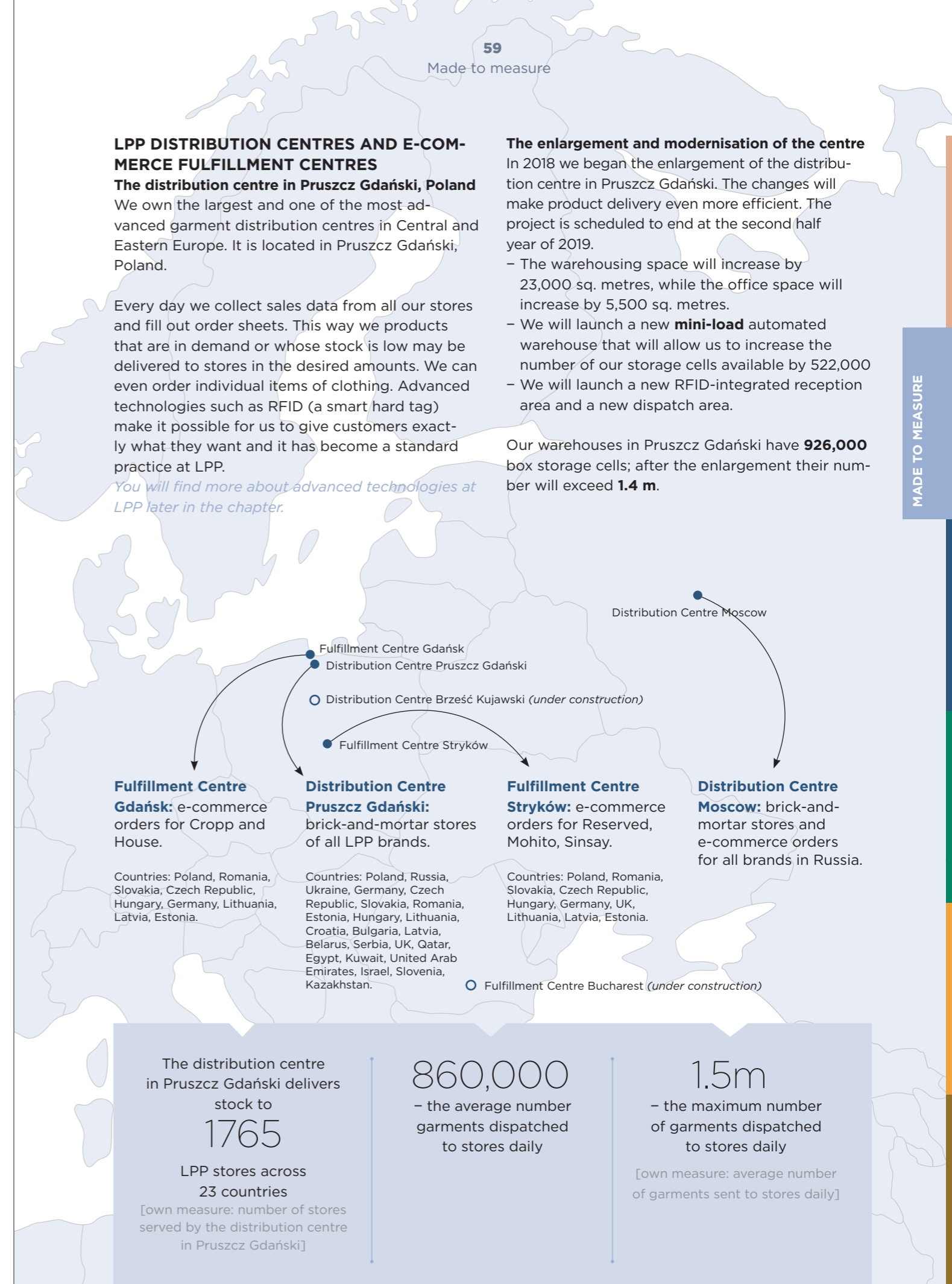
Every day we collect sales data from all our stores and fill out order sheets. This way we products that are in demand or whose stock is low may be delivered to stores in the desired amounts. We can even order individual items of clothing. Advanced technologies such as RFID (a smart hard tag) make it possible for us to give customers exactly what they want and it has become a standard practice at LPP.

*You will find more about advanced technologies at LPP later in the chapter.*

**The enlargement and modernisation of the centre**  
In 2018 we began the enlargement of the distribution centre in Pruszcz Gdański. The changes will make product delivery even more efficient. The project is scheduled to end at the second half year of 2019.

- The warehousing space will increase by 23,000 sq. metres, while the office space will increase by 5,500 sq. metres.
- We will launch a new **mini-load** automated warehouse that will allow us to increase the number of our storage cells available by 522,000
- We will launch a new RFID-integrated reception area and a new dispatch area.

Our warehouses in Pruszcz Gdański have **926,000** box storage cells; after the enlargement their number will exceed **1.4 m**.



MADE TO MEASURE



500-600 thousand  
— the average number of online orders processed monthly



Even  
10m  
garments  
and accessories  
to be dispatched  
weekly by the distribu-  
tion centre  
in Brześć Kujawski

PLN  
400m  
to be invested  
in the construction of  
the distribution centre  
in Brześć Kujawski

ca.  
1000  
new jobs  
to be created

100,000  
sq. metres  
— the estimated  
warehousing space  
of the new distribu-  
tion centre in Brześć Kujawski

164 850  
garments  
dispatched from the fulfillment centre  
in Stryków within 24 hours.

Reserved and Mohito  
packaging is made  
100%  
of recycled paper. These eco  
boxes come in 11 sizes.

#### The distribution centre in Brześć Kujawski, Poland

In 2018 we decided to build a new distribution centre. The project will be completed at the turn of 2021 and 2022.

#### The distribution centre in Moscow, Russia

Some of our products from our suppliers are directly moved to Moscow, where they are stored, sorted and dispatched to Russian stores. The distribution centre in Moscow also serves online orders for all our brands present in the Russian market. The first ever parcel was dispatched by the centre in 2017. Currently, operations take place on a few levels of the multi-storey warehouse to make effective use of the space available.

#### The fulfillment centre in Stryków, Poland

The fulfillment centre in Stryków is the largest e-commerce fulfillment centre in our portfolio. It occupies the area of 46,000 sq. metres and is managed by Arvato Polska, a logistic partner collaborating with LPP since 2017. The centre serves three of LPP brands: Reserved, Mohito and Sinsay. Thanks to its convenient geographic location and the viscosity of courier companies' sorting facilities the centre processes all orders placed by Polish customers by 6 p.m. The centre also processes orders from Romania, Slovakia, the Czech Republic, Hungary, Germany, the UK, Lithuania, Latvia and Estonia.

#### The fulfillment centre in Gdańsk, Poland

The fulfillment centre in Gdańsk is operated by LPP. It occupies the area of 15,000 sq. metres and processes online orders for Cropp and House. The centre's location makes it possible to process all orders placed by Polish customers by 3 p.m. It also processes orders from Romania, Slovakia, the Czech Republic, Hungary, Germany, Lithuania, Latvia and Estonia.

#### The fulfillment centre near Bucharest, Romania

In 2018 we signed a contract to build a warehouse near Bucharest, Romania. Thanks to its strategic location the centre will be able to efficiently process online orders for all brands all over South-Eastern Europe. The project will be completed in 2019. The investment is another element of our strategy to expand our online sales efforts. With a warehousing space of 22,000 sq. metres, the centre will be LPP's second distribution centre located abroad.

**MODERN E-COMMERCE PACKAGING**

We continually work to improve our packaging so that our parcels are easy to unpack and may be used for product return. The new design currently implemented at LPP is also more convenient for the fulfillment centre's employees, saving them precious seconds in the packing process. The boxes are also more durable thanks to high load bearing capability. Their double bottom makes them more difficult to access by third parties.

**MAKING THINGS MORE CONVENIENT FOR THE CUSTOMER**

We make improvements to our operations to respond to our customers' needs. For this reason, we work to make it possible for customers to pick up their deliveries from designated service points wherever there is demand for this type of service. We broaden the portfolio of our courier companies using our Logistics Platform. Our customers may return products using a courier or post in the convenient service point (one of 12,000 Royal Mail post offices in the UK or one of 28,000 DHL drop-off points in Germany).

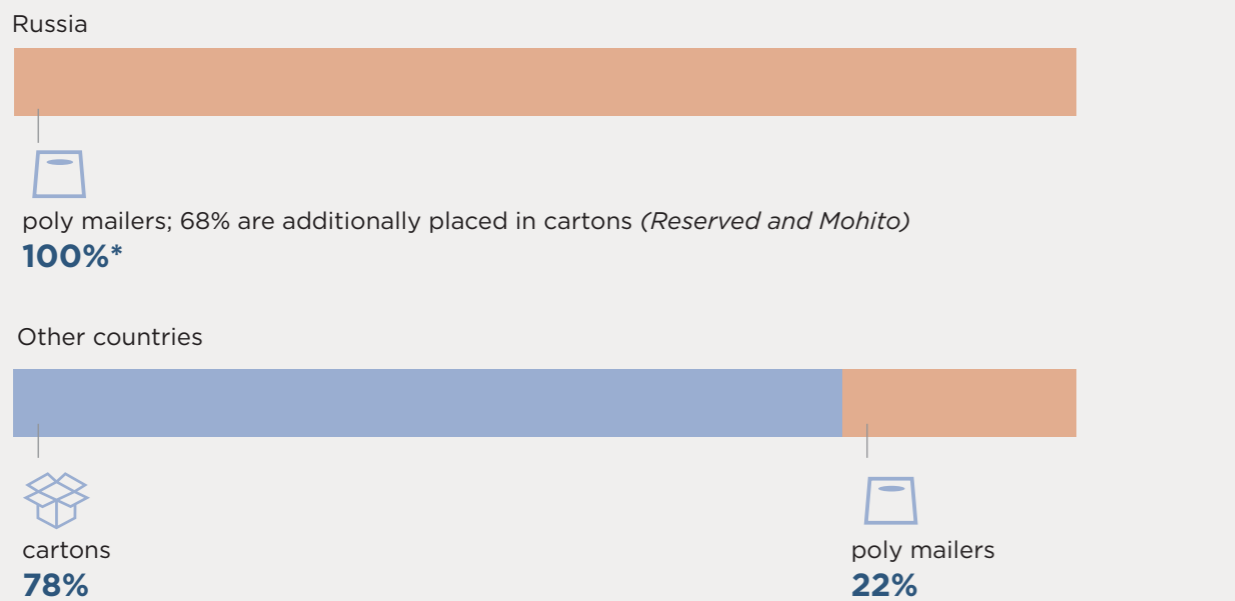
**All cartons used in e-commerce by Reserved and Mohito are made of recycled paper. [GRI 308-2]**



'Transport and logistic are becoming more and more important in the garment industry. It is all about speed, quality and punctuality as well as supply chain flexibility, as you need to adapt to rapidly changing market conditions, both when it comes to selling and purchasing. Especially if you are global player like LPP.'

**Piotr Dopierała, director for logistics**

**Types of packaging used by LPP in e-commerce**



\* Due to difficult weather conditions and long distances, small and medium-size loads for Reserved and Mohito in Russia are packed both in poly mailers and cartons; only large loads are moved in cardboard boxes.

# OPEN TO CUSTOMERS

The success of our brands lies in quality products and openness to our customers' needs, also when it comes to communication. We use all communication channels available to provide our customers with a unified message. Each of our brands has a different target group. Consequently, each brand's marketing campaigns have different characteristics.

@Reserved — Reserved Instagram account has over 700,000 followers, which makes it the most popular brand account in Poland and is one of the fastest growing. **We are number 1 in the category of brand profiles in Poland in terms of the number of followers.**

**How do we communicate with our customers?**

- Meetings:**
  - stores,
  - industry conferences,
  - industry fairs and events.
- The Internet:**
  - social media (Facebook, Instagram, YouTube, LinkedIn, VK.com in Russia),
  - newsletters,
  - corporate website (www.lppsa.com),
  - online shopping sites of all brands.
- The Media:**
  - ads,
  - public relations,
  - influencers.
- Direct inquiries (customer service):**
  - online contact form,
  - helpline.

**Social media followers by brand**

[own measure: social media followers by brand]

	Facebook	Instagram	YouTube
<b>LPP</b>	21,055	4,170	275
<b>Reserved</b>	3,115,864 <i>(incl. Reserved Kids)</i>	712,000	4,525
<b>Cropp</b>	1,939,515	227,000	14,159
<b>House</b>	1,562,131	150,000	2,149
<b>Mohito</b>	1,157,178	314,000	349
<b>Sinsay</b>	853,388	465,000	4,574



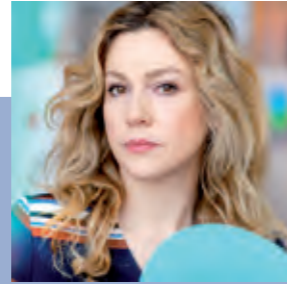
## RESERVED MILESTONE AD CAMPAIGNS AND EVENTS

### I LOVE YOU CINDY

*I Love You Cindy* was a spring-summer ad campaign for Reserved launched in March 2018. After the huge success of our previous year's campaign featuring Kate Moss, in 2018 we enlisted the cooperation of American supermodel and personality **Cindy Crawford**. Promoting the campaign was a video featuring Cindy Crawford as an eccentric American suburban woman dressed in 80s style clothes. The campaign was Reserved's largest production so far.

Choosing Cindy Crawford to be the face of the campaign was not a coincidence. We want Reserved, our flagship brand responsible for over 50% of LPP total sales, to be recognisable to customers in Poland as well as abroad.

*I Love You Cindy* received the KTR (Klub Twórców Reklamy [Advertising Creators Club]) award for best communication campaign. KTR Awards are the most prestigious creative industries awards in Poland.



'Reserved collections are inspired by the latest international fashion trends as well as our heritage: Polish culture and arts, and the aesthetics characteristic for this part of Europe, which straddles West and East. We call this quality UNPOLISHED and it is the most prominent in the Reserved ReDesign limited edition.'

**Monika Kapłań, marketing director,  
Reserved**



*I Love You Cindy* got **6.8m** views on YouTube.



*I Can Boogie* got **8.3m** views on YouTube.

### I CAN BOOGIE

In September we launched a three-part ad campaign for Reserved, featuring Polish actress **Joanna Kulig** and French model **Jeanne Damas** titled *I Can Boogie*. The campaign explored the different faces of femininity. Each of its parts presented a different vision of what it means to be a woman. The two protagonists are two strong women each beautiful in their own unique way; different, yet both representing the female element. This way Reserved wanted to show that every woman, regardless of her beauty type or temperament can find something special to wear in the Reserved collection. Although different, the two protagonists were united by the language of dance and the hit song *I Can Boogie*, which – just like fashion – is open to many interpretations.

*You will find our more about the ad campaigns for our other brands later in this chapter's 'Our Brands' section.*

### An unfortunate statement

On the day of *I Can Boogie* launch, the brand published a release featuring a statement by its marketing director, explaining the idea behind the campaign. The statement was met with criticism by some in the public opinion and the media, who accused the brand in social media of promoting 'a stereotypical vision of femininity'. As we explained later, the statement was taken the wrong way. The interpretation was at odds with the values represented by Reserved and LPP. *I Can Boogie* was our tribute to women. In fact, it embraced women who up to that point had been often ignored by fashion advertising. *I Can Boogie* showcased the diversity of female beauty.





### RESERVED AND BRITISH VOGUE

In December we launched a special New Year's Eve collection curated by British Vogue across our stores around the globe and on *reserved.com*. Its style channelled the glamour of New York's nightclub Studio 54. Vogue's Dena Giannini and Holly Roberts worked with Reserved designers in Warsaw for a year to develop the collection. Inspired by the last night of the year, they pooled their talents and passion for fashion to create a capsule collection<sup>10</sup> that perfectly matched the tastes of Reserved customers and Vogue readers, and gave them a chance to add a personal touch to the outfits.

*Curated by British Vogue for Reserved* was featured in the January edition of British Vogue. At the same time it was launched at the Reserved store on Oxford Street and to customers all around the globe on *reserved.com*.

### PROGRAM CRISIS MANAGEMENT. LET'S KEEP TALKING

[GRI 102-15]

As a large organisation with global reach we are prone to a range of risks linked to reputation damage. To prevent unexpected reputation crises, together with an outside PR agency, a few years back we drew up a crisis management procedure which was implemented at all levels of the organisation (central offices, retail network, subsidiaries) in early 2015. Due to the rapid changes in the media market and the growing role of social media in shaping our relations with our environment, we have recently decided to update our crisis management procedure.

In 2018 no complaints against any of LPP advertising campaigns or marketing activities were lodged to Komisja Etyki Reklam [Committee of Advertising Ethics] in Poland. [own measure: number of complaints lodged to Committee of Advertising Ethics (Komisja Etyki Reklam) concerning LPP marketing communications that led to a negative outcome for LPP]

<sup>10</sup> A capsule collection is a set of garments and accessories that may be easily mixed and matched to create outfits for different occasions

# FASHION TECH



[reporting topic: investments in advanced technologies]

Fashion today is not only about design, it is also about a technological revolution. **Fashion tech** is one of the pillars of LPP's 2021 strategy. Our goal is full personalisation of the process of shopping and flexibility in adapting to the evolving needs of

our customers. At LPP we use advanced technologies at every level: garment design, logistics, multichannel sales and post-purchase customer experience. Technology has become an integral part of our operations.



## TECHNOLOGIES OR CUSTOMER-CENTRICITY

Fashion tech is a revolution in the garment industry. It enables companies to approach their customers, their needs and shopping experiences in a personalised way. More and more often customers prioritise fast and easy access to products. They expect shopping to be pleasant. They want to spend as little time at the cash desk as possible, or skip this step altogether. Advanced technologies enable us to fulfil both of these needs. Thanks to cutting-edge solutions, we can increase our competitive advantage by tailoring our in-store assortment to local demand, improving our logistic operations and making our services more attracting. Technologies helps us fine-tune every store's offer. This way our customers get what they want in terms of size, colour or style.

**350 IT specialists** are involved in LPP's technology projects. Every year we invest ca. **PLN 60m** in technologies.

## TECHNOLOGIES IN OUR DAY-TO-DAY OPERATIONS

### A RETAIL ALLOCATION SYSTEM

We use an app to help us allocate merchandise to each individual store in every market where we operate. The app analyses historical data, forecasts future demand and provides us with a range of useful information about the product (style, size, colour), its sales potential and stock. Thanks to the app we know how much merchandise should be allocated to a given store and when it should be delivered. We developed the tool ourselves using machine learning algorithms that analyse billions of pieces of information to enable us to give our customers exactly what they need. We have been using the app for two years now. It is being constantly improved because every upgrade means millions of Polish zloty in profit.

The allocation app makes it possible to:

- distribute merchandise to the locations where it has the biggest sales potential,
- maintain sufficient stock levels — merchandise is allocated to the stores where it sells best,
- stocking stores with highly successful products.



98%

– inventory tracking accuracy at the Reserved stores participating in the trial (compatibility of in-store inventory and the records of those inventories)

55m

– the number of RFID hard tags we are going to use in the 2019 spring-summer season

### STORE VISION

Store Vision is another mobile app developed by LPP. The app's users are store employees, who an important target group for LPP as they directly interact with customers and affect their satisfaction. Good customer service hangs on easy product management and free access to product information. Shopping assistants should be able to quickly find the desired items, check their stock or order them to be delivered to the customer's home or picked up at the store. Store Vision makes it all fast and easy. All the shopping assistant needs to do is scan the bar code with their smartphone.

Smart Vision makes it possible to implement the omnichannel approach. In the event that the desired product is not available in stores, the shopping assistant may order it through the e-commerce channel. This way the customer can be quickly provided with information about the products they are interested in.

**In 2018 Store Vision received the Digital Excellence Award for Operational Effectiveness. The awards recognise leaders in digital change.**

### RFID

RFID is another component of LPP's technological revolution. RFID hard tags make it possible for retailers to introduce a range of advanced solutions to improve sales effectiveness. A product with a smart hard tag may be tracked along the whole supply chain.

RFID technology facilitate a more detailed analysis of customer preferences. In the future, it will help manage merchandise allocation and bridge the gap between offline and online sales. Thanks to RFID, we will be able to survey offline transactions in more detail, implement a recommendation engine for them or introduce smart fitting rooms.

We are in the process of implementing the RFID technology at Reserved stores to enable customers to find the products that match their preferences easier, shop faster and in the future get recommendations on other products that match the garments they are trying on.

### The benefits of RFID:

- making it easier for customers to find the desired product or size in the store
- shorter service time at the cash desk (no need to scan the tag)
- accurate stock allocation (easier monitoring of available sizes).

In 2018 we tested RFID in three Reserved stores in Gdańsk; in 2019 we are planning to implement the system across the brand's **438** stores.



# IN-STORE EXPERIENCE



At LPP we are well aware how fast consumer expectations change these days. Customer experience should be immersive, a visit to the store pleasant and convenient, and completing the transaction smooth and easy. In 2018 we were selling collections from our five brands at 1765 brick-and-mortar stores across 23 countries.

## TOP 5 countries regarding revenues

Country	Share by sales revenue in 2018 [%]
Poland	51.3%
Russia	17.5%
Czech Republic	5.1%
Ukraine	4.3%
Germany	3.4%

## STORE DESIGN

Our stores are designed in a coherent and complex manner. To start off, using the specialist parametric software Revit, our architects develop a 3D model of the building and its interior. Next, after detailed analyses and careful planning, they devise a functional layout and a stylish design that meets LPP's high standards. We constantly broaden our horizons, combining functionality, advanced technologies and innovative design. The result? Well-thought-out, beautiful stores for our customers to enjoy.

## THE GRAND OPENINGS OF 2018

### Frankfurt, Germany

In 2018 we opened the twentieth Reserved store in Germany. It is located in a townhouse on the Zeil in Frankfurt, one of the most popular shopping streets in the country, close to a shopping centre and an office district. The store has three stories and carries ladies' wear, men's wear and children's wear. It is designed according to our 'open to the public' concept, which means the all of the inventory is displayed at the customer's eye level and within their reach.

### Israel

In September 2018 we officially opened our first Reserved store in Tel Aviv. It is a franchise operated by an experienced local partner, H&O. Reserved's debut in the Middle Eastern metropolis is another step for us on our way to realise the our global aspirations inscribed in our development strategy. The opening attracted a great deal of attention. A few hour before the launch, customers formed a queue in front of the store's door.

### Kazakhstan

In late October 2018 we opened our first Reserved store in Almaty, Kazakhstan. It is located in the Dostyk Plaza shopping centre on one of the city's main streets. The two-story establishment carries ladies' wear, men's wear and children's wear.





## STORE REMODELLING

As part of implementing our development strategy we have decided to remodel our stores, which means that they are going to be rebuilt and extended in the coming years. We are also going to implement new store concepts on a mass scale. Limitless is a new store concept for Sinsay developed in 2018. It gives enormous display possibilities and more comfortable shopping for customers. The opulence of the inventory on display is balanced out with spacious interiors and neutral colours.

We have also upgraded the Reserved store concept. The brand's outlets will now be at least

2,000 sq. metres big. The space will be divided into three independent departments: ladies' wear, men's wear and children's wear. Every multi-storey store will be fitted with an escalator and a lift.

The gradual remodelling of our stores will make it possible for us to manage customer traffic flow better, improve the stores' operations and refine the consumer experience. Thanks to the implementation of RFID, in the future, we will be able to introduce many consumer-friendly solutions, such as smart fitting rooms where they will be able to put together an outfit according to their individual tastes.

store count in 2018	Reserved	Cropp	House	Mohito	Sinsay	total
new openings	34	14	14	16	42	120
remodelled stores	7	8	2	1	1	19
extended/enlarged stores	3	1	1	2	0	7
relocated stores	13	10	10	6	1	40
<b>total</b>	<b>57</b>	<b>33</b>	<b>27</b>	<b>25</b>	<b>44</b>	<b>186</b>

### IN-STORE FEATURES:

- Every new store we open is fitted with energy-efficient LED lighting and an energy management system which enables us to reduce our energy use by up to 70%.
- In larger Reserved outlets there are containers for hand-me-down clothes, which are very popular with our customers.
- We implement cutting-edge in-store and warehouse inventory management systems (Store Vision, RFID), which makes customer service faster.
- We improve our communication with our customers using LED screens and tablets.
- In the case of some brands, we have reduced our use of non-green materials; we also recycle synthetic materials.

### IN-STORE TECHNOLOGY

We make use of the available technologies to upgrade our stores and re-arrange their space. Here are just a few examples:

- progressive LED lighting that improves product display and helps us save energy after the store's working hours;
- heat maps that track customers in our stores and facilitate better product display;
- advanced, eco-efficient ventilation and air-conditioning systems that monitors traffic flow, creating pleasant temperature conditions for customers in areas of high density, while saving energy in areas of low density;
- smart fitting rooms in Reserved stores which are already equipped with tablets featuring special marketing content which make it possible for

### Store count and retail space by brand

	Reserved	Cropp	House	Mohito	Sinsay
<b>store count</b>	464	373	332	296	272
change as compared to 2017	-4	-8	-1	+2	+39
<b>retail space (thousands of sq. metres)</b>	616.7	134.0	116.2	109.4	103.0
change as compared to 2017	+10%	+5%	+5%	+5%	+22%



'What makes us different from other retailers is our openness to change and the fact that we are constantly on the lookout for solutions that could make shopping more convenient for the customer and upgrade the service offered by our staff. In the course of the last few years our retail network has undergone a radical transformation. We have upgraded the logistics of our store delivery, introduced advanced technological solutions in our physical locations, changed and simplified many processes. We have redesigned the layout of our stores to make it clearer and more consumer-friendly. Soon we will embark on one of the biggest projects in recent years: the implementation of RFID chips, which we have great hopes for.'

**Tomasz Koczara, sales director, Reserved**

customers to look for fashion inspirations or signal that the fitting room is occupied. After we have introduced RFID, smart fittings rooms will offer customers suggestions on how to match the items they are trying on with other garments on offer.



In 2018 we invested over  
**PLN 490m**  
into the development of our stores in Poland and abroad.

The amount will reach  
**PLN 2.2bn**  
by the end of 2022.

By 2025 we intend to invest the total of  
**PLN 3.5bn**  
into this area.



## IN-STORE CUSTOMER SERVICE

[reporting topic: customer satisfaction]

By interacting with customers you get an insight of what they need. Well-equipped stores, attractive marketing communications, advanced technologies and the omnichannel approach build a positive customer experience.

When it comes to brick-and-mortar sales, direct interaction between the shopping assistant and the customer is key. The shopping assistant should always be professional. The staff's ultimate goal is to help the customer find the product that best matches their needs and expectations, and make their visit in the store enjoyable.

Each of our brands has developed its own standards of customer service in three key areas: on the **sales floor**, in the **fitting rooms**, by the **cash desk**. In addition, all brands have put in place special customer service standards applying to pregnant women. Our staff are also instructed to try and increase the comfort of shopping for people with different kinds of disabilities.



In 2018 Mohito was named the Customer Service Star in an annual poll of Polish customers that ranked brands according to their customer satisfaction enhancing efforts.

## OMNICHANNEL

We make it possible for customers to order a product online if it is currently out-of-stock at the brick-and-mortar store. Using Store Vision, the shopping assistant checks the availability of the product online and orders it for the customer to pick up at the store or be delivered to their home. The solution is extremely convenient for customers, as it allows them to get exactly what they need, giving them access to the in-store and e-commerce inventories at the same time. Omnichannel retail works the other way as well: you may order products online and pick them up at the nearest physical location. This also applies to returns of products bought online.

## RETURNS AND COMPLAINTS

Each of our brands has a return and complaint policy. We do our best for the system to run smoothly not to lose the trust our customer put in us when making the purchase. We treat each complaint as a piece of vital information about the quality of our products. We try to approach each case on an individual basis and for the outcome to be advantageous to the customer.

### Returns



**We accept returns and exchanges on all products bought at brick-and-mortar store and online within 30 days of the purchased date.** Products bought at brick-and-mortar store may be returned in-store at any of the brand's physical locations. Cropp products may be returned within a year of the purchase date. Between the 30th and 365th days of the purchase date House accepts returns for store credit.

### Complaints



We work to make the complaint process as customer friendly as possible. Whenever it is possible, we apply a simplified complaint handling process, which means we cut paperwork to minimum and resolve the matter on the spot; the customer does not have to present the proof of purchase, they just need to provide an approximate date of purchase.

## EVALUATING CUSTOMER SATISFACTION

Customer satisfaction is evaluated using social media messages, customer feedback collected by LPP's product development departments, competition nominations and awards relying on customer voting, returns and complaints data and internal customer service questionnaires. In 2018 Cropp and Reserved conducted a mystery shopper exercise, while Cropp carried out a survey of customer satisfaction at its 140 locations across Poland and commissioned an external company to conduct regular customer satisfaction questionnaires.

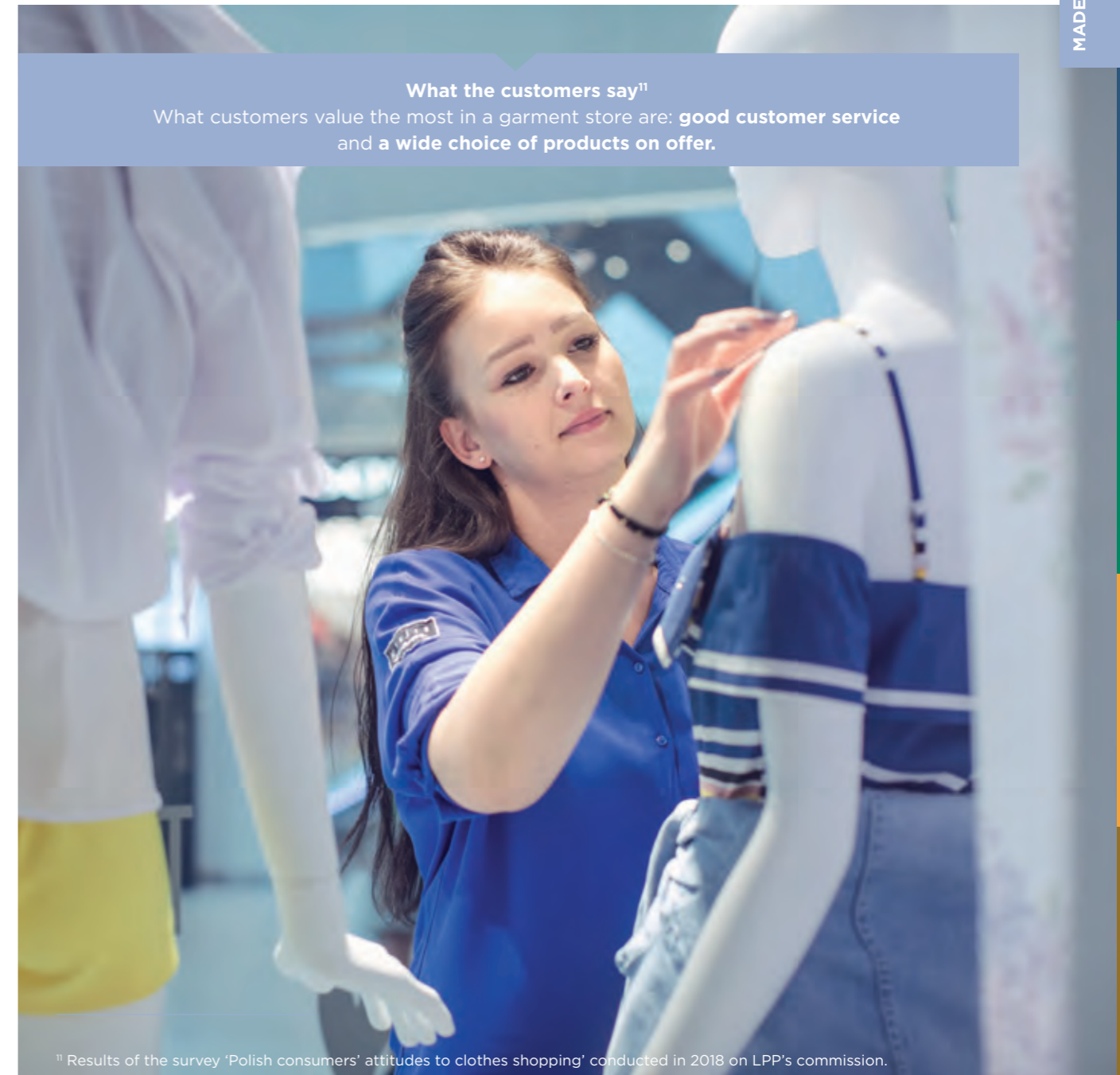
## STARTUP

Each new store employee completes a 30-day on-boarding training programme called Start-Up, which uses mentoring to prepare new hires to work with customers and products. While on the programme, the trainee acquires hands-on job experience while performing practical tasks and interacting with their mentor (store manager or another experienced member of the staff). We have developed tools to support both the trainee and the mentor through the process.

*You will find out more about employee training in Chapter 3 'Partnership at work'.*

### What the customers say<sup>11</sup>

What customers value the most in a garment store are: **good customer service** and a **wide choice of products on offer**.



<sup>11</sup> Results of the survey 'Polish consumers' attitudes to clothes shopping' conducted in 2018 on LPP's commission.



# E-STORES

Thanks to investments in our teams and technologies, our online sales are growing by tens of percentage points a year. Our goal is for our e-commerce sales revenue to amount to 20% of our total sales revenue in 2021. In the upcoming year we want to offer online sales in 35 markets and finalise the implementation of RFID in the physical retail network.

## E-commerce in 2018



## TIME IS KEY

Attracting and keeping customers is a major challenge today. Customers want their orders to be delivered fast and at the lowest cost possible. That is why one of our e-commerce distribution unit's top priorities is **shortening delivery times to the minimum**, which we define as Next Business Day and Same Day for some areas. To achieve this goal, we are working to open a new fulfillment centre in Romania, while analysing and improving the operations of the other fulfillment centres.

## GLOBAL STORE

LPP plans further expansion in 2019. We want to offer online sales in more markets every year. Each new market stimulates further growth, and we hope that the e-commerce channel will continue to grow in 2019 and the following years. One of the ways we want to achieve that is by launching our Global Store in 2019. The Global Store will make it possible for customers from many European markets to shop online on one site. Initially, the platform will carry Reserved products only. The main target for the Global Store will be the European markets where LPP has not yet opened its brick-and-mortar stores.

## BEHIND-THE-SCENES OF AN E-STORE

Producing the photographs for an e-commerce site is a complex process involving a series of activities taking place in the physical and the virtual world, and whose end-result are product images of garments and accessories. There are **71 people** working in our E-Commerce Content Unit: photographers, stylists, bookers, sample maker and post-producers.

**During one shooting day, thousands of pictures are taken in line with the concept of the collection.**

The whole process takes place at the distribution centre in Pruszcz Gdański, where there are 11 photographic studios and one accessories photography studio. In total, they take up **2000 sq. metres**.



'We work closely together with the designers to make sure that their creations are presented in line with their original concept. Thanks to regular joint workshops, meetings and brainstorms the units in charge of product development, marketing and e-commerce content speak in one voice, and our customers get a clear idea of the brand's vision.'

**Agata Sobczak-Szyc, manager for content development**

**Poland, Russia, Romania and the Czech Republic** – countries which generated highest online sales revenues in 2018.

**E-commerce sales revenue [in PLN m]** [Own measure: E-commerce revenue as a share in the Group's global revenue and its percentage growth YoY].

	Poland	LPP Group
<b>e-commerce sales revenue</b>	437	712
<b>share in the Group's global sales revenue [%]</b>	10.2%	8.8%



**Here is how the product images are produced**

- 1 Designs are turned into samples, which are sent over to photographic studios.
- 2 At the same time, a casting for models take place.
- 3 Selected models have their hair and make-up done according to the current trends and the concept of the collection.
- 4 Outfits for the shoot are selected, tried on by the models, and photographed.
- 5 At the same time, accessories are photographed in a designated studio.
- 6 The images post-produced.
- 7 Processed images are sent over to website editors.
- 8 Customers are offered an online catalogue showcasing the collection.





# HUMAN RIGHTS AT LPP



## DESIGN

All processes involved in product development.

**MORE CARE**  
Our employees



## PRODUCTION

Garment production outsourced to external entities.

**MORE SAFE**  
Our product



## LOGISTICS

The operations of our distribution and fulfillment centres.

**MORE SAFE**  
Our product

**MORE CARE**  
Our employees



## SALES

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

**MORE SAFE**  
Our product

**MORE ETHICAL**  
Our principles

**MORE MINDFUL**  
Our environment

### Key issues

- preventing corruption
- good work climate in the spirit of diversity
- raising health awareness among employees
- social engagement
- copyright protection

- safety and good conditions of work
- raising suppliers' awareness about human rights

- comfort and safety of LPP employees at our distribution and fulfillment centres
- employee diversity

- friendly conditions of work at our stores
- honest and coherent marketing communication
- respect for the customers, their needs and diversity
- customers' right to be informed

Human rights protection is the cornerstone of ethical and responsible business. Below is an overview of the actions we take and the policies we have in place to protect human rights across our business model. [GRI 102-16] To us, human rights protection consist in actions that promote respect for our employees, suppliers, customers and other stakeholders. The LPP More Sustainable Business Strategy for 2017-2019 analyses the issue on many levels of our operations.

### Our actions

- Anti-corruption training for all employees.
- Our ethics code The LPP Principles and whistleblowing system.
- Diversity project.
- Cancer awareness workshops.
- The sports project The LPP Team.
- Employee volunteering.
- Joining ACCORD.
- Inspections of workplace safety and conditions carried out by LPP.
- Social audits carried out by our social auditor in Bangladesh.
- Workplace safety inspections carried out by an independent auditor, SGS.
- Cooperation with and training for suppliers.
- Facilities at the distribution centre in Pruszcz Gdański (free meals for the night shift, break areas)
- Upgrades and comfort improvements at the fulfillment centre to facilitate employee diversity.
- Ongoing work on an ethical code for the stores.
- Multichannel communication with customers.
- Marketing communication adjusted to different groups of customers (such as communication that promotes diversity).
- Friendly and respectful customer service.
- Information on raw materials and the origins of products.

### Our policies

- Principles of cooperation with the business partners.
- Employee Conduct Policy and Anti-Mobbing Procedure.
- Our ethics code, The LPP Principles.
- Payroll Policy and Procedure.
- Employee Support Fund Policy and Procedure.
- Anti-Plagiarism Policy.
- Code of Conduct for Supplier.
- Quality Guidebook (requirements concerning chemicals).
- Operating Procedure.
- Anti-Alcohol Policy.
- Employee Conduct Policy.
- Occupational Health and Safety Instructions.
- Work regulations.
- Payroll Policy and Procedure.
- Customer Service Procedures for each brand.
- Returns Policy and Complaints Policy.
- Crisis Management.



Sustainable Development Goals



Over  
**25,000**  
employees across the world

**60%**  
of management posts at the LPP headquarters are held by women

**In this chapter you will read about:**

- » LPP work style and our organisation's culture.
- » advanced management of HR processes.
- » recruitment of employees for the headquarters and stores.
- » training, development programmes and career pathways.
- » the LPP Team.
- » the LPP Principles, our ethical code.
- » our environmental initiatives.

3  
**PARTNERSHIP  
AT WORK**



# OUR WORK STYLE

[reporting topic: conditions of work]

People are the cornerstone of LPP. That is why we create a safe workplace for them, where diversity is appreciated and strengthened. We know that our employees' qualifications and engagement translates into the products we offer, our technological development, the growth of our sales channels, professional customer service and, consequently, the company's market success. We are committed to the people who work with us.

We continue to develop our motivation and training system, ceaselessly look for and develop talents. We help our employees set their own career pathways and move up within the company. We also enable them to grow as people. We have a robust employee volunteering scheme and a sports initiative, the LPP Team. We regularly stimulate our employees to work together to give back to the community.

*You will find out more about LPP's employee volunteering scheme in Chapter 4 'Socially conscious'.*

Working with LPP you get the opportunity to follow the latest trends, use the most advanced tools, work on international projects, travel around the globe and thrive in a great working environment. What makes LPP special is an informal, creative atmosphere and friendly relations. We trust our employees. They are given decision making power to match their experience, which has allowed us to make our processes less formalised.

## **DIVERSE AND FAMILIAL: LPP'S ORGANISATIONAL CULTURE**

We make sure that the company's culture as well as its management and communication styles are in tune with the multigenerational and multinational environment that LPP is and the large number of young people who work for the company. The atmosphere at LPP is familial. The values we go by every day are openness and respect, which includes appreciating diversity and taking responsibility for LPP's future. These are the foundations of our unique organisational culture.




There is no prescribed dress code at LPP. Our managers make sure that their team meetings are as informal as possible without impeding on their effectiveness. Good atmosphere translates into the engagement and innovativeness of employees in the fashion industry. That is one of the reasons why every employee may freely approach the members of the Management Board: they all work side by side in open offices. Employees are the most valuable source of information about LPP and that is why we encourage them to freely express their opinions. To make our workplace management even more effective and to react to any issue that might arise faster, in 2018 we introduced an ethical code titled The LPP Principles and a whistleblowing system.

*You will find out more about The LPP Principles later in this chapter.*

In our organisation there are no labour unions and collective agreements. [GRI 102-41]







**Overall employee count by gender at the LPP Group (LPP SA, LPP Retail, the distribution centre in Pruszcz Gdański and foreign subsidiaries)** [GRI 102-8]

	LPP SA	LPP Retail	The distribution centre in Pruszcz Gdański	Foreign subsidiaries	Overall
 <b>employee count</b> (as of 31 Dec. 2018)	2,446	10,947	901	10,880	25,174 <sup>12</sup>
change as compared to 2017	+15.1%	-4.1%	-24.5%	-0.2%	-1.80%
 <b>women</b>	1,827	10,020	487	8,959	21,293
change as compared to 2017	+16.2%	-2.7%	-28.8%	+0.02%	-1.0%
 <b>men</b>	619	927	414	1 921	3 881
change as compared to 2017	+11.7%	-17.5%	-18.8%	-1.1%	-6.0%





<sup>12</sup> The workers of the distribution centre in Pruszcz Gdański are outsourced employees. The employee count of LPP SA, LPP Retail and foreign subsidiaries includes workers employed based on independent contractor agreements to provide a broader picture of employment at the LPP Group. The fulfillment centres in Gdańsk, Stryków and Moscow have independent operators and their workers are not considered as employees of the LPP Group. The total employee count at the fulfillment centres in 2018 was 1,165.



**Employee count by the type of employment contract at the LPP Group (LPP SA, LPP Retail, the distribution centre in Pruszcz Gdański and foreign subsidiaries) [GRI 102-8]**

	LPP SA	LPP Retail <sup>13</sup>	The distribution centre in Pruszcz Gdański	Foreign subsidiaries	Overall
<b>UNLIMITED-TERM EMPLOYMENT CONTRACTS</b>					
 <b>women</b>	1,096	767	188	6,434	8,485
change as compared to 2017	+23.6%	+4.4%	+38.2%	+3.6%	+6.5%
 <b>men</b>	356	63	144	1,529	2,092
change as compared to 2017	+18.3%	-16.0%	+56.5%	+5.1%	+8.8%
<b>OTHER TYPES OF CONTRACTS</b> (EMPLOYMENT CONTRACTS FOR A PROBATIONARY PERIOD, FIXED-TERM EMPLOYMENT CONTRACTS, INCL. INTERNSHIP AGREEMENTS, REPLACEMENT EMPLOYMENT CONTRACTS AND INDEPENDENT CONTRACTOR AGREEMENTS)					
 <b>women</b>	731	9,253	299	2,526	12,809
change as compared to 2017	+6.7%	-3.2%	-45.5%	-8%	-5.3%
 <b>men</b>	263	864	270	391	1,788
change as compared to 2017	+4.0%	-17.6%	-35.4%	-19.7%	-18.9%
<b>SUMA</b>	2,446	10,947	901	10,880	25,174

**Employee count by the form of employment (full-time vs. part-time) and gender at the LPP Group (LPP SA, LPP Retail, the distribution centre in Pruszcz Gdański and foreign subsidiaries) [GRI 102-8]**

	LPP SA	LPP Retail	The distribution centre in Pruszcz Gdański	Foreign subsidiaries	Overall
<b>FULL-TIME EMPLOYEES</b>					
 <b>women</b>	1,809	4,611	487	5,930	12,837
change as compared to 2017	+16.5%	-3.0%	-28.8%	+2.8%	-1.9%
 <b>men</b>	611	415	414	1,346	2,786
change as compared to 2017	+12.1%	-17.5%	-18.7%	-7.6%	-7.5%
<b>PART-TIME EMPLOYEES</b>					
 <b>women</b>	18	5,409	0	3,026	8,453
change as compared to 2017	-5.3%	-2.3%	did not change	+6.1%	+0.5%
 <b>men</b>	8	512	0	578	1,098
change as compared to 2017	-11.1%	-17.4%	-100% <sup>14</sup>	+17.0%	-2.3%
<b>SUMA</b>	2,446	10,947	901	10,880	25,174

You will find more employee data for 2017 and 2018 in Chapter 6.

<sup>13</sup> 70% of LPP Retail's workers have unlimited-term employment contracts or limited-term employment contracts, while 30% have independent contractor agreements.

<sup>14</sup> In 2017 one man worked part-time.

**NEW OFFICES IN GDAŃSK AND CRACOW**

The office atmosphere is open. We prioritise team work: higher-level executives, including the members of the Management Board and directors, work side by side other employees in shared open offices. In 2018 we launched the construction of two new facilities in Gdańsk and Cracow. These investments will significantly improve the working conditions of our headquarter employees.

Our Gdańsk offices are located in the city's historical industrial district. Once the project is finished, there will be sample making workshops and mini-stores of each individual brand. This way our product development teams will have a model retail outlet at their disposal, where they will be able to test the best merchandising techniques.

The new offices in Cracow will serve two brands: Mohito and House. There will be conference rooms and a modern restaurant for the employees and their guests. The offices' open layout will bring different teams together. Just like in Gdańsk, there will be a mini-retail store on every storey.

In 2018 the LPP headquarters in Gdańsk were named the Office Superstar's Best Regional Office. The competition's jury particularly appreciated the fact that the employees can choose to work away from their desk and the space design inspires people to cross paths and talk to each other.







## IMPROVEMENTS AT THE FULFILLMENT CENTRES

To improve the working conditions of our fulfillment centre employees and let more sunlight into the spaces where they work, we have increased the number of roof windows in the centres. Polish regulations require that roof windows take up at least 2.5% of the roof space. In our centres, the roof windows located over the work stations (reception area, returns processing area, dispatch area) take up 12.5% of roof space. Thanks to our heating system, the temperature at the work stations never drops below 18°C, even if it is -20°C outside. To make loading and unloading more comfortable, we use a few combi-dock loading bays, which makes it significantly easier for the employees of the reception and dispatch areas to work with smaller vehicles of our partners.

All fulfillment centres are equipped with vending machines with hot beverages and snacks. We offer the employees free transport to and from work.

## DIVERSITY AT LPP

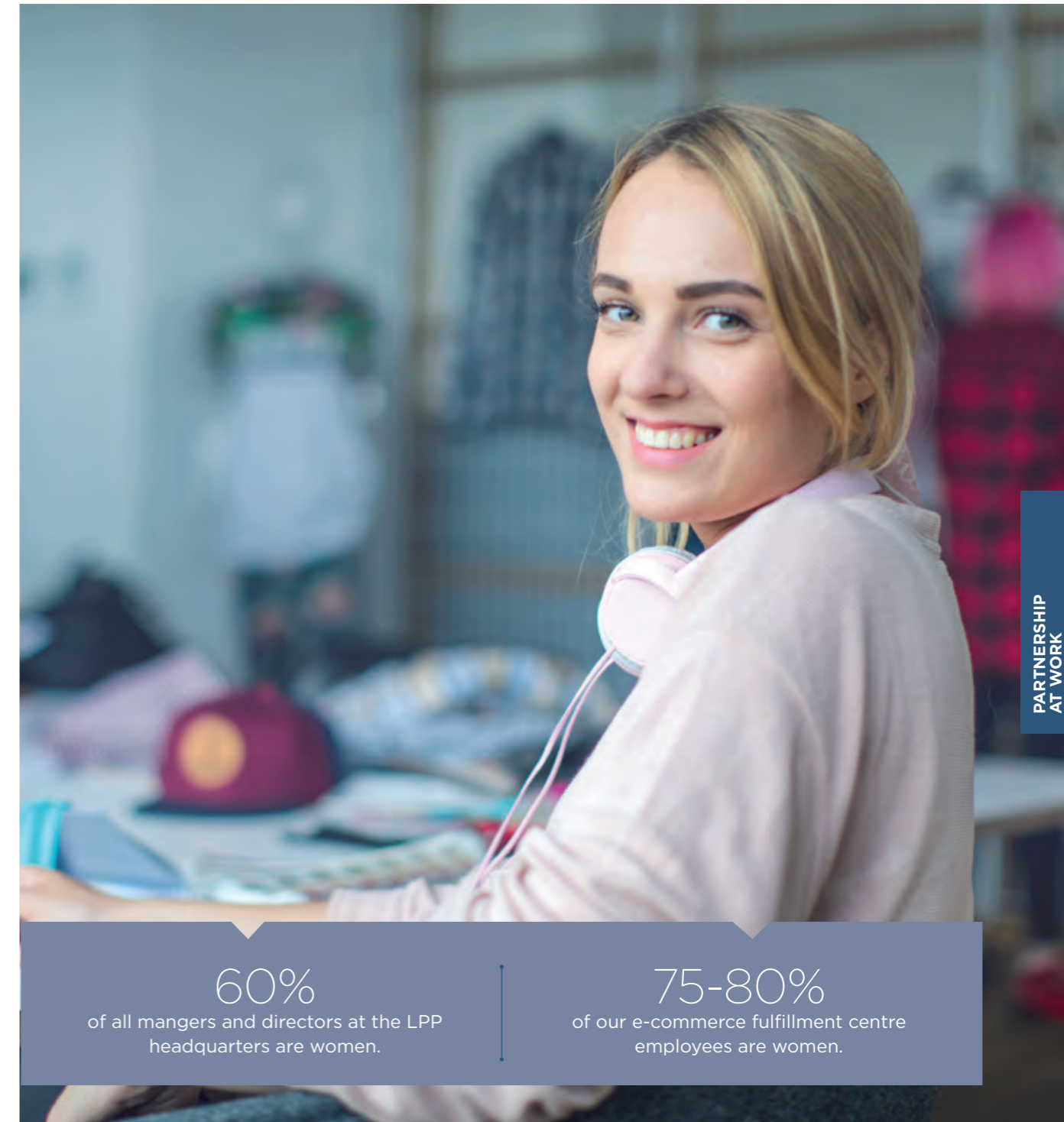
LPP SA and LPP Retail employees by gender, age and other diversity indices [GRI 405-1]

	LPP SA	LPP Retail
<b>MANAGERS</b>		
 <b>overall count</b>	<b>246</b>	<b>1,890</b>
women	147	1,737
men	99	153
incl. people under 30	17	1,347
incl. people aged 30-50	217	543
incl. employees aged over 50	12	0
incl. foreign nationals	1	7
incl. people with disabilities	4	4
<b>OTHER EMPLOYEES</b>		
 <b>overall count</b>	<b>2,200</b>	<b>9,057</b>
women	1,680	8,281
men	520	776
incl. people under 30	992	8,419
incl. people aged 30-50	1,152	610
incl. employees aged over 50	56	28
incl. foreign nationals	88	103
incl. people with disabilities	49	119

<sup>15</sup> A combi-dock loading bay can receive vehicles of different sizes.

## DIVERSITY AT THE FULFILLMENT CENTRES

E-commerce fulfillment centres differ from typical warehouses. They do not rely on heavy machinery or strenuous physical work. Between 75 and 80% of the fulfillment centres' employees are women, a significant proportion of whom are 45-50 years old. They do not find the work physically demanding and gain satisfaction from being part of a fashion project. We welcome employees of different ages and nationalities. For a few years now we have been taking on workers from Ukraine, Belarus and Moldova. Among our workers are also a few citizens of Bangladesh.



60%  
of all managers and directors at the LPP headquarters are women.

75-80%  
of our e-commerce fulfillment centre employees are women.

The Management Board is made up of four men: two aged 30-50 and two aged over 50. The Supervisory Board has six members: five male and one female. Two are aged 30-50 and the remaining four are over 50. [GRI 405-1]

People with disabilities make up 2% of all the LPP SA employees and 1% of all LPP Retail employees (2018). The group's low representation among the LPP employees results from the demands of the store jobs. LPP is committed to the activation of people with disabilities in the Polish market and

works with external partners to develop a new recruitment model for our stores that involves employees with disabilities. [Own measure: Percentage of employees with disabilities]  
*You will find out more about our remote workers with disabilities later in this chapter.*



## CAREER PATHS AT LPP

### Career paths:



Bartłomiej, whom his friends and colleagues call Bartek, is a great example of how determination and commitment can translate into real-life success. He is also a proof that LPP helps its employees move up within the company and gives them many possibilities to grow. Originally, Bartek thought he would work at LPP 'just for a while'. He has stayed for almost 14 years! In 2008 he successfully applied for the post of Regional Sales Manager. A few years later, in 2018, he successfully applied to become Regional Sales Director for House in charge of 11 regional sales managers and the sales of the brand's stores in Poland.

'When I first started working for LPP as a shopping assistant in 2005, I thought I would stay with House for no more than 3 months. I simply wanted to earn money I needed for a holiday trip and was supposed to start full-time studies at the Academy of Physical Education in the autumn. In the end, I started an extramural administration programme and kept the job to pay the fees (...). Looking back, I can say that over the first three years on the job, I progressed very fast, but after I got promoted to Regional Sales Manager, I really consolidated my knowledge, matured as a manager and gained new experiences working with other managers at all levels. I graduated and even found time for running, which is my passion.'

**Bartłomiej Szykuła, regional sales manager for House, Poland**

'Having worked at LPP for a few years now, I can definitely say that the company offers its employees great opportunities to grow. This is mainly because we invest in employee development at every level and in every department. Another reason is the fact that managers, directors and the President of the Management Board take an active part in the company's everyday life. The watch, talk to people, ask questions, and then reach out to you to help you climb higher.'

**Paulina Mańka, regional HR specialist**

Paulina took her first steps at LPP 7 years ago as a shopping assistant at a Reserved store in Wrocław, Poland. In the course of the next six years, she progressed up the career ladder, from Senior Shopping Assistant to Store Director. As manager, her priorities were business and employee growth. A year ago Paulina took up another challenge: she participated in Reserved's Expert Manager development programme, working in parallel as Store Manager and in a product design team. HR specialists in charge of the Expert Manager programme soon noticed Paulina's strong points and encouraged her to apply for the newly created post of Regional HR Specialist. Today Paulina actively supports store managers and regional managers in the Wrocław region as regards human resource management and is proud to see some of the people she has supported succeed in the company.



## MODERN HUMAN RESOURCE MANAGEMENT

LPP has launched an innovative platform to manage HR processes. It offers a range of useful features which, for instance, cut the time needed to create monthly work schedules for store employees to a few minutes. Managing human resource in a dispersed retail network of nearly 1,000 stores across Poland is a significant challenge. The digitalisation of these processes has made the job of

the retail network employees, store managers and the HR and payroll department easier and more effective. The HR software makes managing human resources fast and easy. Employees and managers may now access the application anywhere and anytime they want, while the HR department may monitor HR events and manage them remotely.



PARTNERSHIP AT WORK

### LPP HR Quick Peek for store employees



#### Benefits for store employees

Employees may:

- access the app anywhere in the world
- checking their payslips on mobile devices
- notify their managers about their preferences as regards the work schedule
- receive text messages with information about changes to their work schedule
- edit their personal information on their own
- check how many days of annual leave they have left, lodge a request for and be granted leave online.



#### Benefits for store managers

Managers may:

- create work schedules fast and in line with relevant regulations
- have the system inform them about their team's preferences as regards the work schedule
- send automatic notifications about the work schedule to employees
- easily access all the information about employees leave
- generate HR documents without the need to reach out to the HR department
- monitor recruitment processes (automatic referrals for medical check-ups, online occupational health and safety training schedule).



**E-TIME: WORK SCHEDULES AT YOUR FINGERTIPS**

We made sure to provide employees with a user-friendly and technologically advanced tool for work time management. Having logged in to the Quick Peek app, the employee may go to **E-Time** to view their monthly work schedule. They can also notify their manager about their preferences as regards the schedule for the next month and request leave. The same app enables the store manager to manage their team's work time with a set of dedicated features.

**'HOW ARE YOU @LPP?': A SURVEY OF LPP STORE EMPLOYEE SATISFACTION**

[reporting topic: employee satisfaction]

We regularly monitor our employees' satisfaction and constantly work to improve it. That is how we have managed to create a friendly, engaging and open workplace.

We have conducted a survey to get to know what our store employees think about the company and working conditions, and to evaluate their satisfaction and commitment. The respondents have also indicated areas for improvement and helped us identify the corrective actions we need to take and the changes that should be made.

We made sure to inform every respondent about the results of the survey and had a say in the process of planning their team's operations.

**The employee satisfaction survey 'How Are You @LPP?':**

- date: October 2018
- participants: **12,000** employees from **15** countries who have worked at LPP for at least 3 months prior to the survey
- **86%** of the employees responded to the questionnaire
- the overall score for the whole Group: 4.0.

The overall score indicates that the satisfaction of LPP store employees is relatively high.

**The areas the store employees rated highest:**

- relations within the team and with the managers
- mutual respect
- colleagues' and managers' eagerness to share their knowledge
- receiving support from their managers
- knowing their role in the team

- clearly-defined tasks and expectations
- continual investment in advanced technologies and working tools on the part of LP

**The areas the store employee rated lowest:**

- training and development
- workplace conditions and organisation (these were rated lowest but still well)

Based on the survey, we identified the areas for improvement in individual stores, regions and brands. Their implementation was assigned to the

HR department, the sales department and the executives of the retail network.

**EMPLOYEE SAFETY**

LPP priorities as far as employee safety is concerned are:

- to minimise occupational hazards,
- to identify and manage risks,
- to verify the effectiveness of the safety measures currently in use,
- to eliminate the possibility of occupational accidents and diseases occurring.

Our employees at LPP SA take part in occupational safety training sessions in the course of their employment. They are taught how to do their job without putting their health at risk. We also reimburse part of the cost of glasses to people who work in front of screens.

We ensure that the working conditions at the LPP headquarters are very good, which helps minimise the risk of any injuries. Some office employees use additional computer screens to improve the comfort and ergonomics of their work.

Due to the scope of their responsibilities, the employees of LPP Retail are most at risk when it comes to occupational accidents. To minimise the risk, we use professional external partners to supervise employee safety in our stores on a regular basis. Our partners offer introductory safety training sessions to store employees. They also run regular inspections of workplace safety, working conditions and medical supplies. LPP SA and LPP Retail keep a central registry of work-related accidents, which helps manage such situations and come up with preventive measures, if necessary.

All the workplace accidents registered in 2018 resulted in minor injuries suffered as a result of transport accidents, sprains and contusions.

**Occupational injuries at LPP SA, LPP Retail and foreign subsidiaries<sup>18</sup>**

[GRI 403-9]



	LPP SA	LPP Retail	Foreign subsidiaries	Overall
<b>accidents in total</b>	<b>20</b>	<b>113<sup>20</sup></b>	<b>65</b>	<b>198</b>
women	17	103	46	166
men	3	10	19	32
incidence rate <sup>19</sup>	8	10.3	6	8.2
incidence rate for women	9.3	10.3	5.1	8.0
incidence rate for men	4.8	10.7	9.8	9.2
fatal accidents	0	0	0	0
working days lost	165	1,685	1,234	3,084

You will find more occupational health and safety data for 2017 and 2018 in Chapter 6.

<sup>18</sup> All work-related accidents, including those offered on the way to work. The table does not include data for the distribution centre in Pruszcz Gdański.  
<sup>19</sup> The incidence ratio equals the number of injuries reported in a given period divided by the number of employees, multiplied by 1000. The measure is used by the Polish Statistical Office, among others.  
<sup>20</sup> The integrated report for 2017 showed 24 occupational accidents at LPP Retail (injuries suffered at the workplace and on the way to work). The data for 2017 and 2018 are not comparable. In 2017 LPP Retail was a company in the process of formation and did not have all the relevant data at its disposal.



# CREATIVE GROWTH

We create a friendly and open workplace. We know that this is crucially important for employee motivation and commitment as well as achieving our business goals. When recruiting new workers for the LPP headquarters and retail outlets, we approach the candidates comprehensively, professionally and our business needs in mind. Apart from fast and successful recruitment, our priority is candidate experience.



'2018 was a year of intense recruitment. Nearly 700 people joined LPP SA, 70% of whom are experienced specialists, while 30% were looking to start their career with us. We want good recruitment to be followed by effective on-boarding, that is why we pay a lot of attention to introducing new hires to LPP and helping them fit in over the first weeks on the job.'

**Kamila Kwiatkowska, HR Manager**

## RECRUITMENT AT THE LPP HEADQUARTERS

[reporting topic: recruitment]

The year 2018 was the most intense so far as far as recruitment is concerned. We saw new hires joining all of the company's departments. Some, such as the IT unit, grew by 28%. We want to attract experienced specialists as well as people who want to gain professional experience at our company.

The recruitment for all the vacancies in the LPP headquarters was handled by our internal recruitment team and based on our good practices. In the second half of 2018 we introduced a questionnaire asking all candidates to evaluate LPP's hiring process. We continually work to improve the way we recruit new employees.

### This is how we seek new candidates

With a few hundred new vacancies open at the LPP headquarters at the same time, reaching the most suitable candidates is key. This is why:

- We post job offers on Polish and international (e.g. British) job sites.
- We participate in career fairs and conferences.
- We post jobs on www.lppsa.com.
- We run internal recruitment.
- We use Employee Referral: our employees may recommend their acquaintances for new vacancies (especially in the IT unit and product development departments).
- We invite art students, engineering students and

- graduates of tailoring vocational programmes to the LPP headquarters.
- We take part in graduation ceremonies to honour the most talented students. Many of them are offered paid internships at the company. Some have become our employees.
- We hold open days called LPP Behind-the-Scenes when university graduates may learn more about the job of a fashion merchant, designer or process engineer.

- We reach out to future candidates/employees on social media, introducing them to LPP (e.g. using videos about the work we do).
  - We work with universities and colleges to promote fashion-related occupations.
- You will find out more about this topic in Chapter 4 'Socially conscious'.*



In 2018 we received  
**36,000**  
job applications.

We hired nearly  
**700**  
employees each time using a transparent recruitment process.



### Good practices

In each case, recruitment is coordinated by the HR department in collaboration with relevant department leader.

Selection of candidates is made based on their application, interview and performance in practical tasks, tests and group assignments.

We invite applications from our existing employees (internal recruitment).



### Outcomes

We choose candidates who fill the job requirements, have teamwork skills and become great assets to our existing teams.

We choose the best candidate for the job.

We make it possible for employees to move up within the company.



**Employee benefits offered by LPP SA** [GRI 401-2]:

- private healthcare packages for employees and their families — LPP covers 50% of the cost [GRI 403-6],
- shopping discounts — 25% off the regular price,
- life insurance on preferential terms,
- the Multisport card on preferential terms,
- a restaurant for employees at the Gdańsk offices,
- daytime camps for children during the summer holidays,
- baby clothes set for newborns,
- 10-year work anniversary party and memorable gift,
- vouchers and gifts for Christmas.

**STORE RECRUITMENT**

[reporting topic: recruitment]

Due to the changing job market we find it challenging to recruit valuable store employees who will stay with us for a longer time and will want to develop within the company. Currently, we attract candidates who have only entered the job market and do not have any professional experience. That is why, apart from classical recruitment activities, we run special projects to promote LPP's organisational culture and introduce young candidates to the company, encouraging them to take their first professional steps at LPP.

*Read about our project 'The First Fitting' in Chapter 4.*

**LPP CAREER DAYS**

LPP Career Days are meant to help store employees progress within the company. In 2018 we held the event twice, in Katowice and Gdańsk, each time attracting 40 participants. During Career Days store employees meet with representatives of the different units of the sales department, who present their unit's responsibilities as well as role and requirements potential candidates have to fill. The participants are also given a tour of the offices, including the Product Development Department, where they are told how new collections are developed.

**Project goals**

- ➔ To promote available positions and present career opportunities at the LPP headquarters.
- ➔ To reach potential candidates for posts at the LPP headquarters among store employees.
- ➔ To make it possible to store employees to learn more about the company they work for.

**LPP AMBASSADOR**

In 2018 we held the second edition of the LPP Ambassador programme, whose aim it is to inspire collaboration between the academic circles in selected Polish cities and the HR unit responsible for retail in the region. Students who become LPP Ambassadors become our liaison with their alma mater. This is a great opportunity for them to gain the valuable experience and learn more about the inner workings of the fashion industry as they are preparing to enter the job market.

**Project goals:**

- ➔ To promote the company and its brands as an attractive employer.
- ➔ To reach the maximum number of potential store and headquarters candidates.
- ➔ To make it possible for students and graduates to get to know the company from within.

**The role of LPP Ambassadors:**

- ➔ To represent the company at their alma mater (student organisations, career services, research clubs, students' representative council, halls of residence).
- ➔ To organise conferences, career fairs, guest lectures and workshops.
- ➔ To build a positive perception of the company (social media, information materials).
- ➔ Participation in LPP Career Days at the company's headquarters.

**LPP Ambassador 2017/2018**

- ➔ 5 Ambassadors,
- ➔ 4 cities (Gdańsk, Cracow, Warsaw, Wrocław),
- ➔ 6 universities,
- ➔ 161 days



**#MYFIRSTJOB**

#MyFirstJob is a project targeted at secondary school students and school leavers. In 2018 we held the first edition of the project in three secondary schools in Gdańsk and Cracow. Our goal was to support the process of recruiting employees for our stores and to help young people safely enter the job market.

- ➔ **150 secondary school students** took part in interview skills workshops.
- ➔ **90 people** decided to apply for a job at LPP.
- ➔ **71 people** was invited for a meeting with our HR department and then store managers.
- ➔ **25 candidates were hired in 15 LPP stores** for the duration of the summer; some decided to stay after the end of the holidays.



Nearly **83%**  
of all vacant management positions (from senior shopping assistant to store manager) were filled with internal candidates.

**65%**  
of people employed in the sales departments<sup>21</sup> of all brands are internal candidates.

Our current job openings are available on: <http://www.lppsa.com/kariera>.

**Employee benefits offered by LPP Retail<sup>22</sup> [GRI 401-2]:**

- medical package after three full calendar months of work [GRI 403-6],
- the Multisport card on preferential terms,
- shopping discounts (depending on how long the employee has stayed at the job),
- life insurance on preferential terms,
- E-tutor online language learning application,
- 10-year work anniversary party and memorable gift,
- vouchers and gifts for Christmas

<sup>21</sup> The sales department oversees the operations of the retail network.

<sup>22</sup> Offered to workers with employment contracts.

**New hires at LPP SA and LPP Retail in 2018 by gender and age [GRI 401-1]**

	LPP SA	LPP Retail
<b>overall number of employees hired in 2018</b>	<b>658</b>	<b>12,054</b>
<b>women</b>	<b>490</b>	<b>10,750</b>
<b>men</b>	<b>168</b>	<b>1,304</b>
incl. employees aged below 30	434	11,553
incl. employees aged 30-50	218	485
incl. employees aged over 50	6	16

**Employees who left LPP SA and LPP Retail in 2018 by gender and age [GRI 401-1]**

	LPP SA	LPP Retail
<b>overall number of employees who left in 2018</b>	<b>344</b>	<b>12,523</b>
<b>women</b>	<b>238</b>	<b>11,023</b>
<b>men</b>	<b>106</b>	<b>1,500</b>
incl. employees aged below 30	157	12,020
incl. employees aged 30-50	182	473
incl. employees aged over 50	5	30

**Employee turnover in 2018 [%]<sup>23</sup> [GRI 401-1]**

	LPP SA	LPP Retail
<b>overall employee turnover</b>	<b>14.1</b>	<b>114.4<sup>24</sup></b>
<b>women</b>	<b>13</b>	<b>110</b>
<b>men</b>	<b>17.1</b>	<b>161.8</b>
incl. employees aged below 30	<b>15.6</b>	<b>123.1</b>
incl. employees aged 30-50	<b>13.3</b>	<b>41</b>
incl. employees aged over 50	<b>7.4</b>	<b>107.1</b>

<sup>23</sup> Overall employee turnover equals the total number of employees who left the organisation in the reporting year divided by the total employee count in the reporting year (as of 31 Dec. 2018), multiplied by 100.

<sup>24</sup> The fashion industry is an attractive workplace for very young people who combine work and studying. LPP's wide retail network offers young people an opportunity to find employment and earn their first money. Once they finish school, these young workers either return home or start a job their trained profession. In any case, they leave the organisation and need to be replaced. The high turnover at LPP Retail in 2018 was also connected with the constantly growing jobs market and the demographic situation in Poland.



**NEW RECRUITMENT MODEL SUPPORTED BY REMOTE CONSULTANTS WITH DISABILITIES**

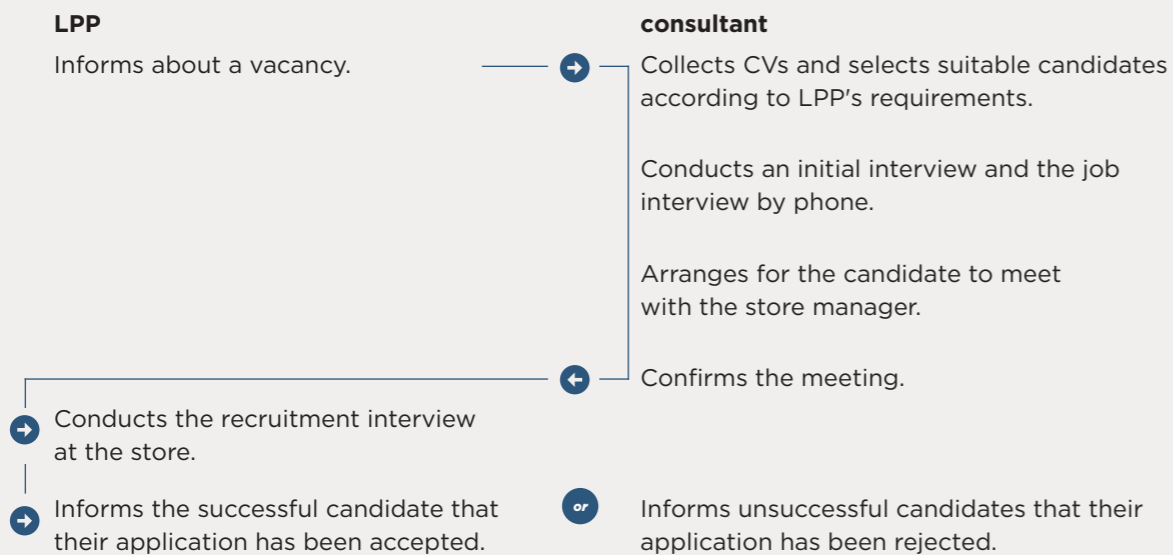
Integration of people with disabilities and supporting their employment is currently a significant challenge. Together with an external partner, LPP has reached out to a team of remote consultants with disabilities who handle key elements of our store recruitment process and conduct exit interviews with the employees who are leaving the company. This way we are able to reach a wide group of people fast and identify the reasons for their departure. Consequently, we can react to the situation on the ground, develop as an or-

ganisation and create a better workplace for our employees.

Our store managers have repeatedly stressed that the remote consultants have helped save time in the course of the hiring process.

Currently, we are developing a new project involving people with disabilities. We would like the consultants to conduct surveys concerning the on-boarding programme among our employees.

**New recruitment model supported by remote consultants with disabilities**



**WELCOME TO THE WORLD OF FASHION: ON-BOARDING AT THE LPP HEADQUARTERS AND STORES**

**FIT INTO FASHION**

In 2018 we modified our on-boarding process. On the first day of work new hires participate in the Fit Into Fashion training session, learning about our mission, values, history, different brands, structure, responsibilities of different departments and the markets where we operate.

During the meeting new employees are also given a special gift kit with necessary office supplies, discount vouchers for our brands and an leaflet guide to help them navigate their new workplace. We also want to make sure that new employees get a sense of the company. That is why, on their first day of work they visit the 'heart' of the business, namely the product development departments where our collections come into being. On that they new hires also meet their team.

**MEET THE PRESIDENT OF THE MANAGEMENT BOARD**

Another new element of our on-boarding process introduced in 2018 is a face-to-face meeting with Marek Piechocki, the company's iconic founder. The meeting is a great way for new employees to get an understanding of LPP's culture, values and priorities. It is also a chance to ask nagging questions. The meetings always take place at LPP's Training Centre in Pruszcz Gdański. Once there, the new employees also visit our photographic studios where e-commerce product photos are produced and are shown around the distribution centre by our logistic experts.

*You will find out more about e-commerce and product photos production in Chapter 2 'Made to measure'.*



500 people

took part in the meetings with Marek Piechocki and the tour of the distribution centre and the photographic studios.

The meetings started in March 2018 and were held once there were enough participants. That is why not all new hires had the opportunity to participate (in the reporting period).

**STARTUP FOR SHOPPING ASSISTANTS AND MANAGERS**

**New store employees**

For two years now we have been developing our system of on-boarding training to help new hires adapt faster. The time and energy we spend to support employees starting their career at LPP is the most important investment. It is also how we show our responsibility for the new worker and an accepted standard at LPP.

As part of StartUp, every new shopping assistant undergoes comprehensive training over the first 4-5 weeks at the job. They are gradually introduced to the interesting and complex world of the garment retail. The training is based on practical tasks and mentoring. Each new member of the team can count on the support of mentors and employees performing management functions in the first days at the job.

StartUp for shopping assistants and the accompanying training aids in local languages is available in 17 countries. In other world, it is a universal on-boarding process implemented throughout the LPP network across the world.<sup>25</sup>

**StartUp Management**

In 2018 we continued to develop the on-boarding process for new store employees in management positions in Poland and abroad. We worked out a universal, yet flexible, programme called Start-Up Management, which is adaptable to different managerial positions. As a result, LPP stores in 15 countries received on-boarding training aid which help us introduce new hires, be they external or internal candidates, to their new responsibilities.

To improve our on-boarding processes even further, each of our brands is currently working on the concept of **pilot stores**. We would like these to provide new employees with a chine to take their first steps at LPP in a safe environment and learn the trick of the trade under the watchful eye of the best managers from each brand.

**GROWTH IS ABOUT ADDRESSING NEEDS**

[reporting topic: employee development]

When designing training sessions and workshops we try to address the needs of employees and support them in solving problems they experience. To that end, we use insights provided by team leaders. Among the methods we use are workshops, training sessions, individual and peer coaching programmes.

Our priority is for the employee development activities we plan and implement to help the company achieve its ambitious goals while maintaining a positive atmosphere among the employees and respect in everyday dealings.

Employee development activities are planned on a short-term basis in the course of meetings between the relevant department's manager and an HR specialist, who define the needs of the department's employees and decide how they can be addressed.

Our employee development activities are not only about reacting to the needs at hand. We promote organisational changes geared towards digital transformation, agility, empowering teams and cooperation based on good communication and mutual understanding of one another's roles.

**Training and employee development activities at LPP**

- training sessions** We deliver knowledge wherever it is needed. Our training sessions mostly focus on soft skills: communication, negotiation, time management and public speaking.
- workshops** We work with groups to find new solutions and improvements. We draw on group knowledge, theoretic models and business cases.
- coaching** This a method of supporting a manger's development when they are not sure what decision to make and which path to choose. We use coaching sessions to find the best solution to the problem at hand.
- peer coaching** This method involves a group of leaders facilitated by a coach sharing their experiences and solving the current problems they face in their work.
- action learning** A group of leaders helped by a coach learn from each other for a few month while striving to achieve their individual business goals or directly contributing to the growth of the business.
- climate surveys** Sometimes our employee development activities are preceded with a working climate survey to get an insight into the situation in the team.
- personnel audits** In more complex situations we invite employees to participate in individual sessions when they can explain their perspective on the situation in a safe and discreet environment.
- conflict resolution meetings** If a conflict arises within a team or between two teams, we provide a safe framework for the employees to articulate what needs to be done for everybody to be able to work together again.



**Employee development activities at the LPP headquarters [GRI 404-2]**

Year	No. of activities	No. of training hours	No. of participants	Total no. of training hours adjusted for the no. of participants	Average no. of training hours per participant
<b>2017</b>	168	1,122	1,883	14,508	6.4
<b>2018</b>	235	1,552	2,636	18,716	7.7
<i>change as compared to 2017</i>	<i>+40%</i>	<i>+38%</i>	<i>+40%</i>	<i>+30%</i>	<i>+11%</i>

<sup>25</sup> StartUp is not available in the countries where LPP's stores are franchises (6 countries).



**SKILLS PROGRAMMES  
IMPLEMENTED IN 2018**<sup>26</sup> [GRI 404-2]

**Management programmes in 2018**

<b>Management Academy</b>	A programme targeted at newly appointed managers or managers who did not participate in management training before. It combines soft skills and expert knowledge training. It lasts for 6 months.	<b>2 editions 26 participants</b>
<b>A Leader's ABC</b>	A programme for newly appointed leaders (team and mini-team coordinators). It combines soft skills and HR processes training. It lasts for 5 months.	<b>2 editions 28 participants</b>
<b>peer coaching</b>	A series of monthly meetings for a group of product managers from Reserved's product development department aimed to help the participants solve team problems, learn from one another and share experiences using the peer coaching model.	<b>3 groups 15 participants</b>
<b>action learning</b>	A series of monthly meetings for a group of managers/leaders from the LPP headquarters aimed to develop a chosen skill and help the participants learn from one another and share experiences using the peer coaching model.	<b>2 groups 15 participants</b>
<b>coach management style</b>	A few types of training for specialists who manage assistants, matrix leaders and managers.	<b>64 participants</b>
<b>agile management</b>	Workshops from the Management 3.0 series.	<b>68 employees of Reserved's product development department</b>
<b>cooperation workshops</b>	Workshops dedicated to teams struggling with tensions between employees and managers.	<b>34 workshop sessions for different teams 316 participants</b>

**Soft skills training for specialists in 2018**

<b>communication</b>	The training covered communication, cooperation and relationship-building strategies. The participants included specialists from the product development departments of Reserved, Mohito and Cropp, the marketing department of Cropp, product design teams from Reserved Man and two teams from the product development department of Sinsay.	<b>160 participants</b>
<b>public speaking</b>	The training is dedicated to employees who need to make public presentations within the company and at external conferences.	<b>30 participants</b>

<sup>26</sup> There are no programmes targeted at employees who end their career at LPP due to retirement or termination of employment.

<b>negotiation skills</b>	The training covers the basics of negotiation and was dedicated to merchants and junior merchants. The participants included employees from the product development department of Reserved, Sinsay, Mohito and House.	<b>44 participants</b>
<b>planning and managing work</b>	The training covered planning and managing teamwork.	<b>86 participants</b>
<b>software</b>	Advanced training in Adobe Illustrator, MS Excel and other software.	<b>116 participants</b>



PARTNERSHIP AT WORK

535

– this is how many employees participated in development programmes for leaders in 2018.

## EMPLOYEE DEVELOPMENT AT OUR STORES

Employee development at our stores is based on the two modules of the StartUp programme: one dedicated to employees and the other to managers. The former focuses on on-boarding and gradual skills improvement. It starts with the employee learning about the key elements of their own and the company's success, meeting their team and being introduced to the store processes.

### RESERVED EXPERT [GRI 404-2]

Reserved Expert is a programme dedicated to Reserved Store Directors which we launched in 2018. It is aimed at developing their management skills and the ability to lead projects geared towards the development of the Reserved retail network. The programme took into account the brand's specific character: rapid transformations, large number of diverse stores and thousands of employees. The programme used mentoring to prepare the participants to become regional sales managers in the future.

**The first edition: 5 experts, 2 mentors, 2 tasks, 10 months of intense growth**

### NowSiMe!

In 2018 we launched a special project for experienced Store Managers at Sinsay. Its main goal was to find suitable candidates for key positions in the sales and product development departments and prepare them for future jobs. The programme was a chance to improve their soft skills, take part in trainings, learn more about the sales departments of other LPP brands, cooperate with experts from various fields and receive support in choosing the right career path. As part of NowSiMe!, the participants first prepared and then implemented individual action plans in their Sinsay stores. We received 38 applications and selected 16 best Store Managers from Poland, Russia, Lithuania, Estonia and Croatia.

### VM TALENT: A DEVELOPMENT PROGRAMME FOR DECORATORS

In December 2018 we launched a development programme for Reserved decorators aimed at achieving new successes in visual merchandising and enhancing the skills of employees with the potential to become a coach. The programme was based on the cooperation between the mentor and the programme coordinator according to a monthly action plan.

Average number of training hours (traditional learning) by gender in 2018 at LPP SA, LPP Retail and foreign subsidiaries [GRI 404-1]

	LPP SA	LPP Retail	Foreign subsidiaries	LPP Group
<b>average no. of training hours per employee trained</b>	<b>7.7</b>	<b>1.4</b>	<b>3.3</b>	<b>2.9</b>
women	7.7	1.3	3.2	2.7
men	7.6	2.0	3.1	3.6

Total number of training hours (traditional learning) by employment category in 2018 at LPP SA and LPP Retail [GRI 404-1]

	LPP SA	LPP Retail
executives	10.2	5.1
other employees	7.2	0.6

## E-LEARNING

### LPP E-LEARNING TOOLS

#### LPP Education for the LPP headquarters

122 e-learning courses: on-boarding, general development, management, product development.

Employees register on their own or are referred by their superiors.

#### Skillshare for graphic designers

External e-learning website that can be accessed by 19 graphic designers. The participant must complete at least 2 hours of training a month, otherwise they lose access to the website.

### TYPES OF E-LEARNING TRAININGS

#### On-boarding

An obligatory on-boarding course for all new hires in the Headquarters (2 training sessions on HR procedures and IT). Must be completed before they start work.

#### On-boarding for assistant merchandisers in the product development department

16 training sessions to be completed in 3 months covering the knowledge, procedures and systems necessary to perform the tasks of assistant merchandiser. Ends with a test. Participants who pass the test may embark on other training programmes.

#### Product data management

An obligatory course for assistant merchandisers, designers and assistant designers. Must be completed within 3 weeks of the start of employment.



Average number of training hours (e-learning) by gender in 2018 [GRI 404-1]

WOMEN	MEN
LPP SA: <b>1 h 54 min</b> +39% as compared to 2017	LPP SA: <b>48 min</b> +118% as compared to 2017
LPP Retail: <b>3 min</b> <sup>27</sup> -81% as compared to 2017	LPP Retail: <b>3 min</b> <sup>27</sup> -79% as compared to 2017

<sup>27</sup> The differences in the average time spent on e-learning per employee in 2017-2018 are due to the fact that in 2018 we were working on a new e-learning system and scope of training. In 2017, on the other hand, we were implementing the HR management system and consequently held a range of obligatory training sessions to introduce the employees to the system.





**Total number of training hours (e-learning) by employment category in 2018** [GRI 404-1]



**EXECUTIVES**

total number of training hours: **503 hrs**  
-83% as compared to 2017

LPP SA: **31 hrs**

-58% as compared to 2017

LPP Retail: **472 hrs**

-84% as compared to 2017



**EMPLOYEES**

total number of training hours: **3,520 hrs**

LPP SA: **3,520 hrs**

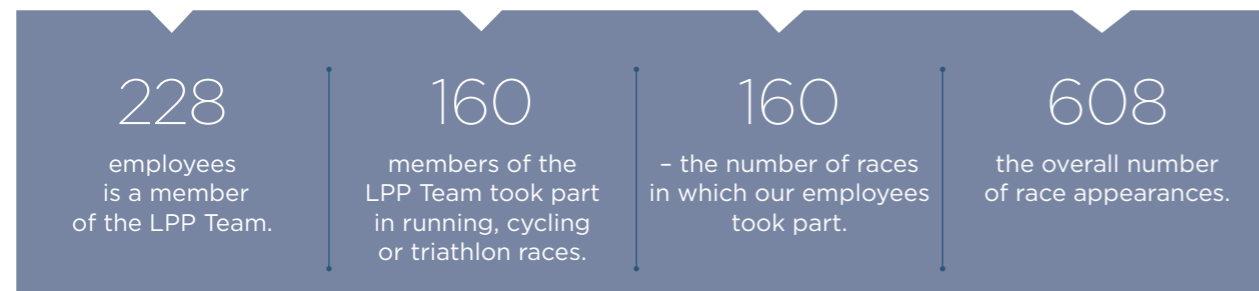
+54% as compared to 2017

**LPP ON THE GO, OR THE LPP TEAM** [GRI 403-6]

The LPP Team brings together those employees of LPP SA who enjoy physical activity. As part of the LPP Team employees enjoy running, cycling and triathlon together. The company sponsors the members' participation in races and outfits (once a member has participated in a required number

of races). Employees share their achievements and information about upcoming races on a chat group on LPP's internal messaging service Yammer.

**From the beginning of May 2017 LPP employees in Gdańsk have corporate bikes at their disposal.**



**Key company policies and procedures:**

- Employee Conduct Policy and Anti-Mobbing Procedure,
- General Recruitment Policy,
- Payroll Policy and Procedure,
- Remote Employee Policy,
- Employee Support Fund Policy and Procedure,
- External Partnerships Policy,
- The LPP Principles (ethical code),
- LPP More Sustainable Development Strategy for 2017-2019.

**Documents pertaining to occupational safety:**

- Work regulations,
- List of particularly strenuous jobs and jobs prohibited to pregnant women,
- Allocation of protective garments, footwear and personal protective equipment,
- List of jobs prohibited to minors - occupational health and safety for minors,
- Task risk assessments,
- Occupational Health and Safety Instructions.

# OUR PRINCIPLES

**THE LPP PRINCIPLES**

In September 2018 the Management Board adopted an ethics code for the company titled The LPP Principles. It is now published in a visible place on the company's Intranet page. The Headquarter employees were informed of the fact in an e-mail. They also received a special postcard encouraging them to acquaint themselves with the Principles.

We also launched a whistleblowing system to enable employees to report misconduct in an anonymous, safe and friendly way by e-mail. The messages are read by two ethics officers, who forward the reports to the concerned departments further investigation. Another important step is to promote The LPP Principles among the employees of LPP SA as a set of guidelines that are useful in everyday work. We are currently working on an ethical code for our stores, which we plan to implement in the first quarter of 2019.

The LPP Principles were discussed with the employees during workshops, meetings and a survey conducted a hundred days after the document's adoption.

**99%** respondents confirmed that they knew the document.

In 2018 we received **16 inquiries and reports** through the whistleblowing system. The majority were questions concerning the practical implementation of The LPP Principles and inquiries about the right course of action in a given situation.

In 2018 there were no confirmed cases of discrimination in the organisation. [GRI 406-1]

In 2018 we held Multigenerational Management workshops at the LPP headquarters for 100 people. At LPP we promote diversity by treating differences as development opportunities for the company and the workplace.

**OUR ENVIRONMENTAL IMPACT**

We are aware of the impact a global garment retailer has on the environment. That is why we pay increasing attention to protecting natural resources in all aspects of our operations: from the choice of materials for our garments to our sales, office and logistics processes. We offer our employees opportunities to protect the environment in their everyday work.

**Documents pertaining to LPP's environmental impact:**

- LPP More Sustainable Development Strategy 2017-2019
- Code of Conduct for Suppliers
- Eco Office Policy

In the future we plan to put in place an environmental policy embracing all of the eco-friendly initiatives implemented by LPP SA. Currently, we are in the process of measuring our environmental impacts and will improve our activities in this respect accordingly.



**LPP SA'S KEY ENVIRONMENTAL ACTIVITIES IN 2018:**

- Our stores and offices underwent energy audits.
- Our new stores reduced their electric energy consumption thanks to advanced air-conditioning systems and LED lights.
- Our new office buildings will be energy efficient structures.
- We recycle used paper and plastic wrap.

**Less paper cups**

We promote multi-use ceramic coffee cups. In 2018 we held a competition for employees called Hug a Cup. More than 20 winners received ceramic cups with an original design devised by one of Reserved designers.

**Ecological e-commerce packaging**

100% of Reserved and Mohito e-commerce packaging is made of recycled paper. By introducing ecological cartons instead of traditional cardboard boxes and poly mailers we managed to abandon foil wrap altogether (except for in Russia) [GRI 308-2]. The new cartons are approved by RESY as multi-use packaging and the Forest Stewardship Council (FSC). They can be used for product returns thanks to the special design of their closure.

**Ecooffice: Let the change start with ourselves** [GRI 102-16]

- In our everyday work we use eco-friendly paper made from eucalyptus wood. The trees are planted solely for the purpose of paper production as part of farmer support programmes. The production process uses less water and energy, generating less noise.
- We use multi-use textile envelopes to sent internal mail in order to reduce our reliance on single-use packaging.
- Double-sided, black-and-white printing is the default setting on our office computers (employees can change it if needed). Used toner cartridges are recycled.
- We promote healthy and eco-friendly habits among our employees: more and more of them give up corporate cars for corporate bicycles, which are available to employees of our offices in Gdańsk.







### Electric energy consumption [GJ] [GRI 302-1]

LPP SA and stores in Poland <sup>28</sup>	Foreign subsidiaries (office spaces and stores) <sup>29</sup>	The LPP Group
419,163	373,914	793,077



### Total energy consumption at LPP SA in 2018<sup>30</sup> [GRI 302-1]

Energy source	Consumption [GJ]
Electric energy	37,581
Natural gas	18,351
Diesel fuel	16,436
Light heating oil	7,609
Heating	5,702
Petrol (gasoline)	2,742
LPG	21
<b>Total</b>	<b>88,442<sup>31</sup></b>

Climate change and minimising LPP's ecological footprint are an important topic for us. Starting from 2018 we calculate our greenhouse gas emissions from our energy use. We will be perfecting our methodologies over the next reporting period.

#### In 2018 the LPP Group emitted 142,263 tonnes of CO<sub>2</sub>:

- **2,5% direct emissions** from owned vehicles and equipment which carries out the process of combustion (energy networks supplying large buildings)<sup>32</sup> [GRI 305-1]
- **95,8% indirect emissions** from the generation of purchased electric energy and heating for the offices and stores.<sup>33</sup> [GRI 305-2]
- **1,7% indirect emissions** from business travels.<sup>34</sup> [GRI 305-3]

LPP SA emitted 11,152 tonnes of CO<sub>2</sub>, which amounts to 7.8% of the LPP Group's emissions.

<sup>28</sup> In the case of the stores in Poland, we made estimates based on the average electric energy consumption per sq. metre in 2015 and 2016 (when the energy audit was conducted).

<sup>29</sup> Foreign subsidiaries' energy consumption includes their electric energy consumption, but does not include energy from other sources for lack complete data.

<sup>30</sup> Calculations based on calorific values provided in 'Heating values (HV) and CO<sub>2</sub> emission indices (EI) in 2015 to be reported as part of the EU Emissions Trading System for 2018'. LPG calorific value: 1.52 MJ/kg. Fuel, electric energy and thermal energy consumption calculated based on invoices received.

<sup>31</sup> LPP SA's total energy consumption increased by 9.2% as compared to 2017.

<sup>32</sup> SCOPE 1 emissions according to the GHG Protocol Corporate Standard.

<sup>33</sup> SCOPE 2 emissions according to the GHG Protocol Corporate Standard.

<sup>34</sup> SCOPE 3 emissions according to the GHG Protocol Corporate Standard.



### Greenhouse gases emissions in 2018 [tonnes]

LPP SA and stores in Poland	Foreign subsidiaries (office spaces and stores)	The LPP Group
80,057	62,206	142,263

We calculated the greenhouse gas emissions for LPP SA and stores in Poland based on the company's energy consumption as presented in the tables on page 114 and business travels by air. We

did not take into account business travels by other means of transport (trains, taxis, buses) due to the lack of relevant data.



### Share in LPP greenhouse gas emissions by country

Country	Total CO <sub>2</sub> emissions in 2018 [tonnes]	Percentage share in LPP emissions [%]
<b>Poland</b>	80,057	56.27%
<b>Bulgaria</b>	2,691	1.89%
<b>Czech Republic</b>	7,009	4.93%
<b>Croatia</b>	613	0.43%
<b>Estonia</b>	2,852	2.00%
<b>Germany</b>	5,001	3.52%
<b>Hungary</b>	1,755	1.23%
<b>Kazakhstan</b>	199	0.14%
<b>Latvia</b>	449	0.32%
<b>Lithuania</b>	1,644	1.16%
<b>Romania</b>	3,262	2.29%
<b>Russia</b>	32,548	22.88%
<b>Serbia</b>	860	0.60%
<b>Slovakia</b>	919	0.65%
<b>UK</b>	311	0.22%
<b>Ukraine</b>	2,070	1.46%
<b>Slovenia</b>	25	0.02%
<b>TOTAL:</b>	<b>142,263</b>	<b>100%</b>

When calculating greenhouse gas emissions from energy consumption we used data provided by LPP's foreign subsidiaries. We used all the data available for the reporting period. Wherever possible, we took into account emissions from fuel consumption. In the next reporting period we plan to perfect the process of collecting data from our subsidiaries and widen their scope.

The calculations do not include emissions linked to business travels in Germany because of lack of information on flights and train travel in that country. What is more, Scope 3 emissions do not include indirect emissions from the shipping of goods because of lack of information about the means of transport used and the distances travelled. We plan to amend our calculations of Scope 3 emissions in the future.



Weight of packaging materials used in 2018

type of material	weight [kg]	
	LPP SA	The LPP Group
cardboard	8,804,870	11,901,630
plastic	2,302,352	2,863,504
wood	12,500	36,698



Total weight of waste by type and disposal method [GRI 306-2]

waste type	Waste weight [kg]	
	LPP SA	The LPP Group
used cardboard given up for recycling	5,155,307	6,178,333
plastic packaging given up for recycling	156,887	185,797
wooden materials given up for recycling	215,510	215,635



Disposal methods used for other types of waste at LPP SA and LPP Retail [GRI 306-2]

- used paper, plastic, batteries, electric equipment and toner cartridges**
  - We collect used paper and plastic bottle caps into special containers.
  - We collect used batteries and give them up to recycling using a specialist company.
  - We make sure that used electric equipment, electronic devices and toner cartridges are properly disposed of.
- hand-me-down clothes in central offices and stores**
  - We collect and donate clothes to charity (in collaboration with Caritas Polska and Saint Albert Charity Association).
  - We hold bargain sales at LPP SA branches also with the view to help people in need.
- solid waste**
  - We have been segregating solid waste in LPP SA offices since January 2019.



# ACTIONS THAT MINIMISE OUR ECOLOGICAL FOOTPRINT

[GRI 102-11]

## PRODUCT DEVELOPMENT

- We offer sustainable design training sessions to Reserved and Cropp designers and merchandisers that cover the environmental impacts of the textile industry, product life cycle, fabrics and textiles, sustainability certification.
- We introduced the ECO AWARE line from Reserved and specially marked products that were made using eco-friendly materials. In 2019 all our brands will be offering such products.
- We abandoned natural fur and angora wool. By the end of 2020 we will abandon mohair unless we find a responsible and humane way of its sourcing.



## LOGISTICS AND TRANSPORT

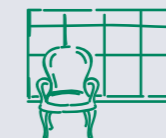
- When importing products, we mainly use maritime transport.
- We reuse ca. 30% of cartons.
- Mohito and Reserved products are sent to customers in recycled cartons.
- The new cartons we use are approved by the Forest Stewardship Council (FSC).
- We use a document management system to reduce our page use.
- Our distribution centres use intelligent lights that react to the intensity of sunlight.
- We replaced incandescent light bulbs with LED lights.



The biggest challenge we face is minimising LPP's environmental impacts linked to our business relationships with other parties along the supply chain, as we have very little influence on our suppliers' activities when we are not the primary recipient and due to very high costs of implementing ecological solutions in this respect [GRI 308-2]. Still, we are gradually introducing more and more measures to minimise our ecological footprint.

## RETAIL OUTLETS

- We try to reuse furniture from closing stores in other outlets.
- In 2018 we recovered 30% of clothes hangers meant for disposal.
- All of our newly opening stores are fitted with energy efficient LED lights and intelligent air-conditioning systems.
- Larger Reserved stores collect hand-me-down clothes.
- All of our brands use bags made of recycled materials. Mohito uses bags and boxes made exclusively of recycled materials.
- We give up used fluorescent lamps and light bulbs for recycling or donate to specialist companies that make sure they are disposed of properly.
- We collect use batteries and give them up for recycling.



## OUTSOURCING OF PRODUCTION

- We require our suppliers to accept our Code of Conduct in all the markets where we operate. This includes protecting the environment.
- We monitor suppliers' compliance with the Code.



## PURCHASED PRODUCTS

- As part of the ECO AWARE project, 20 largest Reserved stores in Poland collected clothes regardless of brand for Towarzystwo Pomocy im. św. Brata Alberta (Saint Albert Charity Association), a charity that runs homeless shelters across Poland.



Sustainable Development Goals



over

PLN 1.7m

donated by LPP and the LPP Foundation  
to charity in 2018

over

PLN 913m

paid by LPP in taxes in 2018

**In this chapter you will read about:**

- » Our stakeholder relations.
- » The LPP Foundation.
- » LPP's contribution to Polish economy and the Polish fashion industry.
- » LPP's community projects.
- » Employee volunteering.



# 4 SOCIALLY CONSCIOUS



# OUR RESPONSIBILITY



Our relations with our environment are based on responsibility. We have been getting to know the needs and expectations of our stakeholders and working to address them for 20 years now. We have defined our responsibilities in the LPP More Sustainable Development Strategy for 2017-2019. The document's **More Mindful** section outlines the LPP Group's priorities as regards its environment.

Being More Mindful means:  
– supporting local communities,  
– promoting youth employment,  
– collaborating with colleges and universities;  
– promoting fashion occupations.

We share the products of our success – knowledge, experience and resources – with the society and continue to develop as a responsible business. We want to be mindful of the environment in which we operate. That is why, our operations benefit those around us.

## MORE MINDFUL 2018:

### The LPP Foundation



monetary and in-kind donations to NGOs exceeding **PLN 1.5m**

promotion of fashion occupations; collaboration with colleges and universities



Across Europe with Best Fashion Illustration 2018, an exhibition featuring **60 works by 40 international fashion illustrators**



open days for university graduates, LPP Behind-the-Scenes attracted **110 participants**

The First Fitting project (a continuation)



**3 project partners**



**16 participants**



**2,500 hours worked**

cooperation with local communities



school supply kits for **135 children in the first year of primary school** in Brześć Kujawski, Poland



**1,000 t-shirts** gifted to the participants of a cycling event in Pruszcz Gdański and sponsorship of local events marking the Children's Day, Christmas, etc.

charity projects



**over 271,000** in donations and sponsorships

employee volunteering



**150 volunteers**



over **800 hours worked**

## IN OUR CLOSEST ENVIRONMENT

[GRI 102-42]

We believe transparent communication with the stakeholders to be one of our main responsibilities. For a business to grow in a sustainable manner it has to inform its stakeholders about its operations and identify their needs and expectations.

At LPP we work hard to make our communication clear and adapt it to different groups of stakeholders. This is the purpose of this report, which

is intended to give our stakeholders the fullest understanding of the different aspects of our operations and encourage them to give us direct and open feedback.

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

### Stakeholder relations [GRI 102-13, GRI 102-43]



- dialogue** We have been holding stakeholder panels since 2017:
- 2017 – Fair Fashion.
  - 2018 – LPP: Made to Measure.



- memberships and partnerships** We are a member of:
- The Bangladesh Accord on Fire and Building Safety (ACCORD).
  - Family Business Network Poland.
  - Otwarte Klatki [Open Gates].
  - Fundusz Grantowy FIR (Fundusz Inicjowania Rozwoju), a grant programme for development.
  - Responsible Business Forum Poland.
  - Pracodawcy Pomorza, an employer organisation in Pomerania.
- You will find more information on LPP's memberships in Chapter 1.*



- social initiatives** We undertake social initiatives in cooperation with our stakeholders. In 2018 these were:
- The First Fitting.
  - Across Europe with Best Fashion Illustration and The LPP Fashion Think Tank.
  - The Dolne Miasto Guide Book.
  - FETA.
  - The Great Bike Ride.



- communication**
- We use different communication channels for each stakeholder group (see the map).
  - In 2018 we studied Polish consumers' attitudes to shopping for clothes.

### LPP's stakeholder groups [GRI 102-40, GRI 102-43]



#### INVESTORS AND RELATED STAKEHOLDERS:

- investors.
- most involved Polish and international analysts – ca. 70 people who take part in the earning calls.
- Warsaw Stock Exchange.
- Stowarzyszenie Emitentów Giełdowych [Polish Association of Listed Companies].
- Financial Supervision Authority.

#### Selected communication channels:

- bilingual corporate website.
- e-mail lists.
- business media.
- annual and integrated reports.
- ESPI system for sharing operational and periodical reports.
- EBI system for sharing corporate governance reports.
- quarterly earnings calls.
- conference calls.
- video statements.
- organising events for analysts, investors, brokers, reporters: Investor Days, Showroom Open Days in Warsaw.
- LPP General Shareholder Meetings.



#### EMPLOYEES:

- LPP headquarters.
- distribution centres.
- retail network.
- employee families.

#### Selected communication channels:

- e-mail lists.
- Yammer, a social networking service.
- workplace spaces (displays, walls, information boards, reception).
- meetings.
- special events.
- training sessions.
- surveys and opinion polls.



#### BUSINESS PARTNERS:

- suppliers in Poland and abroad.
- lessors of retail outlets in key locations.
- franchisees.

#### Selected communication channels:

- e-mail lists.
- corporate website.
- meetings.
- special events and publications.
- dedicated events, e.g. stakeholder panels.
- business media.
- surveys and opinion polls.



#### CUSTOMERS:

- in-store customers.
- e-commerce customers.

#### Selected communication channels:

- the Internet.
- social media.
- newsletters.
- store spaces.
- the media.



#### SOCIAL ENVIRONMENT:

- industry organisations.
- consumer organisations.
- charity organisations supported by LPP.
- colleges and universities collaborating with LPP.
- local authorities.

#### Selected communication channels:

- e-mail lists.
- social media.
- media.
- meetings.
- dedicated events, e.g. stakeholder panels.
- surveys and opinion polls.





**MADE TO MEASURE.  
A STAKEHOLDER PANEL**

[GRI 102-43]

Getting to know the expectations and views of your closest environment helps us operate our business better. We saw that when we organised the Fair Fashion stakeholder panel in 2017 to discuss responsibility in the fashion industry.

In 2018 we held a stakeholder panel titled LPP: Made to Measure to discuss what we should do as a company to better address our customers' needs. The meeting was attended by our business partners, consumer organisations, suppliers, state institutions, schools and representatives of the academic circles, industry experts and other parties who specialise in the consumer issues that are vital for LPP. The panel featured independent moderators as prescribed by the AA1000SES standard. The conclusions will be used to revise our Sustainable Development Strategy for 2017-2019. The options and recommendations of the stakeholders were also taken into account in the process of preparing this report.

**DISCUSSION TOPICS:**

- Factors affecting consumers' clothing purchasing decisions.
- Actions to be taken by LPP to address the needs and expectations of customers now and in the future.
- Ways to promote fair fashion and responsible consumer choices.

During the panel we asked our stakeholders what actions we should take to promote fair fashion and responsible consumer choices. They identified three key areas and defined recommendations for each of them.<sup>35</sup> [GRI 102-44]

<sup>35</sup> The consultation meeting featured independent moderators as prescribed by the AA1000SES standard. To comply with the standard and create comfortable conditions for the stakeholders to talk, they were divided into separate discussion groups of a few people working in parallel. The moderators ensured each participant's anonymity. That is why we cannot disclose which topics were discussed by each stakeholder group, as doing so might reveal their identity.



**Raw materials and products**

- Correct and detailed product labelling.
- More comprehensive product information (e.g. clarification of the symbols used on labels).
- Special way of marking products made of sustainable materials.
- Basic line made of organic cotton for adults.
- Basic line made of organic cotton for children and youth.
- Informing about organic cotton products using different sales channels.
- Certification of products made of organic materials.

**Education**

- Educational campaigns about organic cotton ran using different communication channels.
- Informing about the advantages of organic cotton.
- Zero waste events.
- Social campaigns for different target groups, e.g. seamstress.
- Educational campaigns about the different aspects of fair fashion targeted at consumers.

**Retail**

- Educating shopping assistants as regards the right to return a product and complain.
- Educating shopping assistants to support responsible consumer choices.

**CUSTOMER EXPECTATIONS**

In 2018 we studied Polish consumers' attitudes to shopping for clothes. Respondents shared their preferences as regards shopping in brick-and-mortar stores and online, the importance of product quality and sustainable materials as well as their expectations concerning customer service.

Selected conclusions:



Quality clothes are clothes that are comfortable to wear and made of good and durable materials.



80% buyers were positive about garments made of ecological materials.



A good clothes store is a store with good customer service and a wide choice of products.



Online shopping saves time and money, and is comfortable (you do not have to visit a brick-and-mortar store).



When shopping in a physical store, customers value smiling and friendly customer service.

# GROWING TOGETHER WITH OUR ENVIRONMENT

## LPP'S CONTRIBUTION TO THE ECONOMY

We are one of the largest taxpayers in Poland and the largest taxpayer in the Pomerania Province. We are also an important participant in the Polish social and economic life. Our ambitious development agenda for 2021 stipulates, among other things, spending **PLN 2bn** in investments. As a result, our growth will translate into the growth of the Polish economy. Sixty-five percent of the product value, including design, distribution through the logistic centre, IT, service and taxes, is generated in Poland. The things that we value the most – concepts, designs, value added – are created in Poland. This is how we contribute to the country's economic development and the growth of our industry.

### Taxes and other levies paid in 2015-2018 [in PLN thousand]

	2015	2016	2017	2018
Value Added Tax (VAT)	412,945	488,056	529,929	540,869
Corporate Income Tax (CIT)	44,401	5,692	41,703	144,909
tariffs	149,204	143,259	157,869	132,283
Personal Income Tax (PIT)	16,871	14,256	18,994	20,275
employee social security contributions	11,154	14,828	19,890	22,884
employer social security contributions	15,779	21,068	27,866	32,932
health care contributions	5,370	9,313	12,617	14,754
disability contributions	118	345	590	696
real property taxed	2,954	3,225	3,07	3,791
vehicle taxes	3	3	3	3
<b>TOTAL</b>	<b>658,799</b>	<b>700,045</b>	<b>813,068</b>	<b>913,396</b>

## TALENT AND INDUSTRY DEVELOPMENT

[reporting topic: promotions  
of fashion occupations]

### **LPP X Fashion Illustration**

#### **Across Europe with Best Fashion Illustration 2018**

We are aware of the importance of artistic education and promoting artistic talents. That is why we decided to join in forces with the organisers of an international fashion illustration exhibition titled 'Across Europe with Best Fashion Illustration'. The show was on display in five Polish cities in 2018: Gdańsk, Cracow, Warsaw, Łódź and Wrocław. It featured over **60 works by 40 prominent fashion illustrators** hailing from across the world, including Milan, New York City, Berlin, Tokyo and Gdańsk, who collaborate with leading fashion magazines and houses. One of them was Kasia Smoczyńska from Reserved.

The works were executed using different techniques from watercolours to computer design. They all strived to communicate a creative concept so that it could reach process engineers, tailors and ultimately the wearer. The show was dedicated to fashion lovers as well as arts and design enthusiasts. LPP joined the project as its patron to promote artistic education and promote fashion careers.



### **LPP Fashion Think Tank**

In conjunction with the exhibition, in Cracow, Łódź and Gdańsk we held The LPP Fashion Think Tank, which was a series of debates on career opportunities and the realities of working in the fashion industry. Each debate focused on a different fashion occupation: **graphic designer and fashion designer** (Cracow), **fashion designer and process engineer** (Łódź) and the **duo of fashion designer and merchandiser** in different markets (Gdańsk). The speakers also discussed their inspirations, how they come up with new trends and the importance of soft skills when working within project teams and business partners across the world.



## COOPERATION WITH COLLEGES AND UNIVERSITIES

Working together with art colleges and universities is an extremely important element of our collaboration with our social environment. This way we can promote the fashion industry, attract talented candidates and employees, and offer them opportunities to develop their career.

In 2018:

- As part of The LPP Fashion Think Tank we worked together with the Cracow School of Art and Fashion Design (SAPU), the academies of fine arts in Gdańsk, Cracow and Łódź, and the Łódź University of Technology.
- We were the strategic partner of the Cracow Fashion Week. During the graduation ceremony we awarded four honourable mentions and offered internships in our companies.
- We also held design workshops at SAPU.
- We organised an open day for students of the Łódź Academy of Fine Arts at the LPP headquarters and design workshops for 30 participants.
- We organised LPP and Mohito workshops at the Cracow Academy of Fine Arts in Cracow which culminated with a photoshoot of a mini-collection designed by the participants and its presentation in the shopping windows of two Mohito stores in Cracow.
- We organised LPP Behind-the-Scenes for graduates of different colleges and universities. During the open days they could acquaint themselves with occupations such as fashion merchandiser, designer or process engineer. In total, we organised five open day events: two in Gdańsk and three in Cracow. Overall, they attracted **110 participants**.



'The biggest benefit of our collaboration with LPP is the fact that we grow together as a result. Our partnership enables us to take advantage of the very different types of competence we have. We learn from each other and together, but the real winners here are the young people we manage to help.'  
**Marianna Sitek-Wróblewska, member of the management board, Gdańsk Foundation for Social Innovation**

### THE FIRST FITTING: ENABLING GROWTH, LEVELLING THE PLAYING FIELD

The First Fitting is a unique social initiative aimed to help young people in different types of foster care. As part of the project, we help them learn basic professional skills and start out adult life. By sharing our knowledge, we help level the playing field.

We launched the project in 2017 together with the Gdańsk Foundation for Social Innovation. In 2018 the project was joined by other partners the Rodzinny Gdańsk Foundation and the Atalaya Foundation, Warsaw.

The First Fitting is:

- supporting young people who are entering the jobs market by teaching them how to write a CV or behave at a job interview,
- store internships,
- mentoring offered by a designated store employee who shares their knowledge and experience with the intern and supports them throughout the internship.

As part of the 2018 edition we held workshops for future mentors before they started working with their interns.



In 2018 **16** people took part in the project. They interned at 9 stores (4 in Tricity and 5 in Warsaw) for over **2,500** hours.

A few of the interns stayed at LPP. The result? The participants of The First Fitting gained valuable professional and social skills, while LPP welcomed committed new members in our teams.

According to the participants:

#### The project's strong points:

- opportunity to practice speaking English,
- good team climate,
- opportunity to follow fashion trends,
- good interaction with the mentor.

#### The biggest challenges:

- interactions with customers,
- working in the fitting room area,
- operating the cash register fast enough, so that a queue does not form.





## NEIGHBOURING RELATIONS

[GRI 413-1]

### Enlargement of the Gdańsk headquarters

We want to impact our surroundings in a responsible manner. We are eager to embark on projects taking place in our neighbourhood. We have been involved in initiatives benefiting local communities for years. In 2018 we contributed to the beautification of the Gdańsk district of Dolne Miasto, where our offices are located. The concept of our headquarters' enlargement was approved by the local historic buildings inspector and selected in a competition. After the enlargement, the building will get a concrete and glass facade perfectly matching the industrial architecture of Dolne Miasto. We are also going to build an underground parking garage for employees, which will help solve the parking problems in the area.

### The Dolne Miasto Guide Book

LPP offices are located in the former headquarters of the Gdańsk Tobacco Monopoly established in 1927. We are aware of the heritage of the place where we work on a daily basis. That is why in 2017 we reach out to an association of Dolne Miasto historical guides, who work to preserve the history of the district and bring its residents together.

As part of the project, we invited the association to organise the launch of their new travel guide titled 'Dzielnica fabrycznych kominów' [The dis-

trict of factory chimneys] in our headquarters. In 2018 we published another run of the guide book's copies and organised a thematic game called 'Od KFK do LPP' (From the Royal Rifle Factory to LPP) in conjunction with the book's launch in our headquarters.

### FETA

In 2018 we yet again became a partner of the International Street and Open-Air Theatre Festival (FETA), which annually takes place in our neighbourhood in Gdańsk. The festival was a chance to see large-scale productions and more intimate shows presented by over 20 theatre companies from 10 different countries. This year saw a debut on the part of our employees, who performed along professional actors in Plama GAK's show 'A Midsummer Night's Sense'.

### TriMama's charity run Five From the Heart

TriMama is a local activist known for her charity work in LPP's closest neighbourhood in Gdańsk. We helped fund her an event she organised in December 2018, a 5-kilometre charity run, Five From the Heart. We also paid for the participation of 11 LPP employees in the race. All proceeds from the event went to children battling with cancer.

### School Supply Kits

Our neighbourhood extends past Gdańsk and also includes Brześć Kujawski, where we are currently building a new distribution centre. We work to give back to the local communities there as well. In 2018 we made sure that all 135 children starting their first year in primary school received essential supplies: school supplies, lunch boxes, water bottles, shoe bags and reflective bands. The kits were handed out during the Pledge Ceremony for first-year pupils in October 2018.



### A Christmas event for local residents

LPP helps fund the annual Christmas event for the residents of Dolne Miasto. Our goal is to give back to local communities and shape positive perceptions of the company among our neighbours.



SOCIALLY CONSCIOUS



# #LPPSUPPORTS

To make our social engagement more effective we adopted clear Principles of Partnership.

1. LPP supports local, regional and Polish-wide projects. The regions of Pomerania and Lesser Poland where our offices are located are particularly important to us.
2. To make our activities in the sphere of corporate social responsibility efficient and effective we collaborate with legal entities only.
3. All of the requests submitted to LPP are analysed in detail, yet due to their large number, the company reserves the right to contact selected entities only.
4. We pay particular attention to initiatives aiming to:
  - empower socially excluded persons,
  - provide in-kind support to our closest neighbours,
  - introduce innovative and ecological solutions in the textile industry,
  - support artistic education.
5. We make in-kind donations to the people who need help the most.

## **PASSIONATE ABOUT VOLUNTEERING – FOR YEARS**

LPP has been supporting internal employee initiatives for years. At the end of 2017 we simply asked our employees what kind of community service projects the company should participate in. According to the survey results, a large group of employees would like to get involved in ad hoc initiatives, such as painting a hospital. A large number of people would also like to share their skills in IT, foreign languages or sewing with others.

### **FOR LPP VOLUNTEERING IS A WIN-WIN SITUATION: BY HELPING OTHERS WE GROW OURSELVES.**

In 2018 our employees helped animals and painted hospital rooms. They insulated, renovated and painted a few dozen cat shelters at a cat rescue located in the Gdańsk Shipyard and the Nauta Shipyard in Gdynia over two days in the summer.

The most spectacular initiative was the renovation of a cystic fibrosis outpatient clinic of the Polanki Children's Hospital in Gdańsk. On the hospital's request, two of our architects designed a comprehensive makeover of the clinic's interiors. Next, employees of LPP Servicing and Maintenance Department chose a contractor to perform the major building works (tiles, flooring and wall removal; wall construction). Finally, our volunteers painted the rooms, assembled the furniture and cleaned the offices. Twenty-nine people were involved in the project. It took 250 hours.

Forty LPP employees were also involved in the renovation of the ceilings of the Paediatrics Anaesthesiology and Intensive Care Unit of the Copernicus Hospital. The volunteers spent 400 hours working on the project.



SOCIALLY CONSCIOUS

Our sponsorships we worth over  
**PLN 161,000**

We supported Across Europe with Best Fashion Illustration, The First Fitting, FETA, and more.

Our monetary donations we worth over  
**PLN 80,000.**

The gift cards we donated we worth over  
**PLN 29,000.**

Overall, our sponsorships and donations in 2018 were worth over

**PLN 271,000.**

[own measure: donations in the reporting year]

**Overall, 150 LPP employees were involved in volunteering projects in 2018. They worked for 858 hours.**

[own measure: number of employees involved in volunteering projects in the reporting year]

## THE LPP FOUNDATION

The decision to establish the Foundation was made in December 2017 as a natural consequence of LPP's growing social engagement. The Foundation's goal is to work for the benefit of people and the environment.

In line with our CSR Strategy, we pay particular attention to projects that aim to:

- empower socially excluded persons, especially children and young people,
- provide in-kind support to our closest neighbours,
- introduce innovative and ecological solutions in the textile industry.

The Foundation mainly supports organisations based in the region of Pomerania, where LPP's headquarters and its distribution centre are located, and the region of Lesser Poland, in particular the city of Cracow, where House and Mohito offices are situated.

The Foundation's operations are regulated by its Bylaws and the Supervisory Board Rules of Procedure.

The Foundation helps children and young people facing difficult life circumstances, supports organisations that assist socially excluded persons, local health facilities and people battling different diseases. Through its operations, the Foundation reaches a wide array of beneficiaries. In 2018 the Foundation provided over **PLN 1.5m** in monetary and in-kind to more than 100 NGOs in Pomerania and Lesser Poland as well as LPP volunteering initiatives.

In 2018 we worked together with **108 organisations**, which received

**PLN 1,543,179**

in monetary and in-kind assistance.

In 2018 we donated **78,000 items of clothing** worth

**PLN 1m**

to **91 entities**.

In 2018 the LPP Foundation donated over **PLN 485,000** to **18 projects**.

[own measure: number of projects implemented/supported by the LPP Foundation]



We provided monetary assistance to entities and people mainly from Pomerania and Lesser Poland focusing on three areas:

### preventing social exclusion



We supported summer camps for 50 children and young people facing social exclusion from Tricity and Cracow. We awarded scholarships to 42 beneficiaries of the Orphaned Children's Fund from Pomerania and Lesser Poland. We sponsored multimedia aids for a school located near the LPP headquarters in Gdańsk.

Our main partners in the area: Gdańsk Foundation for Social Innovation, Rodzinny Gdańsk Foundation and Nasz Dom Association in Cracow (both supporting children in foster care), Hospice Foundation (operator of the Orphaned Children's Fund).

**Overall value of assistance provided: PLN 199,000**

### health care



We sponsored medical equipment, renovations and day-to-day activities of health facilities. We also assisted people battling different diseases.

Main beneficiaries: Foundation of the University Paediatrics Hospital in Cracow, Fundacja z Pompą — Pomóż Dzieciom z Białaczką (foundation supporting children with leukaemia), Akademia Walki z Rakiem (foundation supporting cancer patients and their families), Hospicjum Pomorze Dzieciom (children's hospice), The Maciej Płażyński Paediatrics Hospital, Gdańsk.

The Foundation supported volunteering initiatives of LPP employees.

**Overall value of assistance provided: more than PLN 266,000**

### ecology and environmental protection



We donated money to animal rescue organisations.

Beneficiaries: Pan i Pani Pies (dog rescue), Pomorski Tymczasowy Dom Koci (cat rescue).

The Foundation supported volunteering initiatives of LPP employees.

**Overall value of assistance provided: PLN 20,000**





135 LPP employees took part in the initiative: 41 runners and 74 cyclists.

Together they ran and cycled over 58,000 kilometres.

Raising over PLN 39,000.

**LPP FOUNDATION**

**RAISE MONEY BY RUNNING AND CYCLING. THE LPP TEAM FOR KIDS**

The LPP Team for Kids was a three-month running and cycling challenge as part of which LPP employees raised money for children living in foster care in Gdańsk and Cracow. The LPP Foundation donated a sum of money for every kilometre run or rode to the Rodzinny Gdańsk Foundation and the Siemacha Association, Cracow.

In June 2018 we helped fund the **Great Bike Ride** held in Gdańsk. Our employees took part in the event together with the beneficiaries of the Gdańsk Foundation for Social Innovation. The children and young people rode bikes bought as part of The LPP Team for Kids in 2017.

LPP donated **1,000 t-shirts** to participants of a cycling event celebrating the Children's Day held in Pruszcz Gdański.

**LPP FOR HEALTH**

**CANCER AWARENESS WORKSHOPS**

[GRI 403-6]  
Due to the rising cancer incidence in Poland it is crucial to raise people's awareness about cancer prevention. In 2018 we organised Cancer Awareness Workshops in our headquarters in Gdańsk. The workshops were led by experts from the Polish Society of Psychological Oncology. The

interest exceeded our expectations. As many as **150 employees** took part in the workshops.

The experts discussed risk factors and methods of cancer prevention. We believe that the high turnout will result in raised cancer awareness and the participants will regularly take screening tests in the future.



**BLOOD DRIVES**  
In 2018 we organised 9 blood drives among our employees in Gdańsk, Pruszcz Gdański and Cracow. In total, 160 employees gave 72 litres of blood.







SPRZEDAŻ WG MAREK  
(DANE ZA 9M18)



5  
FINANCIAL  
RESULTS



**SELECTED FINANCIAL INFORMATION FOR THE LPP GROUP**

for the year ended 31 December 2018

Selected consolidated financial data (in PLN thousand) <sup>36</sup>	PLN		EUR	
	2018	2017	2018	2017
	01.01-31.12	01.01-31.12	01.01-31.12	01.01-31.12
Revenues	8,046,756	7,029,425	1,885,855	1,656,048
Operating profit (loss)	756,560	578,434	177,309	136,272
Pre-tax profit (loss)	723,680	563,671	169,603	132,794
Net profit (loss)	505,176	440,774	118,394	103,841
Profit (loss) per ordinary share	275.53	241.36	64.57	56.86
Net cash flows from operating activities	1,212,010	893,185	284,049	210,424
Net cash flow from investing activities	-704,396	-383,934	-165,084	-90,450
Net cash flow from financial activities	20,928	-359,872	4,905	-84,781
Total net cash flows	528,542	149,379	123,870	35,192

<sup>36</sup> PLN/EUR rate: 2018: 4.2669; 2017: 4.2447.

Selected consolidated financial data (in PLN thousand) <sup>37</sup>	PLN		EUR	
	2018	2017	2018	2017
	01.01-31.12	01.01-31.12	01.01-31.12	01.01-31.12
Total assets	5,380,808	4,330,828	1,251,351	1,038,344
Long-term liabilities	346,148	324,377	80,500	77,771
Short-term liabilities	2,174,122	1,563,020	505,610	374,744
Equity	2,860,553	2,443,446	665,245	585,832
Share capital	3,705	3,705	862	888
Weighted average number of ordinary shares	1,833,483	1,826,537	1,833,483	1,826,537
Book value per share	1,560.17	1,337.75	362.83	320.73
Declared or paid dividend per share	40.00	35.74	9.30	8.57

<sup>37</sup> PLN/EUR rate: 2018: 4.3000; 2017: 4.1709.**CONSOLIDATED INCOME STATEMENT**

for the year ended 31 December 2018

Comprehensive income statement (in PLN thousand)	2018	2017
	year ended 31.12.2018	(transformed) year ended 31.12.2017
<b>Continuing operations</b>		
Revenues	8,046,756	7,029,425
Cost of goods sold	3,645,497	3,302,312
<b>Gross profit (loss) on sales</b>	<b>4,401,259</b>	<b>3,727,113</b>
Other operating income	35,627	28,623
Selling costs	3,023,609	2,751,848
General costs	508,564	348,091
Other operating costs	148,153	77,363
<b>Operating profit (loss)</b>	<b>756,560</b>	<b>578,434</b>
Financial income	8,420	4,754
Financial costs	41,300	19,517
<b>Pre-tax profit (loss)</b>	<b>723,680</b>	<b>563,671</b>
Income tax	218,504	122,897
<b>Net profit (loss) on continuing operations</b>	<b>505,176</b>	<b>440,774</b>
<b>Net profit attributable to:</b>		
Shareholders of the parent company	505,176	440,851
Non-controlling interests	0	-77
<b>Other comprehensive income</b>		
<b>Items transferred to profit and loss</b>		
Currency translation on foreign operations	-23,487	-93,239
<b>Total comprehensive income</b>	<b>481,689</b>	<b>347,535</b>
<b>Attributable to:</b>		
Shareholders of the parent company	481,689	348,093
Non-controlling interests	0	-558
Weighted average number of ordinary shares	1,833,483	1,826,537
Profit (loss) per ordinary share	275.53	241.36
Diluted profit (loss) per ordinary share	275.40	241.34

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2018

Statement of financial position (in PLN thousand)	2018	2017
	year ended 31.12.2018	(transformed) year ended 31.12.2017
<b>Non-current assets</b>	<b>2,417,752</b>	<b>2,041,365</b>
1. Fixed assets	1,818,316	1,478,164
2. Intangible assets	89,630	64,071
3. Goodwill	209,598	209,598
4. Trademark	77,508	77,508
5. Other financial assets	7,822	4,937
6. Deferred tax assets	164,277	151,335
7. Prepayments	50,601	55,752
<b>Current assets</b>	<b>2,963,056</b>	<b>2,289,463</b>
1. Inventory	1,590,368	1,475,187
2. Trade receivables	156,252	199,648
3. Income tax receivables	377	6,394
4. Other financial assets	100,304	1,755
5. Other non-financial assets	37,843	47,569
6. Prepayments	32,943	44,120
7. Cash and cash equivalents	1,044,969	514,790
<b>TOTAL assets</b>	<b>5,380,808</b>	<b>4,330,828</b>
<b>Equity</b>	<b>2,860,553</b>	<b>2,443,446</b>
1. Share capital	3,705	3,705
2. Treasury shares	-43,067	-43,334
3. Share premium	278,591	277,631
4. Other reserves	2,251,623	1,823,453
5. Currency translation on foreign operations	-231,654	-208,167
6. Retained earnings	601,355	590,158
- profit (loss) from previous years	96,179	149,307
- net profit (loss) for the current period	505,176	440,851
<b>Non-controlling interest capital</b>	<b>-15</b>	<b>-15</b>
<b>Long-term liabilities</b>	<b>346,148</b>	<b>324,377</b>
1. Bank loans and borrowings	88,575	141,824
2. Employee liabilities	1,012	751
3. Deferred tax liabilities	686	31
4. Accruals	255,774	181,690
5. Other long-term liabilities	101	81

### Short-term liabilities

1. Trade and other liabilities	2,174,122	1,563,020
2. Contract liabilities	1,497,511	1,325,278
3. Customer refund liabilities	23,140	0
4. Income tax liabilities	36,731	0
5. Bank loans and borrowings	234,434	53,462
6. Employee liabilities	203,196	56,496
7. Provisions	86,707	43,572
8. Accruals	20,397	9,944
<b>TOTAL equity and liabilities</b>	<b>5,380,808</b>	<b>4,330,828</b>



## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2018

Consolidated cash flow statement (in PLN thousand)	2018	2017
	year ended 31.12.2018	(restated) year ended 31.12.2017
<b>A. Cash flows from operating activities</b> <b>- indirect method</b>		
<b>I. Pre-tax profit (loss)</b>	<b>723,680</b>	<b>563,671</b>
<b>II. Total adjustments</b>	<b>488,330</b>	<b>329,514</b>
1. Amortisation and depreciation	349,163	293,429
2. Foreign exchange gains (losses)	-11,383	414
3. Interest and dividends	4,825	8,673
4. Profit (loss) on investing activities	-21,006	6,383
5. Income tax paid	-42,106	-92,385
6. Change in provisions and employee benefits	60,536	20,610
7. Change in inventories	-133,164	-356,641
8. Change in receivables and non-financial assets	4,128	-38,654
9. Change in short-term liabilities, excluding bank loans and borrowings	254,207	496,555
10. Change in prepayments and accruals	10,013	24,733
11. Other adjustments	13,117	-33,603
<b>III. Net cash flows from operating activities</b>	<b>1,212,010</b>	<b>893,185</b>
<b>B. Cash flows from investing activities</b>		
I. Inflows	634,506	57,712
1. Disposal of intangible and fixed assets	146,438	57,442
2. From financial assets, including:	3,004	266
a) in associates	96	165
- interest and dividends	96	165
b) in other entities	2,908	101
- interest	2,818	4
- repayment of loans	90	97
3. Other investing inflows	485,064	4
II. Outflows	1,338,902	441,646
1. Purchase of intangible and fixed assets	798,851	441,596
2. For financial assets, including:	51	50
a) in associates	0	0
b) in other entities	51	50
- loans granted	51	50
3. Other investing outflows	540,000	0
<b>III. Net cash flows from investing activities</b>	<b>-704,396</b>	<b>-383,934</b>

### C. Cash flows from financing activities

I. Inflows	369,230	26,264
1. Loans and borrowings	369,230	0
2. Proceeds from issuance of shares	0	26,264
3. Other financial inflows	0	0
II. Outflows	348,302	386,136
1. Cost of maintenance of treasury shares	0	16
2. Dividends and other payments to owners	73,342	65,527
3. Repayment of bank loans and borrowings	260,706	308,979
4. Interest	14,254	11,614
5. Other financial outflows	0	0
<b>III. Net cash flows from financing activity</b>	<b>20,928</b>	<b>-359,872</b>
<b>D. Total net cash flows</b>	<b>528,542</b>	<b>149,379</b>
<b>E. Balance sheet change in cash, including:</b>	<b>530,179</b>	<b>149,037</b>
- change in cash due to foreign currency translation	1,637	-342
<b>F. Opening balance of cash</b>	<b>515,405</b>	<b>366,026</b>
<b>G. Closing balance of cash</b>	<b>1,043,947</b>	<b>515,405</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 December 2018

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other capitals
<b>Balance as of 1 January 2018</b>	<b>3,705</b>	<b>-43,334</b>	<b>277,631</b>	<b>1,823,453</b>
Incentive programme implementation	0	0	960	-960
Distribution of profit for 2017	0	0	0	420,610
Dividend paid	0	0	0	0
Shares taken into treasury	0	267	0	-267
Consolidation of a subsidiary	0	0	0	0
Remuneration paid in shares	0	0	0	8,787
<b>Transactions with owners</b>	<b>0</b>	<b>267</b>	<b>960</b>	<b>428,170</b>
Net profit (loss) for 2018	0	0	0	0
Currency translation on foreign operations	0	0	0	0
<b>Balance as of 31 December 2018</b>	<b>3,705</b>	<b>-43,067</b>	<b>278,591</b>	<b>2,251,623</b>
<b>Balance as of 1 January 2017</b>	<b>3,679</b>	<b>-43,318</b>	<b>251,393</b>	<b>1,608,298</b>
Treasury share purchase	0	-16	0	0
Distribution of profit for 2016	0	0	0	214,747
Dividend paid	0	0	0	0
Share issue	26	0	26,238	0
Consolidation of a subsidiary	0	0	0	0
Contribution by non-controlling shareholders	0	0	0	0
Remuneration paid in shares	0	0	0	408
<b>Transactions with owners</b>	<b>26</b>	<b>-16</b>	<b>26,238</b>	<b>215,155</b>
Net profit (loss) for 2017	0	0	0	0
Currency translation on foreign operations	0	0	0	0
<b>Balance as of 31 December 2017</b>	<b>3,705</b>	<b>-43,334</b>	<b>277,631</b>	<b>1,823,453</b>

Total income	Profit (loss) from previous years	Profit (loss) for the current period	Equity attributable to the parent company	Minority interests	TOTAL equity
<b>-208,167</b>	<b>590,158</b>	<b>0</b>	<b>2,443,446</b>	<b>-15</b>	<b>2,443,431</b>
0	0	0	0	0	0
0	-420,610	0	0	0	0
0	-73,342	0	-73,342	0	-73,342
0	0	0	0	0	0
0	-27	0	-27	0	-27
0	0	0	8,787	0	8,787
<b>0</b>	<b>-493,979</b>	<b>0</b>	<b>-64,582</b>	<b>0</b>	<b>-64,582</b>
0	0	505,176	505,176	0	505,176
-23,487	0	0	-23,487	0	-23,487
<b>-231,654</b>	<b>96,179</b>	<b>505,176</b>	<b>2,860,553</b>	<b>-15</b>	<b>2,860,538</b>
<b>-114,928</b>	<b>429,607</b>	<b>0</b>	<b>2,134,731</b>	<b>0</b>	<b>2,134,731</b>
0	0	0	-16	0	-16
0	-214,747	0	0	0	0
0	-65,526	0	-65,526	0	-65,526
0	0	0	26,264	0	26,264
0	-27	0	-27	0	-27
0	0	0	0	62	62
0	0	0	408	0	408
<b>0</b>	<b>-280,300</b>	<b>0</b>	<b>-38,897</b>	<b>62</b>	<b>-38,835</b>
0	0	440,851	440,851	-77	440,774
-93,239	0	0	-93,239	0	-93,239
<b>-208,167</b>	<b>149,307</b>	<b>440,851</b>	<b>2,443,446</b>	<b>-15</b>	<b>2,443,431</b>





# 6 BACKSTAGE: THIS IS HOW THIS REPORT WAS PREPARED

BACKSTAGE: THIS IS HOW  
THIS REPORT  
WAS PREPARED

# ABOUT THE REPORT

## APPROACH TO REPORTING

This LPP integrated report includes financial and non-financial disclosures of LPP SA and The LPP Group for 2018 (the reporting period: 1 January 2018–31 December 2018). [GRI 102-50] In line with our pledge to publish integrated reports annually [GRI 102-52], this is the second report presenting our company's social, economic and environmental impacts. Our integrated report for 2017 was published on 17 May 2017 [GRI 102-51] and no corrections have been introduced since. [GRI 102-48]

## SCOPE OF REPORTING

The non-financial information presented in the report concerns the operations of the parent company, LPP SA, LPP Retail Sp. z o.o. and foreign subsidiaries responsible for distribution.

The consolidated financial statement of the LPP Group for 1 January–31 December 2018 concerns LPP SA, its foreign subsidiaries and two Polish subsidiaries (LPP Retail Sp. z o.o. operating the retail network in Poland and Printable Sp. z o.o. that sells promotional clothing). The two remaining Polish subsidiaries (which lease store spaces in Poland) were committed in the statement as irrelevant. [GRI 102-45]

The financial disclosures presented in the report constitute the consolidated financial statement of the LPP Group and was made based on the financial statements of all the relevant subsidiaries, which used the same methods, valuations and accounting standards as the parent company, LPP SA. [GRI 102-45]

## REPORT PREPARATION

The report was prepared in accordance with the GRI Sustainability Reporting Standards at Core level. [GRI 102-54] This means that when working on it we followed clear recommendations as regards the credibility, transparency and comparability of the presented content. The report was prepared in accordance with the latest GRI indices, taking into account the changes introduced in 2018 (GRI 403: Occupational Health and Safety 2018).

The topics of non-financial disclosure were identified in accordance with the Global Reporting Initiative standard. First, we reviewed and updated the reporting topics discussed in the integrated report for 2017. Subsequently, we privatised them. When selecting the reporting topics and deciding on the scope of reporting, we took into account the views of the participants of the LPP: Made to Measure stakeholder panel. We held the panel in 2018 in accordance with the AA1000 Stakeholder Engagement Standard. We also analysed the company's internal documents and sustainable development practices and trends observed in the garment industry. The final decision on the relevance of different reporting topics and the scope of this document in consultation with the Management Board. We selected 13 non-financial topics to be disclosed by the LPP Group for 2018. [GRI 102-46]

Throughout the process, we were assisted by an independent consulting firm, CSRinfo. To confirm the credibility of the report, we used external assurance provided by the auditing company, Bureau Veritas. [GRI 102-56]

## Reviewed key reporting topics [GRI 102-47] [GRI 102-49]

### Key reporting topics 2018

- Legality of operations
- Customer satisfaction
- The company's business strategy and future plans
- Product safety
- Product quality
- LPP conditions of work
- Garment production in Poland
- Recruitment
- Employee satisfaction
- Promotion of fashion occupations
- Assessment of supplier workplace conditions
- Employee development

### New reporting topics 2018

- Investments in advanced technologies

### Topics no longer considered key in 2018

- Tax optimisation practices
- Occupational health and safety
- Assessment of supplier compliance with occupational health and safety



**GRI CONTENT INDEX** [GRI 102-55]

Standard number	Standard name	Page no.
	General disclosures (mandatory)	
	<b>Organisational profile</b>	
GRI 102-1	Name of the organization	6
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Own measure	Retail space in sq. meters for the whole Group and percentage increase YoY	11
Own measure	LFL sales in the reporting year	11
GRI 102-3	Location of headquarters	10
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GRI 102-5	Ownership and legal form	19
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GRI 102-7	<b>Scale of the organization:</b>	11, 16
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Own measure	Sales revenue by brand in the reporting year and the percentage increase YoY	16
Own measure	E-commerce sales revenue as a percentage share in the Group's revenue and the percentage increase YoY	77
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Own measure	Percent share of European-based production	50
Own measure	Percent share of different modes of transportation in the reporting year	58
Own measure	Average number of garments dispatched to stores daily	59
Own measure	Number of stores served by the distribution centre in Pruszcz Gdański	59
GRI 102-10	Significant changes to the size, structure or ownership of the organization and its supply chain	19, 21, 49
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GRI 102-47	List of material topics	153
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	<b>Topic-specific disclosures</b>	
	<b>Economic topics</b>	
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GRI 103-2	The management approach and its components	13-16
GRI 103-3	Evaluation of the management approach	13-16
	<b>REPORTING TOPIC: Legality of operations</b>	
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GRI 103-2	The management approach and its components	32
GRI 103-3	Evaluation of the management approach	32
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<b>REPORTING TOPIC: Employee satisfaction</b>		
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## NUMERIC DATA

Below you will find detailed numeric data pertaining to employee matters and environmental issues for 2017 and 2018. Year after year we make our reports more transparent. We present the most comprehensive data available for the reporting period.

Employee data	2017		2018	
	LPP SA	The LPP Group	LPP SA	The LPP Group
<b>Employment</b>				
<b>GRI 102-8</b>				
Total employee count	2,126	25,635	2,446	25,174
women	1,572	21,506	1,827	21,293
men	554	4,129	619	3,881
Unlimited-term employment contracts	1,188	9,891	1,452	10,577
women	887	136	1,096	8,485
men	301	92	356	2,092
Other types of contracts <sup>38</sup>	938	15,744	994	14,597
women	685	13,538	731	12,809
men	253	2,206	263	1,788
Working full-time	2 098	16,102	2,420	15,623
women	1,553	13,089	1,809	12,837
men	545	3,013	611	2,786
Working part-time	28	9 533	26	9,551
women	19	8,409	18	8,453
men	9	1,124	8	1,098
<b>Employee turnover</b>				
<b>GRI 401-1</b>				
New hires	656	Not reported in 2017	658	Not reported in 2018
New hires as % of all employees	30		26	
women	481		490	
men	175		168	
aged under 30	393		434	
aged 30-50	251		218	
aged over 50	12		6	

<sup>38</sup> Employment contracts for a probationary period, fixed-term employment contracts, incl. internship agreements, replacement employment contracts and independent contractor agreements.

Employee data	2017		2018	
	LPP SA	The LPP Group	LPP SA	The LPP Group
Employees who left organisation	388	Not reported in 2017	344	Not reported in 2018
Employees who left the organisation as % of all employees	18		14.1	
women	298		238	
men	90		106	
aged under 30	228		157	
aged 30-50	153		182	
aged over 50	7		5	
Overall turnover rate [%] <sup>39</sup>	First time reported in 2018		14.1	
women		First time reported in 2018	13	Not reported in 2018
men			17.1	
aged under 30			15.6	
aged 30-50			13.3	
aged over 50			7.4	
<b>Diversity</b>				
<b>GRI 405-1</b>				
Executives		First time reported in 2018	246	Not reported in 2018
women			147	
men			99	
aged under 30			17	
aged 30-50			217	
aged over 50			12	
foreign nationals			1	
with disabilities			4	
Other employees		First time reported in 2018	2,200	Not reported in 2018
women			1,680	
men			520	
aged under 30			992	
aged 30-50			1,152	
aged over 50			56	
foreign nationals			88	
with disabilities			49	
percentage share of people with disabilities			2%	
<b>GRI 406-1</b>				
Total incidents of discrimination	0	0	0	0

<sup>39</sup> Overall employee turnover equals the total number of employees who left the organisation in the reporting year divided by the total employee count in the reporting year (as of 31 Dec. 2018), multiplied by 100.

Employee data	2017		2018	
	LPP SA	The LPP Group	LPP SA	The LPP Group
<b>Training and development</b>				
<b>GRI 404-1</b>				
Training hours per employee on average	6.49	First time reported in 2018	7.7	2.9
women	First time reported in 2018		7.7	2.7
men	7.6		3.6	
<b>Occupational health and safety</b>				
<b>GRI 403-9</b>				
Accidents in the reporting year	14	First time reported in 2018	20	198
women	11		17	166
men	3		3	32
Incidence rate <sup>40</sup>	First time reported in 2018		8	8.2
women			9.3	8
men			4.8	9.2
Working days lost	135		165	3,084
Fatal accidents	0		0	0

Environmental data	2017		2018	
	LPP SA	The LPP Group	LPP SA	The LPP Group
<b>Electric power</b>				
<b>GRI 302-1</b>				
Electric power consumption [GJ]	80,966	First time reported in 2018	88,442	793,077
<b>Greenhouse gases emissions</b>				
<b>GRI 305-1, 305-2, 305-3</b>				
Greenhouse gases emissions [t] CO <sub>2</sub> (Scope 1,2,3)	1,246 <sup>41</sup>	First time reported in 2018	11,152	142,263
<b>Waste management</b>				
<b>GRI 306-2</b>				
Cardboard given up for recycling [kg]	4,627,159	First time reported in 2018	5,155,307	11,333,640
Plastic film given up for recycling [kg]	131,583		156,887	342,684
Wood waste given up for recycling	First time reported in 2018		215,510	215,636

<sup>40</sup> The incidence ratio equals the number of injuries reported in a given period divided by the number of employees, multiplied by 1000. The measure is used by the Polish Statistical Office, among others.

<sup>41</sup> Our 2017 report provided information on direct emissions from sources that are owned or controlled by LPP SA (Scope 1). The calculations were made by VERT. In 2018 we changed our approach to reporting, taking into account other sources of emissions. Consequently, the 2018 report includes both direct and indirect CO<sub>2</sub> emissions (Scope 1, 2, 3), hence the difference between the 2017 and the 2018 data.

## NON-FINANCIAL DISCLOSURES

An integrated report is a separate report on non-financial information related to an entity or a group of entities. This integrated report was prepared in accordance with the provisions of the Polish Accounting Act of 29 September 1994 regulating disclosure of non-financial information (see: Article 49b and Article 55(2b-2e) and other relevant amendments), which implement Directive 2014/95/EU on the disclosure of non-financial information.

Below is a list of non-financial disclosures required by the Accounting Act with relevant page numbers.

Topic	Page number	
	LPP SA	The LPP Group
<b>LPP business model</b>	22-25	22-25
<b>Key non-financial performance measures</b>	10-11	10-11
<b>LPP policies, procedures, regulatory documents:</b>		
employee matters	81, 110	81, 110
social matters	33-34, 52, 74, 80-81, 134, 136	33-34, 52, 74, 80-81, 134, 136
environmental matters	111	111
protection of human right	52, 80-81	52, 80-81
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<b>Non-financial risks and their management</b>	28, 30, 66	28, 30, 66



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**EXTERNAL ASSURANCE****INDEPENDENT LIMITED ASSURANCE STATEMENT**

**To: The Stakeholders of LPP Group**

**Introduction and objectives of work**

BUREAU VERITAS Polska Sp. z o.o. (Bureau Veritas) has been engaged by LPP SA (LPP) to provide limited assurance of Selected information included in its "LPP integrated report 2018" (the Report). This Assurance Statement applies to the related information included within the scope of work described below.

**Selected information**

The scope of our work was limited to assurance over GRI Standards Disclosures, Core option, LPP's non-financial indicators required by The Accounting Act<sup>1</sup> and greenhouse gas (GHG) emissions included in the Report for the period 1 January 2018 to 31 December 2018

Excluded from the scope of our work is any assurance of other information included in the Report.

**Reporting Criteria**

The Selected Information needs to be read and understood together with the standards for sustainability reporting The GRI Standards as set out at <https://www.globalreporting.org>, principles of developing LPP's non-financial indicators and GHG Protocol standards:

- The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard Revised Edition,
- GHG Protocol Scope 2 Guidance,
- Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

**Limitations and Exclusions**

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period;
- Positional statements (expressions of opinion, belief, aim or future intention by LPP, and statements of future commitment.

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. The reliability of the reported data is dependent on the accuracy of metering and other production measurement arrangements employed at site level, not addressed as part of this assurance. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

**Responsibilities**

This preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of LPP.

Bureau Veritas was not involved in the drafting of the Report or the Reporting Criteria. Our responsibilities were to:

- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria;
- form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- report our conclusions to the Directors of LPP.

Bureau Veritas was involved in the developing of the guidelines for collecting energy usage in Poland, waste, raw materials usage data and methodology for accounting GHG emissions from facilities in Poland, products transport from suppliers to distribution centres.

<sup>1</sup> Act of 29 September 1994 on the Accounting (Journal of Laws 2018, item 395) - Ustawa z dnia 29 września 1994 r. o rachunkowości (Dz.U. 2018, poz. 395)



#### Assessment Standard

We performed our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after December 15, 2015), issued by the International Auditing and Assurance Standards Board and PN-ISO 14064-3:2008 Greenhouse gases -- Part 3: Specification with guidance for the verification and validation of greenhouse gas statements.

#### Summary of work performed

As part of our independent verification, our work included:

1. Assessing the appropriateness of the Reporting Criteria for the Selected Information;
2. Conducting interviews with relevant personnel of LPP;
3. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;
4. Reviewing documentary evidence provided by LPP;
5. Agreeing a selection of the Selected Information to the corresponding source documentation;
6. Reviewing LPP's systems for quantitative data aggregation and analysis;
7. Assessing the disclosure and presentation of the Selected Information to ensure consistency with assured information;
8. Audit of sample of data used by LPP to determine GHG emissions in Poland.

#### Conclusion

On the basis of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the Selected Information is not fairly stated in all material respects.

#### Evaluation against GRI Standards

Bureau Veritas Polska Sp. z o.o. undertook an evaluation of The Report against the GRI Standards. This included cross checking the GRI index table against all the reference documents to provide an opinion on the self-declared GRI application level.

Based on our work, it is our opinion that "LPP integrated report 2018" has been prepared in accordance with standards for sustainability reporting the GRI Standards, Core option.

#### Evaluation against GHG emissions

Boundaries of the LPP GHG emissions covered by the verification:

- Organizational boundaries: operational control
- Operational boundaries: Scope 1 and 2 involving energy usage in offices, distribution centres, stores, vehicles and devices for facilities in Poland and other countries; Scope 3 involving products transport from suppliers to distribution centres in Pruszcz Gdański and Moscow and business travels (partial data).

Verified GHG emissions in CO<sub>2</sub>e metric tones:

Scope 1 – Poland: 2 695

Scope 2 (location-based) – Poland: 75 612

Scope 1 – Other countries: 781

Scope 2 (location-based) – Other countries: 60 701

Scope 3 – Products transport from suppliers to distribution centres: 32 179

Scope 3 – Business travels: 2 467

There was no biogenic GHG emissions in the LPP.



#### Conclusion

Based on the process and procedures conducted, there is no evidence that the GHG emissions assertion:

- Is not materially correct and is a fair representation of the GHG emissions data and information, and
- Has not been prepared in accordance with GHG Protocol standards listed above.

#### Statement of Independence, Integrity and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 185 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified<sup>2</sup> Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspection Agencies (IFIA)<sup>3</sup>, across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities.

#### BUREAU VERITAS POLSKA Sp. z o.o.

Warsaw, march 2019

Witold Dżugan

Member of the Board

Michał Stalmach

Verifier

Michał Klocek

GHG Verifier

<sup>2</sup> Certificate of Registration No. 44 100 160145 issued by TUV NORD CERT GmbH

<sup>3</sup> International Federation of Inspection Agencies – Compliance Code – Third Edition





## **LET'S KEEP IN TOUCH**

That is what we were up to in 2018 at LPP, a global brand with Polish roots. Last year was intense: it revolved around wonderful collections and advanced technologies. We focused on our customers and helping them fulfil their dreams through fashion. We are happy that we had another chance to tell you about our operations, business philosophy and commitment to sustainable business which permeates all our processes.

We are full of energy. We cherish LPP's status as a family business. We are passionate about the the fashion industry. We always put clothes and the people who wear them at the centre. The only constant in LPP's operations is change as it enables us to grow. We are fired by passion and driven by ambition. We know we can further keep developing LPP and the products offered by our five unique brands only if we work as a team. A team you can become a part of.



If this report inspires any observations, conclusions or ideas in you, share them with us. We want to know the opinion of every single reader. Write to us and become a part of the LPP world.

[GRI 102-53] We look forward to hearing from you:

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The LPP Integrated Report was printed on 100% recycled Eco Paper Silk, which has been bleached without any type of chlorine. This helped reduce the carbon footprint in the following way:



**1,525 kilos** of waste did not end up in a landfill,



greenhouse gas emissions were reduced by **205 kilos**,



the product's travel footprint shrank by **2,049 km** on average (medium-sized European car),



**59,309 litres** of water were saved,



**3,291 kWh** of energy were saved,



**2,478 kilos** of wood were saved.

The carbon footprint was estimated by Labelia Conseil in accordance with the Bilan Carbone® methodology. The calculations are based on a comparison of recycled paper and wood pulp paper provided in the most recent BREFs for wood pulp paper. Results based on technical information - may be restated.





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