

LPP More

LPP Integrated Report 2017

LPP

RESERVED

CROPP

 **house**

M O H I T O

sinsay

HISTORY OF LPP – KEY DATES

1991	MAREK PIECHOCKI AND JERZY LUBIANIEC ESTABLISH THE COMPANY MISTRAL SP. Z O.O.
1995	TRANSFORMATION OF MISTRAL COMPANY TO LPP
1997	OFFICIAL OPENING OF THE LPP OFFICE IN SHANGHAI
1998	THE FIRST RESERVED BRAND STORES ARE ESTABLISHED
2001	THE FIRST LISTING OF LPP ON THE WARSAW WSE
2002	EXPANSION OF THE BRAND RESERVED TO ESTONIA, CZECH REPUBLIC, RUSSIA, HUNGARY AND LATVIA
2003	RESERVED ARRIVES IN LITHUANIA, UKRAINE AND SLOVAKIA
2004	THE FIRST STORE OF THE NEW BRAND CROPP IS ESTABLISHED IN POLAND
2005	CROPP BRAND IS NOW PRESENT IN ESTONIA, SLOVAKIA AND LATVIA
2006	CROPP REACHES RUSSIA, LITHUANIA AND THE CZECH REPUBLIC
2007	LPP MOVES INTO THE ROMANIAN MARKET AND NEXT YEAR THE BULGARIAN MARKET
2008	MODERN LPP DISTRIBUTION CENTRE HANDED OVER FOR USE
2008	MERGER WITH ARTMAN COMPANY, OWNER OF BRANDS: HOUSE AND MOHITO; LPP BECOMES THE LARGEST CLOTHING NETWORK IN POLAND AND A SIGNIFICANT PLAYER ON THE INTERNATIONAL MARKET
2013	DEBUT OF A NEW BRAND: SINSAY ON THE MARKET IN POLAND, RUSSIA, CZECH REPUBLIC AND LITHUANIA
2014	LPP OPENS THE FIRST RESERVED STORE IN GERMANY; EXPANSION OF THE GROUP IN CROATIA
2015	DEBUT OF RESERVED IN THE MIDDLE EAST, FURTHER EXPANSION IN GERMANY
2016	WE OPEN OUR 1000TH STORE IN POLAND
2017	DEBUT OF RESERVED IN THE UK AND FURTHER EXPANSION TO BELARUS AND SERBIA, AREA OF STORES LPP EXCEEDS 1 MILLION SQUARE METRES

LPP More

LPP Integrated Report 2017

LPP

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We have made every effort to make this report in accordance with international standards. Find out **how we prepared it**.

HELLO!

[GRI 102-14]



It is with great pleasure that I present the first integrated report of the LPP Capital Group, a detailed and complete picture of our company. I hope that by reading it, you will be able to learn about LPP 'from the inside'

It is important for us to be a transparent and honest company communicating openly in every way. This report is one of the tools that will allow us to achieve this. We want to tell you about how our collections are created, from the ideas of our designers, through production at our suppliers, to sales in more than 1,700 points of sale in 20 countries where we operate.

As with most companies, over the past years we have not avoided failures. This is an integral part of doing business. However, I want to emphasise that we have drawn constructive conclusions from each of those instances. They are one of the factors which make us care even more deeply about our supply chain. We control it at all stages, remembering that there is a person behind each of them. For over four years we have been conducting intensive activities to improve work safety in the factories of our subcontractors. We are the only company in Central and Eastern Europe that has become involved in this process to such an extent. Since 2013 we have been an active member of the Accord association, working to improve safety conditions in our suppliers' factories in Bangladesh. We have so far spent up to PLN 16 million for this purpose, because the well-being and safety of people who work for us is crucial.

Thinking of others, we have been conducting social controls for several years, paying attention that is, to wages, equal treatment and respect for workers' rights. As of this year, for this very purpose, we are also cooperating with the international company SGS, which is an independent auditor supporting us in assessing the risks in the area of compliance with the LPP Code of Conduct by the factories to which we commission the production of our collections. We work only with those who follow strictly defined rules. Thanks to our commitment, we have managed to eliminate 86 percent of identified breaches and errors in health and safety aspects at all production plants cooperating with LPP. I assure you that we will not stop at this.

From the very beginning of its existence, apart from clothing production, LPP has also devoted a lot of space to the development of sustainable business and to the people who create this business with us. Today, LPP consists of more than 25,000 wise and creative people who, apart from their passion for design, combine great sensitivity to help those in need. Charity holds a very important place for us.

As the owner of LPP, I feel a moral obligation to encourage people to get even more involved in social projects, all the more so because every year we receive over five hundred new, and very often young, people to work at the LPP Head Office. We all want to provide good examples and incentives to develop creativity, being sensitive to others.

Earlier, we focused on spontaneous help and running a business based on ethical principles and education. In 2017, we structured all our activities in this area and integrated them in the form of the "Strategy for the sustainable development of LPP for the years 2017-2019".

For over 25 years, we have been developing the Polish clothing industry, promoting Polish entrepreneurship not only on the domestic market, but also abroad. We say that our export hit is the Reserved collections, because just like iPhone, we created the concept of the brand on the domestic market and we are developing it. That's two-thirds of its value. In this way, we are building global recognition of both LPP and, in the economic aspect, of the entire country.

Today we are already present in 20 world markets, where every year we sell approximately 170 million clothes through our five brands: Reserved, Mohito, Cropp, House, and Sinsay. We have offices in Poland (in Gdańsk, Pruszcz Gdański, Warsaw and Kraków), in China (in Shanghai), and in Bangladesh (in Dhaka).

The year 2017 was an extremely important period in our history. We started operations on three other foreign markets: in Great Britain, Serbia, and Belarus. We doubled our e-commerce sales revenues. For the first time we presented stores on the market according to the modern 'open-to-public' concept in the country and abroad, in order to be even closer to our customers and meet their modern expectations. In the coming years, we will continue to expand abroad to show the world the quality and originality of the native creators of the clothing industry, including our designers, buyers, garment technologists, graphic designers, architects, and IT experts, to name just a few groups of our employees.

As our last year's debut in London proved at the largest shopping street in Europe - Oxford Street, our activities outside the country constitute a showcase for Polish creative thought. This is the result of the work of not only the large LPP team, but also a great group of Polish companies that have been supporting our expansion for years. We owe the foreign successes of our brands to Polish companies: construction companies, design offices, carpentry, assembly and service companies. We have been cooperating with some for almost 20 years. I am glad that also thanks to us, today they are specialised companies with rich international experience that are creating new jobs for specialists and experts.

In order to provide our customers with the highest quality of e-commerce services, last year we launched another two distribution centres, one in Stryków, the other in Moscow. This is one of the elements of our strategy to meet the expectations of our customers and assure them that delivery occurs within no more than 24 hours. In our activity, we clearly emphasise the family nature of the company and its Polish roots, of which we are very proud. Over 1,700 sales centres located in Europe and the Middle East prove that consistency, honesty and respect for customers and co-creators of our collections pay off and drive us to act.

As part of further work for sustainable development, in December 2017, LPP joined the group of 50 companies associated in the Responsible Business Forum, which is focused on the development of CSR in Poland. Last year, we also joined a group of family businesses as part of Family Business Network Poland. Thanks to sustainable development and concern for the development of the industry and people who create it with us, we are today the second largest private company in Poland.

The integrated report, containing non-financial information, is a summary of our activity for the last 12 months. However, the results you read about in the report are the result of our many years of experience gained on the Polish market and then ambitiously used during our foreign expansion since 2002. Let its content be proof that such steadfast values as honesty, consistency and determination are the best growth factors that, together with respect for people and our environment, will fuel the further development of LPP.

Marek Piechocki
President of the LPP Management Board

THE WORLD OF LPP IN NUMBERS AND ACTIONS

LPP GROUP: A POLISH COMPANY WITH GLOBAL ASPIRATIONS

We are a Polish company dealing in the design, production and distribution of clothing. Our sales network covers the whole of Poland, as well as the countries of Central, Eastern and Western Europe, the Balkans and the Middle East. Millions of our customers visiting stores buy the clothing, accessories and shoes of five popular brands: Reserved, Cropp, House, Mohito and Sinsay.

LPP Group in the world [GRI 102-6]

Area - m² (thousands) / Number of stores / Online stores



GDAŃSK:
- LPP head office
- Design centre for the following brands: Reserved, Cropp, Sinsay
PRUSZCZ GDAŃSKI:
- Distribution Centre

WARSZAWA:
- Reserved brand design office
- Showroom for 5 brands
KRAKÓW:
- Design centre for House and Mohito brands

Key performance indicators [GRI 102-7]

25+ years
of experience in the industry

25,635
jobs, including over 14,000 in Poland

PLN 7.029 billion
- The group's net sales revenues in 2017 (↑17% y/y)

170 million
items of clothing sold each year

Over
PLN 360 million
- e-commerce revenues in 2017 (↑108,4% y/y)

10%
- like-for-like sales index, LFL 2016/2017*

1.001 million m²
- the total area of all the stores of the LPP Group (↑9% y/y)

+ 1,700
stores in 20 countries on 3 continents

* LFL (like-for-like). When calculating the index, the sales of the same stores today and in the previous year are compared if they have not changed area. The results of the newly opened stores are omitted, which could disturb the value of the indicator with the dynamic development of the distribution network.



Representative office
Representative office
SHANGHAI
DHAKA



THE MOST IMPORTANT EVENTS IN 2017



FEBRUARY

Showroom Reserved in Warsaw in a new version and opening of show-rooms for other brands.

MARCH

17th store in Germany

Another flagship store was built at the popular Spitalerstraße shopping street in Hamburg.



APRIL

First stores in Belarus.

Reserved, Cropp and House franchise stores in a shopping mall in Minsk, area of 2,700 m².

Opening of online stores of all brands in the Baltic States.

A contract with Arvato.

Signing a contract for logistics outsourcing of e-stores from Reserved, House, Mohito and Sinsay from Arvato.

Control of working conditions in Asia with SGS.

Beginning of cooperation with the international SGS auditor in terms of working conditions at our suppliers in Bangladesh.

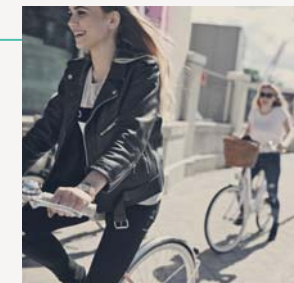


MAY

Reserved in Berlin.

19th store in Germany, a flagship store in a prestigious location, area of 2,000 m².

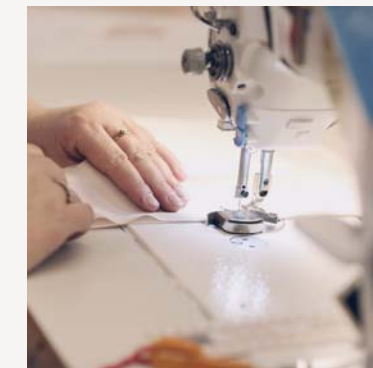
Business bicycles in Gdańsk. From May on, employees of the Head Office can use a few dozen business bicycles.



JUNE

Made in Poland.

At the conference in Gdansk, LPP declares that by the end of 2018 it plans to double the number of clothing produced in 2017 in Poland.



AUGUST

First stores in Serbia.

Reserved and Sinsay stores in Belgrade, area of. 3,500 m².



SEPTEMBER

Flagship in London.

A Reserved store in the centre of London, Oxford Street 252-258, area of 3,000 m².

Reserved online in the UK. England, Wales, Scotland within the reach of the Reserved online store.



OCTOBER

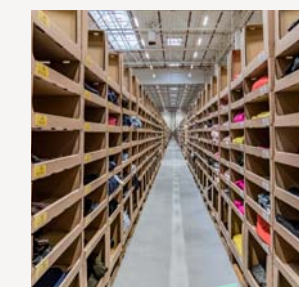
Investments in a healthy way of life for employees.

LPP declares that in 2017, the amount of over PLN 250,000 has already been allocated in the active supporting of sports passions of their employees.

Made in Poland 2.

At the second conference in Gdańsk, LPP declares that by 2018 it intends to employ over a thousand employees and spend nearly PLN 200 million annually in the area of research and development.

Debut of Mohito in Belarus.



NOVEMBER

LPP opens Distribution Centres in Stryków and Moscow, thanks to which the time of order fulfilment in the area of e-commerce will be significantly shortened.

DECEMBER

LPP joins the Family Business Association.

LPP opens prestigious Reserved store in Złote Tarasy.

Total area of all the stores exceeds 1 million m² of space.

LPP PORTFOLIO

We have created five recognisable brands:
Reserved, Mohito, House, Cropp, and Sinsay.
Each of them is addressed to a different group of customers representing a different lifestyle, having a different way of expressing themselves and other needs. [GRI102-2], [GRI102-7]

RESERVED

CROPP



M O H I T O

sinsay

RESERVED

Reserved is a brand that follows the latest trends in fashion. We respond quickly to the needs of our customers, to whom every week we offer new models in our stores. The fashion world has no limits for us: we draw inspiration from both the great world and alternative, bold fashion proposals. Therefore, the Reserved collection combines the beauty of classic designs with the original, latest fashion proposals for a given season for both women and men, as well as for children.
www.reserved.com

Net revenues and % y/y	PLN 3,159 million (↑17,3%)
Number of stores	468
Store area and % y/y	562.3 thousand m ² (↑10%)
Number of markets on which the brand is present	20
Countries where you can find stores of this brand	Czech Republic, Germany, Estonia, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Hungary, Great Britain, Ukraine, Croatia, Bulgaria, Serbia, Egypt, United Arab Emirates, Kuwait, Qatar, Belarus



CROPP



A brand with a sporty, streetwear character. It fits into the urban space and broadly understood urban lifestyle. It is addressed to young girls and boys who are immersed in urban culture, who live their own way, and whose clothing emphasises their individual style. The brand's collections clearly show influences of pop culture and hip-hop culture, including graffiti, street art, urban sports and music. When designing the collection, the Cropp brand cooperates with illustrators and graffiti artists from around the world.

www.cropp.com

Net revenues and % y/y	PLN 1,064 million (↑ 16%)
Number of stores	381
Store area and % y/y	127.2 thousand m² (↑ 6%)
Number of markets on which the brand is present	13
Countries where you can find stores of this brand	Czech Republic, Estonia, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Hungary, Ukraine, Croatia, Bulgaria, and Belarus

MOHITO



The Mohito brand, which has belonged to the LPP portfolio since 2009, is an offer for confident, independent women. Its designers create collections that combine freedom and elegance. Mohito collections are in line with the latest global fashion trends, and the clothing of this brand can look exceptional in both business and informal situations.

www.mohito.com

Net revenues and % y/y	PLN 829 million (↑ 13%)
Number of stores	294
Store area and % y/y	103.8 thousand m² (↑ 5%)
Number of markets on which the brand is present	13
Countries where you can find stores of this brand	Czech Republic, Estonia, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Hungary, Ukraine, Croatia, Bulgaria, and Belarus

house



House is an optimistic fashion brand addressed to women and men – students and young adults. House stores will be perfect for everyone who, following the latest trends, wants to look good every day. House offers both casual clothes for every occasion, as well as the latest fashion trends that brand designers look out for in social media, on catwalks and in the street. The brand also focuses on unobvious and interesting stylisations.

www.housebrand.com

Net revenues and % y/y	PLN 805 million (↑ 5%)
Number of stores	333
Store area and % y/y	110.6 thousand m² (↑ 5%)
Number of markets on which the brand is present	13
Countries where you can find stores of this brand	Czech Republic, Estonia, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Hungary, Ukraine, Croatia, Bulgaria, and Belarus

sinsay



Sinsay is a brand for loud, expressive girls with some temper that boldly follow the latest trends. Thanks to our designs, Sinsay girls can play with fashion, emphasising their remarkable personality. The undoubted advantage of the brand is the low prices enabling teens to buy their dream T-shirts, jeans and fashionable accessories.

www.sin-say.com

Net revenues and % y/y	PLN 610 million (↑ 32%)
Number of stores	233
Store area and % y/y	84.6 thousand m² (↑ 21%)
Number of markets on which the brand is present	13
Countries where you can find stores of this brand	Czech Republic, Estonia, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Hungary, Ukraine, Croatia, Belarus, and Serbia



I. From the design to the store

Over
250
designers

Over
1,000
suppliers

1,743
stores in 20 countries
on 3 continents

LPP GROUP BUSINESS MODEL

POLISH ROOTS, INTERNATIONAL DEVELOPMENT

We are one of the most dynamically developing clothing companies in the region of Central and Eastern Europe. For over 25 years, we have been consistently developing our operations in Poland and abroad, achieving successes on the demanding clothing market.

LPP SA, the parent company of the LPP Group, manages 5 fashion brands: **Reserved, Cropp, House, Mohito and Sinsay**. [GRI 102-1] The company has a network of over 1,700 stores and online stores of all its brands and creates jobs for over 25,000 people in offices and sales structures in Poland, Europe, Asia, and Africa. [GRI 102-4] Our story began in Gdańsk, and there is our head office. [GRI 102-3]

PLN 7,029 million

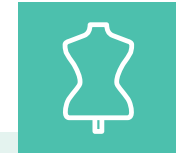
- net sales revenues of the group in 2017
(↑17% y/y)

PLN 2,441,320 thousand

- equity in 2017

1 763 388

- liabilities and provisions for liabilities in 2017



STEP 1: DESIGNING

- 3 design offices in Poland
- Over 250 designers
- 5 different brands

The clothing designs are created in the LPP design offices located in Gdańsk (at the company's head office), Krakow and Warsaw.



STEP 2: SEWING

- Over 1,000 suppliers
 - 2 representative offices in Asia (China and Bangladesh)
 - 4.2 million pieces produced annually in Poland
- The designs are then passed on to buyers who commission production of individual models. The LPP Group does not have its own production plants and uses a very popular model in the fashion industry, based on cooperation with suppliers from Asia and Europe, including ones in China, Bangladesh, Turkey, and Poland. Production placement in China runs inter alia through the office located in Shanghai, while our employees in Dhaka are responsible for the coordination and supervision of production in Bangladesh. The second important task of the Bengal office is to control the observance of human rights throughout the country.

The efficient business model of the LPP Group consists of:



the ability to respond quickly to dynamically changing trends,



reaching customers with fashionable products,



range of activity,



rational cost management policy

Delivery time from the design to the store: up to 30 days for the most fashionable fashions. The remaining part of the collection takes approx. 90-100 days.



STEP 3: SHIPPING

- 1.2 million products a day sent from the Distribution Centre in Pruszcz Gdański
- 3 distribution centres in the world

We are the owner of the largest and most modern clothing distribution centre in Central and Eastern Europe located in Pruszcz Gdański. Thanks to the modernisation and use of advanced technologies completed in 2015, it currently handles 1,743 stores at one time, sending up to 1,200,000 products to our sales network daily.



STEP 4: SELLING

- 1,743 stores in 20 counties on 3 continents
- 170,000,000 items sold each year
- 688,822,605 - total number of visits to stores in 2017. (↑26%)

The basic distribution channels that provide the LPP Group with the possibility of development are the Reserved, Cropp, House, Mohito, Sinsay chain stores and online stores of each of the listed brands. The recipients of the products in both stationary and online stores are individual customers. In every country where products of our brands are available, there is a local LPP representative cell, or franchise cooperation with a local partner is established. At the head of foreign LPP companies, there are the best specialists in the fashion industry who successfully manage our business in their countries.



The price of our product is made up of many parts. 65% is the value of designing and preparing collections, logistics, marketing, preparation and implementation of stores concepts and customer service standards, as well as taxes, duties and other fees paid by LPP. The remaining 35% of the value of the product is created in factories producing on behalf of the Gdańsk company. It is primarily the value of materials and sewing.

**BUSINESS STRATEGY
AND DEVELOPMENT PLANS**
[Aspect of reporting: strategy and development]

Our strategy is to develop a design base and sales channels, but like our global competitors, we do not have our own production plants. Sewing our collections is outsourced to external companies operating in Poland and abroad. Such a business model allows production of individual models to be located in factories that specialise in the production of a specific type of clothing.

- All investments of the LPP Group are aimed at:
- increasing commercial potential,
 - maintaining a competitive advantage on the market,
 - creating our own distribution network,
 - building a positive opinion on the brands comprising the Group on the clothing market,
 - acquisition of consumers loyal to the Group and its products.

In addition to investing in a network of physical stores, LPP also invests in the development of e-commerce, opening online stores in other countries and increasing the functionality of online sales.

The long-term development strategy of the LPP Group's operations aims to strengthen its existing position on markets where the Group's companies already operate, and to expand into new geographical areas, such as: Western Europe, the Balkans or the Middle East, as well as further increasing online sales. The development of the sales network is to be carried out alongside with activities aimed at increasing the efficiency of operations in each area.

LPP plans to employ
1,000
new employees in 2018.



LPP MORE.
LPP SUSTAINABLE DEVELOPMENT STRATEGY FOR THE YEARS
2017-2019 [GRI 102-15]

In 2017, we adopted the LPP Sustainable Development Strategy for the years 2017-2019, which is built on 4 pillars:

**MORE
SAFE**

Our product

Covers our practices related to the design of clothes and accessories, with the way they are designed and manufactured.

**MORE
CARE**

Our employees

Includes our practices related to relations with employees, including potential and former employees.

**MORE
MINDFUL**

Our environment

Includes our practices related first to consumer education, and secondly to the fashion industry in its broadest sense, including designers and influencers. Thirdly, it includes our presence in the local community in the places where our branches and stores are.

**MORE
ETHICAL**

Our principles

Includes our management practices and how we approach business.

More information on our Sustainable Development Strategy can be found in the following chapters.

**PLN
1.5 bn**

the value of investments planned for 2020 to develop the sales network in Poland and abroad

**THE COMPANIES OF THE LPP GROUP
AND THE SCOPE OF THEIR ACTIVITY**

The LPP Capital Group consists of:

- LPP SA as the parent company,
- 4 dependent domestic companies,
- 20 dependent foreign companies

LPP SA deals with the design and distribution of clothing in Poland and in Central, Eastern and Western Europe, the Balkans and the Middle East. Foreign companies included in the Group are entities dealing in the distribution of goods under the Reserved, Cropp, House, Mohito and Sinsay brands outside of Poland.

List of companies included in the LPP Capital Group

Name of company	Seated in
1. LPP Retail Sp. z o.o.	Gdańsk, Poland
2. DP&SL Sp. z o.o.	Gdańsk, Poland
3. IL&DL Sp. z o.o.	Gdańsk, Poland
4. AMUR Sp. z o.o.	Gdańsk, Poland
Foreign subsidiaries:	
5. LPP Estonia OU	Tallinn, Estonia
6. LPP Czech Republic SRO	Prague, Czech Republic
7. LPP Hungary KFT	Budapest, Hungary
8. LPP Latvia LTD	Riga, Latvia
9. LPP Lithuania UAB	Vilnius, Lithuania
10. LPP Ukraina AT	Przemyślany, Ukraine
11. RE Trading OOO	Moscow, Russia
12. LPP Romania Fashion SRL	Bucharest, Romania
13. LPP Bulgaria EOOD	Sofia, Bulgaria
14. LPP Slovakia SRO	Banská Bystrica, Slovakia
15. LPP Fashion Bulgaria EOOD	Sofia, Bulgaria
16. Gothals LTD	Nicosia, Cyprus
17. LPP Croatia DOO	Zagreb, Croatia
18. LPP Deutschland, GmbH	Hamburg, Germany
19. IPMS Management Services FZE	Ras Al Khaimah, UAE
20. LPP Reserved UK LTD	Altrincham, UK
21. LLC Re Development	Moscow, Russia
22. LLC Re Street	Moscow, Russia
23. LPP Reserved doo Beograd	Belgrade, Serbia
24. P&L Marketing & Advertising Agency SAL	Beirut, Lebanon



Magdalena Kopaczewska
Investor Relations Manager

The LPP Group also generates small revenues from the sale of services, mainly the know-how service in the area of operating stores by domestic contractors. An additional business is the management of Reserved, Cropp, House, Mohito and Sinsay trademark rights, including their protection, actions to increase their value, licensing of their use, etc. Gothals Limited Company located in Cyprus is intended for this purpose. IPMS Company in the United Arab Emirates is responsible for the management of franchises in the Middle East. LPP Retail is a specialised company dealing with the employment of employees in the LPP sales network. It is an entity that recruits, trains and supports the Reserved, Cropp, House, Mohito and Sinsay stores every day. The three remaining subsidiaries of domestic companies are involved in the rental of real properties where LPP stores are run.

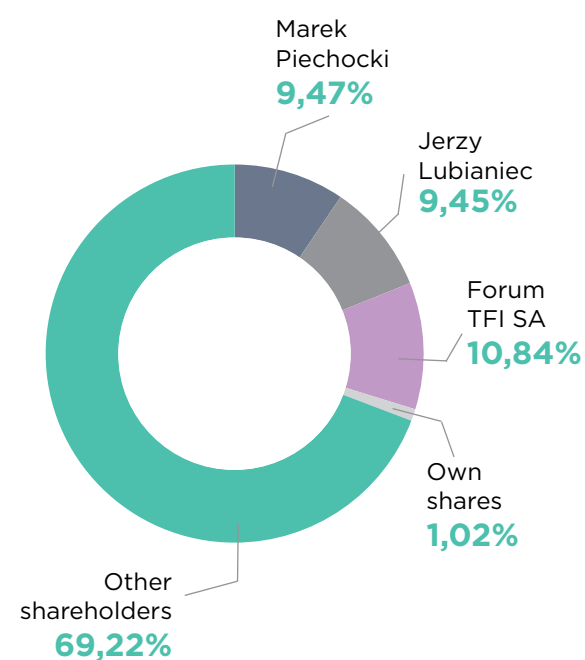
FORM OF OWNERSHIP

[GRI 102-5]

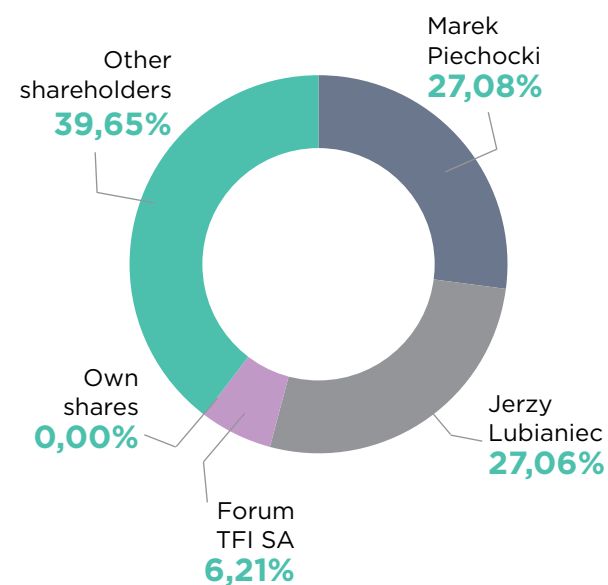
The parent company of LPP is a joint-stock company. The shares of LPP SA have been listed on the Main Market of the Warsaw Stock Exchange since 2001. The company's share price on the day of its debut was PLN 48.00. In 2017, the average share price was at PLN 7109.

Shareholder structure

Share in the share capital



Number of votes at the General Meeting of Shareholders



STEP 1: DESIGNING



Reserved
Ladies Department Director



Reserved
Men's Department Director



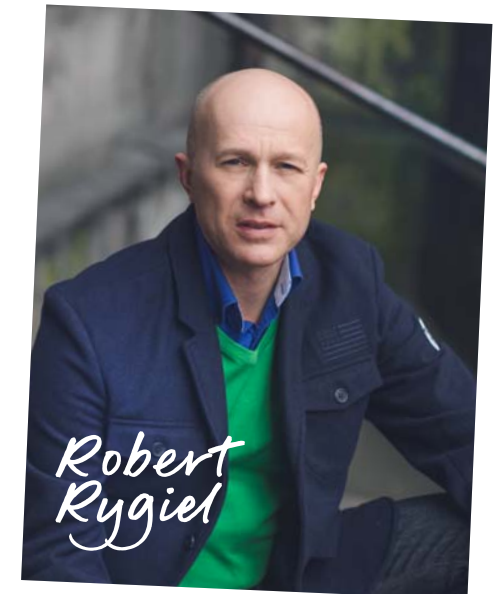
Reserved
Reserved Kid's Department Director



Reserved
Underwear and Accessories Department Director



Reserved
Product Office
Director
in Warsaw



Cropp
Brand Director



Mohito
Collection Director



House
Collection Director



Sinsay
Collection Director



Administrative and Technical Director

A key factor in the success of a clothing company is its sensitivity to changes in fashion trends and ability to match its range to the current preferences of customers. We pay the utmost attention to fashion. The design department is constantly analysing changing trends and adapting them to the needs of customers, so as to continue to offer desirable products with very good value for money. We also adapt the ranges of particular brands to the preferences of customers in different countries

The priority in the product preparation department is to create the best collection that meets the expectations of our customers. Only then can we achieve our goals and grow as a company.

Our designers, graphic designers and technologists participate in the most important exhibition events around the world, use professional literature and cooperate with global agencies researching trends. They also have the opportunity to comment and look after the production of their projects from the supplier.



GDAŃSK

Gdańsk

The head office of LPP. Here, the designs of the **Reserved, Cropp** and **Sinsay** collections are created. In Gdańsk, LPP management makes decisions that are most important for the functioning and development of the company, and all key departments of the company are also located here. Over **1,700 people** work here.



WARSZAWA

Warszawa

Since 2017, the Reserved brand product office has been operating in Warsaw. A team of about **40 people** supports the Gdańsk department of product preparation in both the creation of regular collections and special projects.



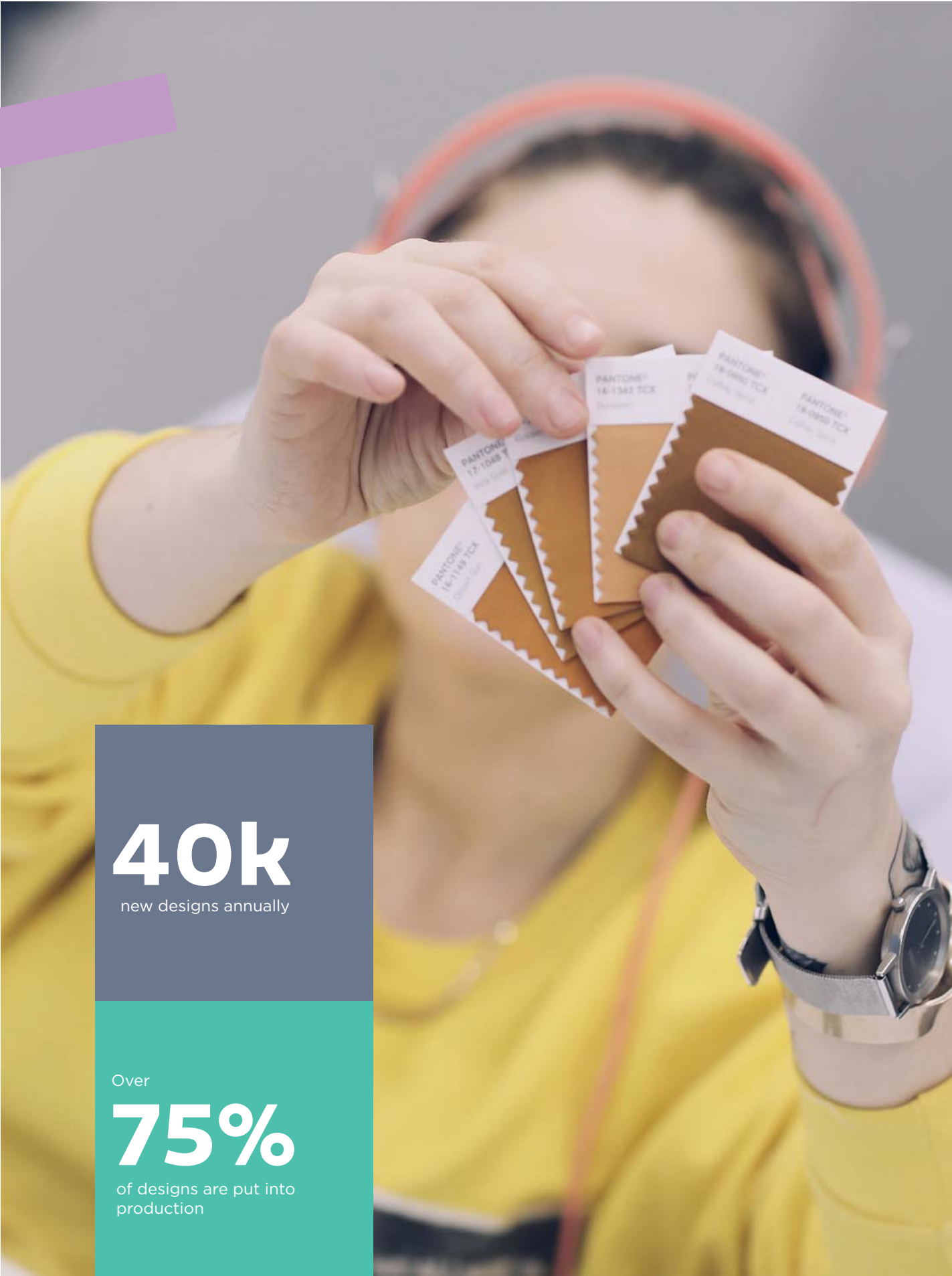
KRAKÓW

Kraków

In Kraków, there is the design and sales department for the **House** and **Mohito** brands. More than **300 people** are employed in the design department, sales structures and administration.

Project team of the LPP Group

	Reserved	Cropp	House	Mohito	Sinsay
Designers	151	36	31	25	24
Technologists and clothing designers	70	8	8	18	8
Graphic designers	31	9	8	2	9
Merchants	154	37	31	18	27



**FROM THE DESIGN TO THE STORE;
OR, WHAT THE PROCESS OF CREATING
A COLLECTION LOOKS LIKE:**

01.

preparation
of the assortment
plan and pricing
policy for a given
season

02.

moodboards -
selection of the
main concept for the
collection and colour
palette in line with
the latest trends

03.

review
of designs
prepared
by designers

04.

selection of suppliers
for individual designs
and ordering of the first
design, an overview
of all the first designs
and the selection of the
best models to order;
discussion of changes
in models and colour
versions

05.

designer -
technologist
consultations
on models
selected to
be ordered

06.

arrangements
with suppliers
regarding possible
corrections to the
design and its
approval

07.

production
of selected
models

08.

shipment of
finished products
to the warehouse
in Pruszcz
Gdański

09.

distribution
to stores

10.

sales

11.

daily verification
of sales results
and customer
satisfaction

SELECTION OF MATERIALS AND FABRICS [GRI 301-1]

Our clothing is mainly made of cotton, polyester, wool and viscose. **60%** of all clothes are versions that contain cotton (100% or with an admixture of other fibres). In organic cotton, about **500,000** lyocell t-shirts were made in 2017; environmentally friendly material made of wood cellulose was used in approximately 0.4% of items.

ORGANIC COTTON IN RESERVED COLLECTIONS



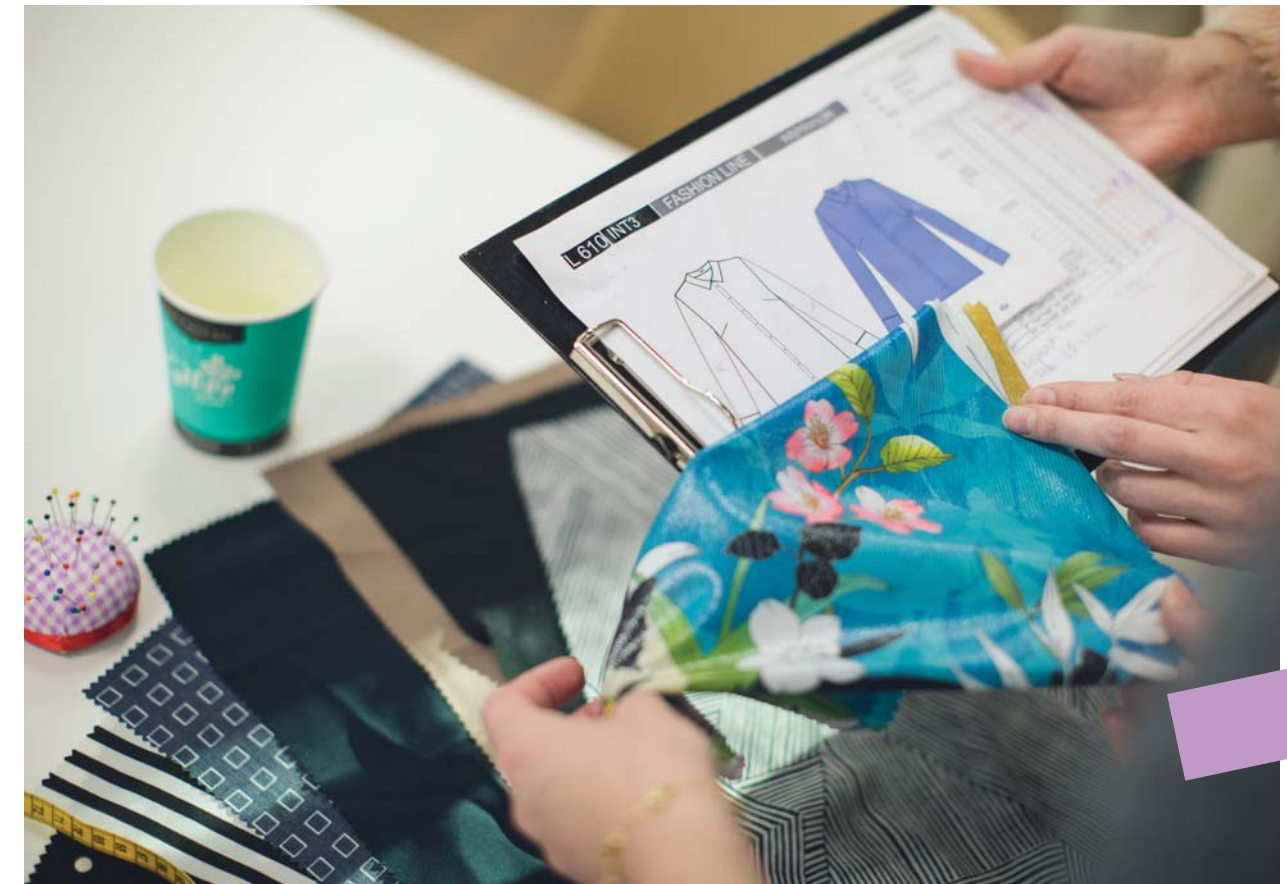
From the Reserved brand collection, customers can choose two types of products made with the use of organic cotton; the first are clothes sewn from fabrics containing organic cotton, and the second are models made in an organic process. What is the difference?

Products containing organic cotton are models for which cotton made from yarn produced on ecological plantations was fully or partially used. Information on the content of organic cotton in a given garment is always given on the label, which also contains data on the country of production, and instructions for use and care of the product.

Clothing made in an organic process, apart from containing organic cotton in the raw material composition, also takes place in a certified production plant at each of the subsequent stages of its creation: from spinning, non-woven production, dyeing, printing and finishing finished models. This is the most advanced model both in terms of controlling production conditions and environmental impact. Garments in the collection created in the organic process is our conscious choice for responsible fashion.

A RESERVED model line created in the organic process receives a logo.

More information on the global standard on organic fabrics: www.global-standard.org



WITHDRAWAL FROM USING NATURAL FUR



In 2014, we decided to completely abandon the use of angora – wool from rabbit fur. We made this decision due to violations of animal rights that occurred in breeding, and the lack of real control over the process of obtaining this raw material.

In 2016, we signed an official agreement with the organisation "Otwarte Klatki" in which we made a permanent commitment to abandon natural fur, and joined the international Fur Free Retailer initiative. Now, when the vision of the designer and the current trend include themes containing fur, we use the highest quality synthetic raw materials.

DOWN FROM A RELIABLE SOURCE IN MOHITO COLLECTIONS

[GRI 301-1]

As the first LPP brand, Mohito supports the organisation that standardises the Responsible Down Standard (RDS). Our support involves cooperating with suppliers who have valid certificates and employ decent and ethical methods to obtain the down used for the production of Mohito jackets.

LPP SUSTAINABLE DEVELOPMENT STRATEGY FOR 2017-2019: OUR COMMITMENTS

MORE SAFE

Our product

We operate in a climate of FAIR and SUSTAINABLE DESIGN – we conduct mandatory training for designers in the field of responsible clothing design.

We are expanding the ecological line – ECO AWARE means more materials from sustainable sources.

We care for safe workplaces – STOP worker threats in factories where our collections are produced.

Abuse-free production – 100% of our factories in Bangladesh are subject to regular audits by ACCORD and SGS.

FEEL SAFE – fabrics without harmful chemicals or random pins.

YOUR CHOICE – we include extensive information on labels about the composition of the product and its origin.



OUR DESIGN CHALLENGES:

- The rapidly changing world and growing access to the internet increases customers' awareness and their expectations.
- The customer does not want long waits for fashionable clothes after shows, they want to have them the next day.
- More clothing requirements – not only attractive, but of good quality and at an affordable price, made of organic cotton. The customer increasingly often pays attention to the manufacturing process and the country of origin.
- The increasing number of small shops emerging on the internet, often on a global scale, and offering clothes at a low price.

STEP 2: SEWING



Purchasing Director



Factory Audit Coordinator

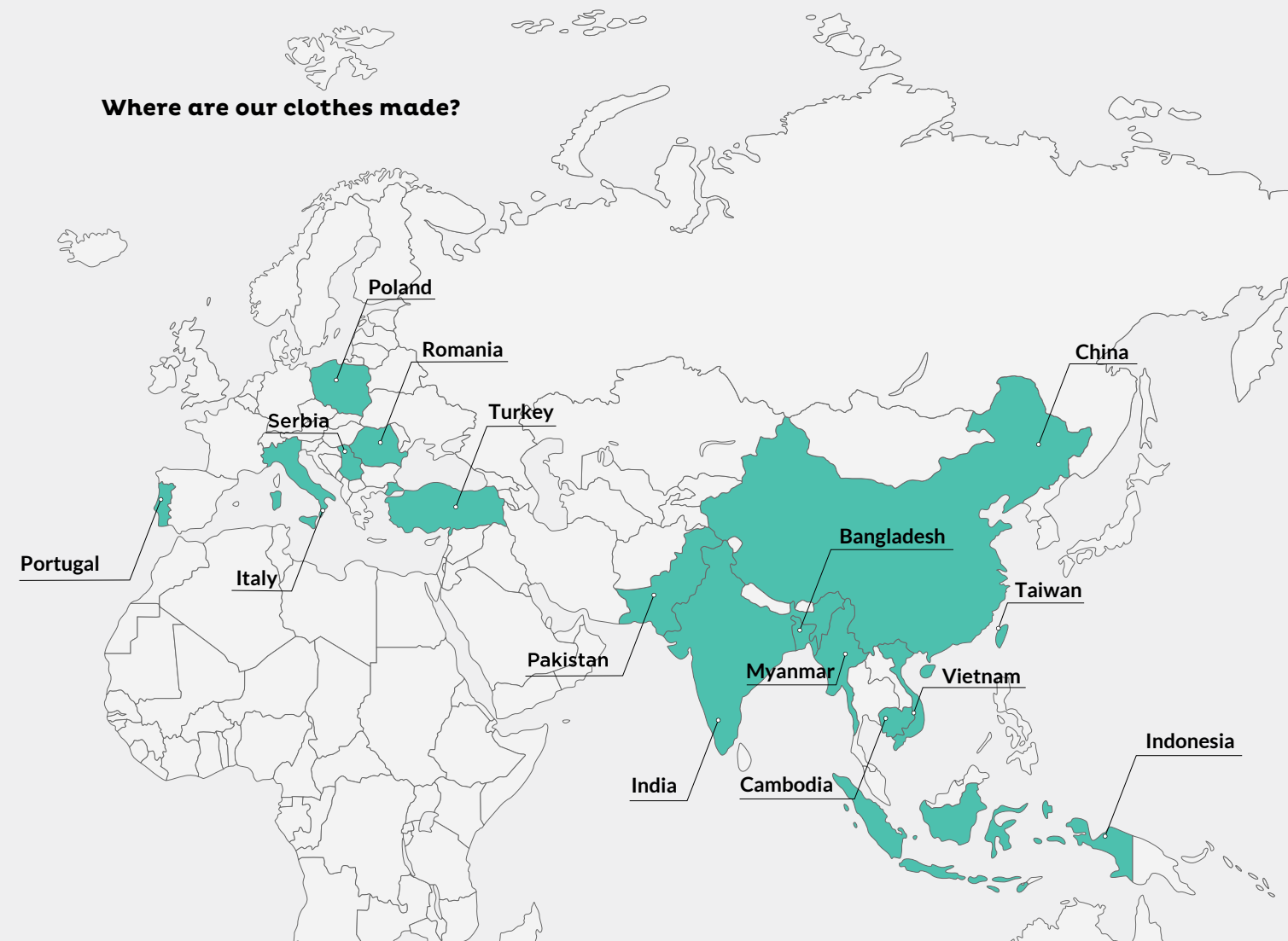
FOREIGN PRODUCTION

Sewing of our designed collections is outsourced to external companies operating in Poland and in many European and Asian countries. Thanks to this, our buyers can commission production of individual models in factories specialising in the production of a specific type of clothing. In 2017, no single supplier purchased more than 10%.

In 2017, less than 53% of production came from plants located in China, and from the Far East (Bangladesh, Pakistan and India) 39.2% of the value of production. In addition, we increasingly outsource the production of our collections to Polish suppliers. [Custom index: production in Poland]

Specific models prepared by LPP designers are manufactured on the basis of detailed orders concluded for the implementation of individual deliveries. We attach information on banned chemicals and permissible concentrations to each order. The ordering process does not start if the supplier does not sign the LPP Code of Conduct. More on the LPP Code of Conduct can be found in the Supplier control chapter. [GRI 102-9]

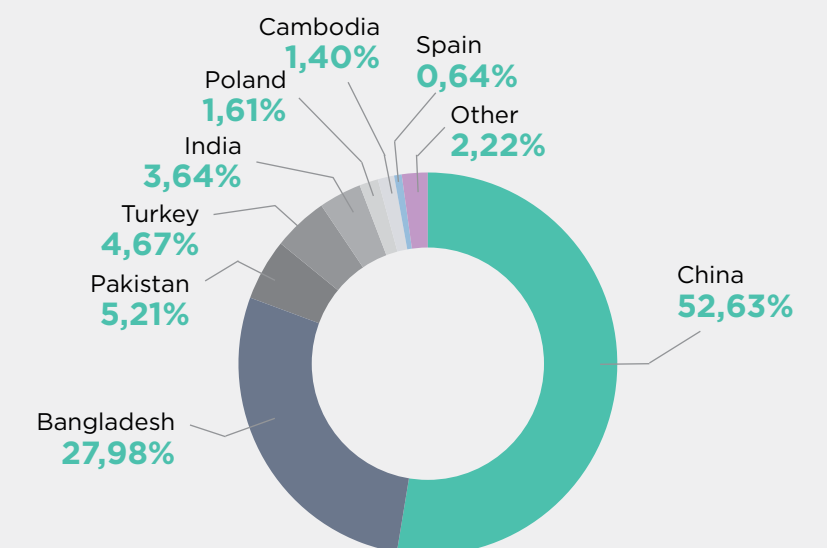
Where are our clothes made?



Value share of purchases on particular supply markets

[Custom index]

1,000
the number of manufacturers of clothing, accessories and shoes with which LPP cooperates





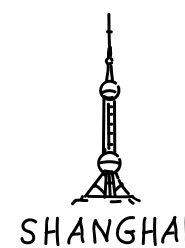
The LPP Purchase Department consists of the Department of Audit, License, Quality Control, Strategic Purchase, Production Control in Poland, Support of Logistics Processes and Purchase of Clothing Accessories. In total, 50 people work in the purchasing department. The Purchasing Director is responsible for the control of production processes, unification of terms of cooperation with suppliers, adherence to the principles of selecting suppliers cooperating with LPP and the development of new production markets.

Documents regulating issues of cooperation with suppliers:

- Code of Conduct for suppliers,
- LPP Quality Guidebook,
- Sustainable Development Strategy for LPP – LPP MORE.

The goal of policies is to exclude infringements that have a negative impact on the community as part of the company's operations. Responsibility for management of social issues belongs to various departments in the company, but mainly the purchasing department (supply chain and product safety issues) as well as the communication and sustainable development department (strategy, international cooperation, transparency, risk management).

REPRESENTATIVE OFFICES



Shanghai

Our Asian office in Shanghai has been operating since 1997, and currently around 120 people work there. The employees of the facility are responsible for, among others, acquiring suppliers, supporting individual production stages, and quality

control. Another important task for the office is verification of our suppliers' compliance with the provisions of the LPP Code of Conduct in the field of security and employee rights.



Dhaka

In 2015, we opened our representative office in the capital of Bangladesh, Dhaka. Currently, 27 people work there. The people employed there are responsible for coordinating

and supervising the production of our collections at local factories. One important task for our employees is also to audit production plants with which we cooperate, in terms of appropriate working conditions and observance of human rights.

PRODUCTION IN POLAND

MADE IN POLAND

[Aspects of reporting: production in Poland]

Since 2016, production for our brands in Poland has grown hugely. We are planning to commission domestic plants to produce up to 5 million items of clothing per year. However, today we are probably the largest customer in the industry. In our country, we cooperate with 72 entities employing a total of 1,000 people. Due to the ever-changing trends and the shorter time in which we provide our customers with 'must have' models, the development of cooperation with Polish suppliers is very important to us. We are constantly looking for new contractors in the country, because our strategy assumes that the percentage of LPP orders in Poland will increase dramatically in the coming years. To this end, in 2017, a new position was created in the purchasing department – Coordinator for Polish production.

RESPONSIBLE COOPERATION

We want to ensure our Polish partners have a sense of stability. We are working on a cooperation programme that will include, among others, a payment guarantee for services rendered, a minimum guaranteed number of orders per month ensuring continuity of production, and technological cooperation allowing for plant development. We want to be sure that the production on our orders is carried out in accordance with the standards of LPP. That is why we carry out audits at the plants, the purpose of which is to assess whether employees' rights and health and safety and health rules are being respected.

WHY POLAND?

The most important factor affecting the location of production in Poland is the ability to quickly deliver the hit garments of the collection onto the market. Ensuring fast delivery of the desired clothes and accessories to the stores is possible only when the production of the most time-consuming and complicated clothing models and the most fashionable models of the season is carried out as close as possible to the market. Ordering production in Poland means that delays resulting from logistics are eliminated within 2 to 6 months.

Over

4.2 million

items of clothing and accessories were produced in Poland in 2017.

72

production partners in Poland, employing over 1,000 employees

11.2%

of the total Mohito collection is produced in Poland.

CHALLENGES IN INCREASING PRODUCTION IN POLAND:

- insufficient number of qualified employees,
- the risk of costs increasing faster than labour productivity, despite the growing level of automation,
- lower competitiveness of domestic plants compared to Asian countries.

More about our impact on the development of the clothing industry in Poland can be found on page 120.

CONTROL OF SUPPLIERS

CODE OF CONDUCT FOR SUPPLIERS

Work safety and the issue of respecting the rights of people who manufacture our brands' collections are our absolute priority. Since 2013, we have allocated PLN 16 million to activities in this area. All our foreign suppliers have the obligation to sign and comply with the LPP Code of Conduct. [GRI 414-1] This is a document specifying the requirements that LPP puts on its foreign suppliers in terms of employment conditions, including remuneration policy, the absolute prohibition of employing children, voluntary work, freedom of association and equal treatment of all employees. The Code also sets health and safety standards and obliges suppliers to care for the natural environment (with particular emphasis on production facilities using chemical agents, e.g. for prints). [GRI 308-2] The content of the Code of Contents includes the key provisions of the International Labour Organisation conventions and the provisions of the Universal Declaration of Human Rights.

The systematic increase in the control of working conditions at our suppliers involves three entities created in recent years as part of the LPP structure:

The Audit Department, which operates from our head office in Gdansk, is responsible for building standards and requirements for suppliers, as well as for their effective verification.

Representative offices in Shanghai and Dhaka, whose tasks include conducting audits in plants to which we commission production.

The Communication and Sustainability Department, which deals with setting key directions in the company's CSR policy and communicating the effects of activities in this area of public opinion.

LPP auditors regularly visit production plants around the world. In total, in the years 2013-2017 6,500 audits were carried out, of which 1,500 were in Bangladesh only.

LPP Code of Conduct



Policies of remuneration and formal requirements regarding employment.



Absolute ban on child employment and regulations regarding the employment of young employees.



Voluntariness of work.



Freedom of association.



Equal treatment for all employees.



Standards of occupational safety and health.



Commitments of suppliers to care about the natural environment.



We have allocated

PLN 16m

to control the supply chain since 2013.

1,118

the number of factories inspected by LPP for safety at work, working conditions, and observance of human rights in 2017. [Custom index]

(the number does not include additional audits carried out under the ACCORD agreement)



85

the number of audits carried out in Bangladesh by the SGS auditing company

Factories with which we cooperate simultaneously carry out orders for many clothing companies from different parts of the world. We do not use any production facilities on an exclusive basis. However, we carry out additional checks for subcontracting, i.e. we check whether our factories are subcontracting orders to other suppliers without our consent.

In corrective actions in Asia, we engage the most in those plants for which we are the main recipient. In them, our impact on improving working conditions and safety is the most effective. Apart from visiting factories in Bangladesh, LPP auditors also visited production plants in Turkey, Cambodia, Myanmar (Burma), Vietnam, India and China.

Due to environmental issues, production plants using chemical agents, e.g. in prints, are subject to particular control. In 2017, there were no significant environmental risks for these suppliers.

SUPPORT FOR EXTERNAL CONTROL

In 2017, in order to increase the oversight of factories producing for LPP in Bangladesh, in addition to inspections by our own inspectors, we decided to instruct the international auditor SGS to verify the fact that suppliers in Bangladesh were complying with our Code of Conduct regarding working conditions, remuneration and care for the natural environment.

Together with SGS auditors, our factories were visited by Anna Miazga, CSR coordinator at LPP, who via a special Facebook account presented how our representative office in Bangladesh functions on a daily basis and how we work on our designs at suppliers.

Since 2013, we have also been a member of the ACCORD organisation (The Bangladesh Accord on Fire and Building Safety), acting on behalf of the clothing industry to improve working conditions in the clothing industry in Bangladesh.

LPP is the only clothing company from Poland in the International Accord Agreement (The Bangladesh Accord on Fire and Building Safety)

How we control work conditions



An audit run by an independent auditor



Work conditions



Remuneration



An audit run by an industry Organization



Building construction



Electrical installation



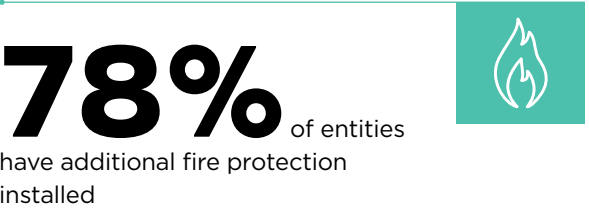
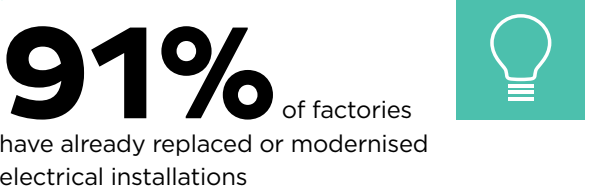
Fire protection installation

ACTIVITY OF LPP UNDER
THE ACCORD AGREEMENT

As part of the international agreement of the clothing industry Accord on Fire and Building Safety in Bangladesh, which since 2013 has been **the only company from Poland** to be a signatory, we actively participate in audits and implementation of repair plans in factories in Bangladesh.

ACCORD is an agreement that aims to verify and improve the state of fire protection, electrical installations, and the construction of factory building; its activity is therefore focused primarily on issues closely related to the safety of people employed in the clothing industry. Under the strict control of ACCORD there are **94 factories** in which the production of our brands' clothing takes place, including 22 entities for which the company is the main customer. In 2017, we ended cooperation with two suppliers that did not meet our requirements.

The effects of the ACCORD agreement:



72 k
employees currently producing for LPP participate in the health and safety training programme

The challenges we face while ensuring the safety of our suppliers' employees is the lack of state control and the low level of employee education. In addition to the control of health and safety conditions, an important aspect of ACCORD's activities is substantive support for factory owners and the education of regular employees in the field of health and safety and respect for their rights. The plants for which LPP is the key customer are involved in both educational projects and consultations regarding the implementation of recovery plans.

64 plants, or 72,000 employees currently producing for LPP participate in the training programme, which is intended to ensure employee education in the field of health and safety, to establish permanent safety committees and to implement a mechanism for reporting violations.

In LPP, we are constantly developing processes and standards for controlling the working conditions of our suppliers. It is a continuous process that we continually aim to improve using international standards.

CONTROL OF THE LPP SUPPLY CHAIN: KEY ACTIVITIES AND PLANS

The construction disaster in 2013 at the Rana Plaza complex in Bangladesh, which shocked the entire global clothing industry, completely changed the approach of our company to the control of working conditions in the plants to which we commission production.

2013	2014-2016	2017	2018
<ul style="list-style-type: none">- Accession of LPP to the ACCORD Agreement (The Bangladesh Accord on Fire and Building Safety)<ul style="list-style-type: none">- active, permanent membership in the work of the Agreement- Voluntary donation to the victims and families of the victims of the collapse at the Rana Plaza complex in Bangladesh	<ul style="list-style-type: none">- Developing, publishing and implementing the Code of Conduct- Establishment of the LPP Audit Department- Establishment of the Communication and Sustainability Department- Starting the operation of the LPP facility in Dhaka, the capital of Bangladesh (The tasks of the facility include, among others, auditing factories.)- Regular cooperation within ACCORD - reporting and undertaking recommended actions	<ul style="list-style-type: none">- Cooperation with SGS - assessment of risks of violations of the Code of Conduct in Bangladesh- Completion of a series of dialogue activities (questionnaires, interviews, panel) preceding the elaboration of the Sustainable Development Strategy- Adoption of the Sustainable Development Strategy by the Management Board of LPP: LPP MORE	<ul style="list-style-type: none">- Reporting non-financial data (including on control in the supply chain) according to the international GRI Standards

QUALITY AND SAFETY OF PRODUCTS

The quality standards of all LPP brands are included in the LPP QUALITY GUIDEBOOK. The document contains operational parameters concerning, among others, resistance of dyeing, shrinkage, allowable turning. LPP QUALITY GUIDEBOOK sets the quality levels according to the AQL (Acceptance Quality Limit) standard for all LPP brands and classifies errors. The document also requires the use of a metal detector in the production of children's clothing.

In addition, on each order, a list of prohibited dangerous substances is printed for the supplier along with their full name and limit. These requirements are compatible with the current EU requirements contained in the EU REACH regulation*. [Aspects of reporting: quality and safety]

LPP has three quality control cells:

Poland (head office in Gdańsk): a 17-person team of controllers and specialists,

China (office in Shanghai): a 41-person team of controllers and technologists,

Bangladesh (office in Dhaka): a 9-person team of controllers and technologists.

Every day we carry out, on average, 89 quality inspections at factories or the Distribution Centre. After recording concerns, we work out a solution together with the manufacturer to improve quality.

In 2017, no cases of negative impact of our products on the health of customers were found. We received 4 reports of an allergic reaction; however, no harmful substances were detected after detailed laboratory tests. [GRI 416-2]

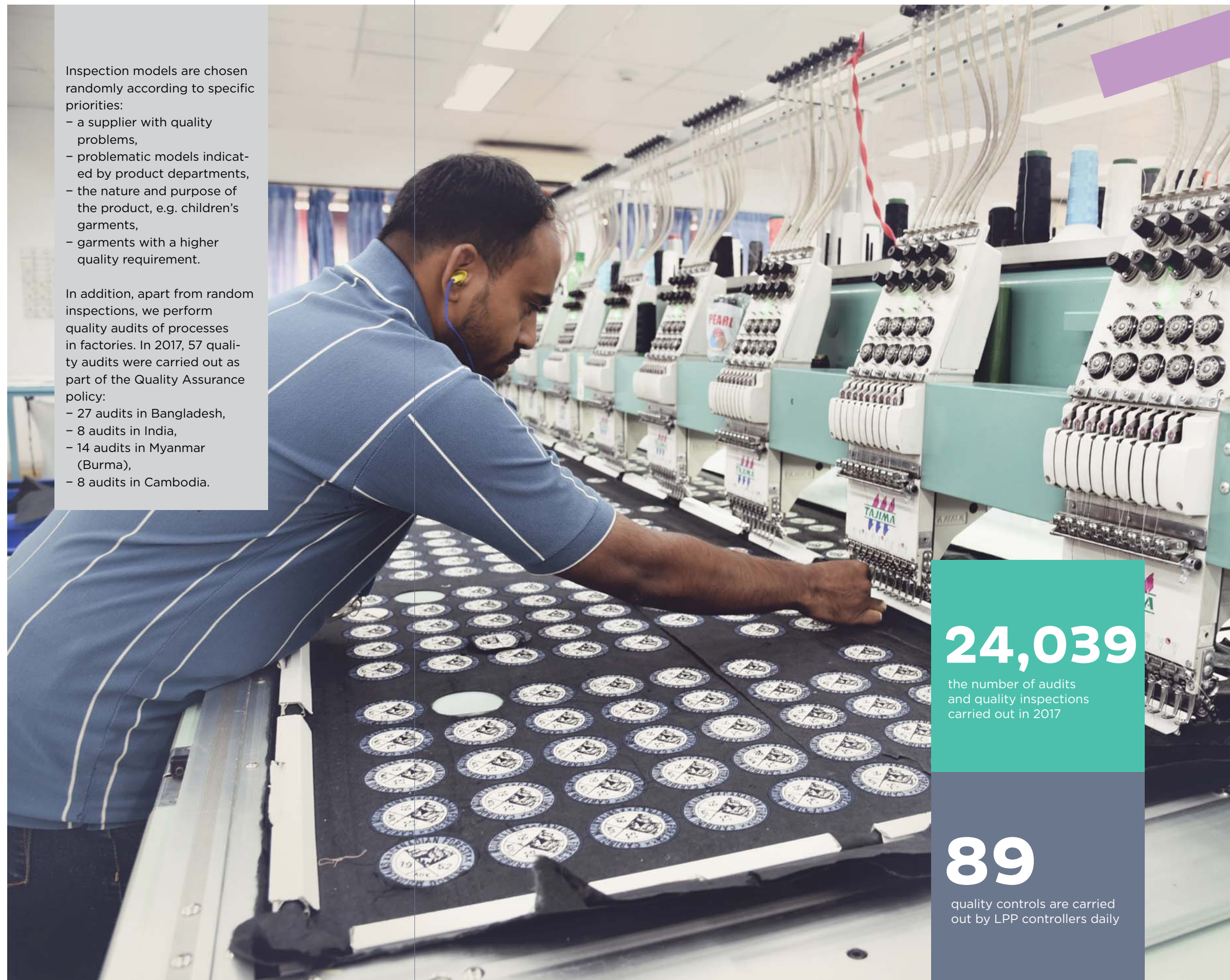
* REACH is a European Union regulation adopted to better protect the environment and human health against hazards of chemical substances. In accordance with the requirements of the Regulation, enterprises must identify and control the risks associated with substances produced and marketed in the EU. They must demonstrate that the substance can be safely used and also inform users of risk-reduction measures.

Inspection models are chosen randomly according to specific priorities:

- a supplier with quality problems,
- problematic models indicated by product departments,
- the nature and purpose of the product, e.g. children's garments,
- garments with a higher quality requirement.

In addition, apart from random inspections, we perform quality audits of processes in factories. In 2017, 57 quality audits were carried out as part of the Quality Assurance policy:

- 27 audits in Bangladesh,
- 8 audits in India,
- 14 audits in Myanmar (Burma),
- 8 audits in Cambodia.



24,039

the number of audits and quality inspections carried out in 2017

89

quality controls are carried out by LPP controllers daily

STEP 3: SHIPPING



E-commerce Logistics Manager



Logistics Process Support Manager

TRANSPORT

The LPP Group has a chain of stores in Poland and abroad, to which it delivers goods every few days by expediting them from the Distribution Centre in Pruszcz Gdański or from auxiliary warehouses. Maintaining continuity and timeliness of deliveries is critical for the functioning of the business. At the same time, the need to shorten the delivery time often involves choosing the air route, which has the greatest negative impact on the environment. The logistics model we use involves the use of specialised technologies in our own logistics centres (Distribution Centres) while ordering the transport of goods from suppliers to the logistics centre and from the logistics centre to stores to specialist transport companies. This system allows the most effective implementation

of logistics processes. We also use intermodal solutions. Sixty-eight percent of all deliveries from Turkey are served by means of intermodal transport, i.e. using more than one means of transport, without the need for transshipment. [GRI 102-9]

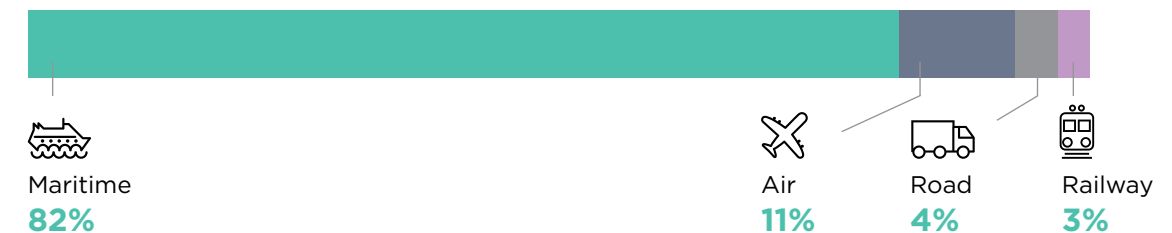
Ambitious plans for the development of the LPP sales network and subsidiaries for the coming years have forced the need to increase the efficiency of logistics centres. In 2015, the extension of the logistics centre in Pruszcz Gdański to include new facilities was completed, and in 2017 two new e-commerce centres were opened, in Stryków and Moscow. Modern technological solutions implemented will ensure the ability to efficiently handle the needs of LPP and subsidiaries until 2020.

LPP plans for the next years include the extension of the existing Distribution Centre in Pruszcz Gdański by another 18,000 m², as well as renting

between two and four new Centres in foreign locations.

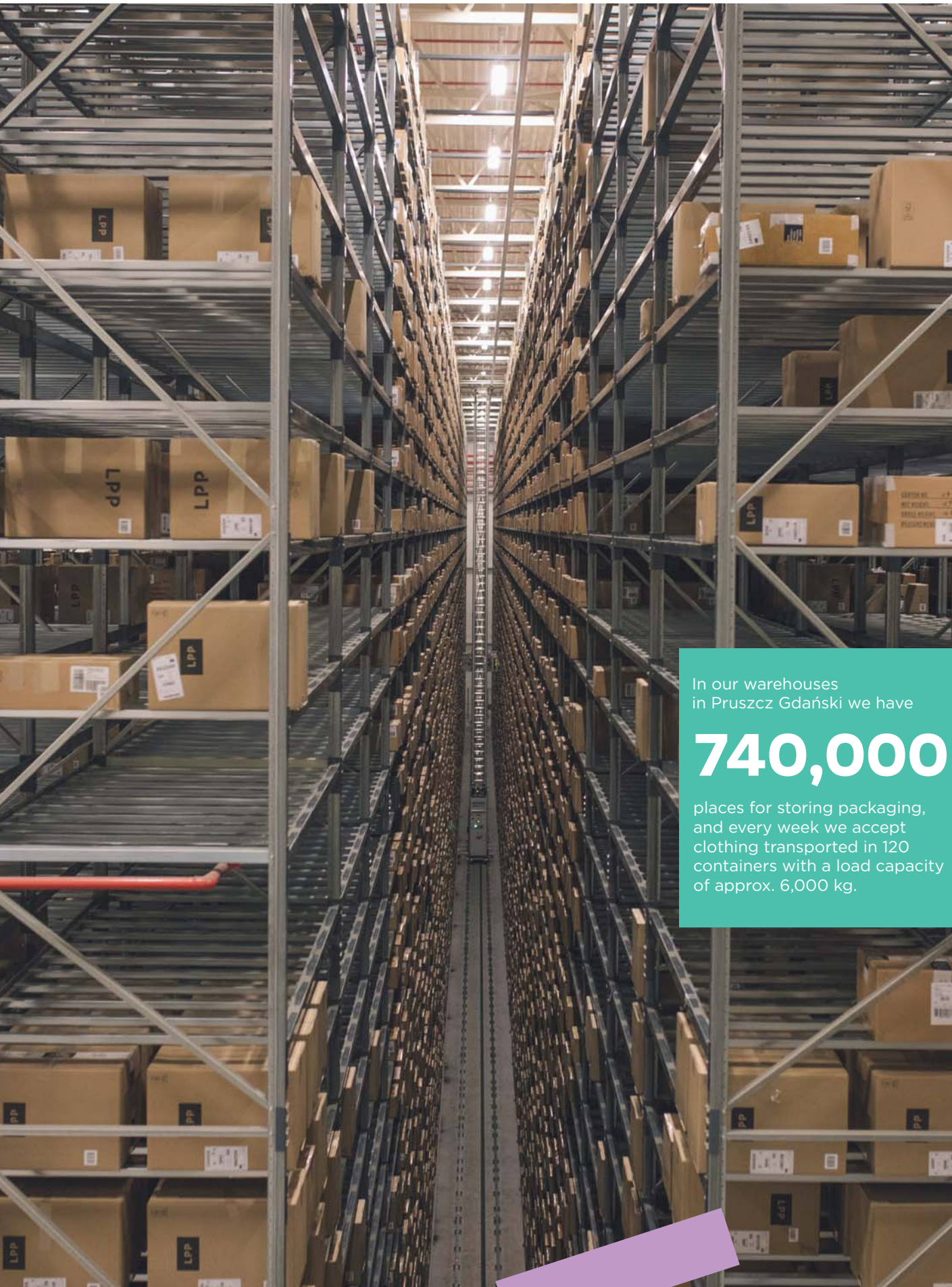
Percentage share of individual transport categories in 2017 [Custom index]

Imports: deliveries from manufacturers



Export: shipping to stores and e-commerce





In our warehouses
in Pruszcz Gdański we have

740,000

places for storing packaging,
and every week we accept
clothing transported in 120
containers with a load capacity
of approx. 6,000 kg.

DISTRIBUTION CENTRES

DISTRIBUTION CENTRE IN PRUSZCZ GDAŃSKI

We are the owner of the **largest and most modern clothing Distribution Centre in Central and Eastern Europe**, which is located in Pruszcz Gdański. The centre serves all 1,743 LPP stores in all 20 countries. About 1,000 people work in the centre, with around 330 per shift.

We collect sales data from all stores daily. Using this information the system creates orders and we can re-stock stores to the predicted levels, providing individual items of clothing according to the sold sizes.

The Distribution Centre in Pruszcz Gdanski consists of two parts. The first has an area of 30,000 m², where the goods are stored on pallets in high storage racks, with the use of system trolleys. Goods from shelves are transported using trolleys and conveyors to the sorting machines. The second part of the facility, which also has an area of 30,000 m², is a fully automated, modern warehouse for storing transport units, i.e. miniload. The operation of the miniload is based on automatically storing, keeping and deploying transport units. In this part, the transport to the sorting equipment is carried out only by means of conveyors. In the centre there are currently about 8 km of conveyors. The Centre uses some of the latest logistics solutions in the world, including the latest types of sorters, devices for sorting clothes on which we can simultaneously sort goods to stores. The WMS (Warehouse Management System) computer system supervises the entire process. It manages all stages of the presence of goods in the Centre's premises, from their acceptance and division between the national warehouse and customs warehouse, and between high storage racks and automatic storage, up to sorting and sending properly prepared consignments to individual countries and stores.

Solutions minimising environmental impact in the Distribution Centre:

- The use of **FSC-certified boxes** (Forest Stewardship Council, Forestry Responsible Council).
- When packaging goods, **we reuse 30% of cardboard**.
- **Intensity of lighting inside depends on the intensity of daylight** – the lighting in the centre can be activated in three stages. 1/3, 2/3 or 3/3 lamps can be turned on.
- **Circuit-free** – the system is designed so that the only document that we print is the carrier's label. We do not have to print documents at every stage of the process. Everything is based on mobile terminals and bar codes.

80 percent of clothing sold in stores around the world goes through the Distribution Centre in Pruszcz Gdański. In addition, we have warehouses in Kraków, Stryków and in Moscow.

DISTRIBUTION CENTRE IN STRYKÓW

In 2017, we launched a new Distribution Centre in Stryków near Łódź, which mainly handles orders from our online stores. The centre has a surface area of 30,000 m² with the possibility of being doubled to a total area of 60,000 m² by 2020. Its launch will allow 500 new jobs to be created in the first year of operation.

The new Distribution Centre is responsible for handling the e-commerce brands Reserved, Mohito, House, and Sinsay, which gives a volume of more than ten million items shipped per year. Due to its convenient location at the intersection of main highways in central Poland, the completion time for internet orders has significantly decreased. The warehouse expedites both to Poland and abroad (to Germany, the Czech Republic, Slovakia, Romania, Hungary, the Baltic countries, and the British market).

The Arvato SCM Solutions business partner is responsible for the logistics service of the Centre, which deals, among others, with storage, picking and packing, courier delivery, handling returns and complaints as well as specialist services (repacking, labelling, foil replacement, quality control) for such an assortment as clothing, footwear, bags and accessories.

DISTRIBUTION CENTRE IN MOSCOW

We also use the services of a logistic operator in Moscow. A proportion of the goods from manufacturers is sent directly to Moscow, where it is sorted and sent to Russian stores. That comprises about 8% of the total product. The Distribution Centre in Russia is also responsible for handling orders from online sales in Eastern Europe.

POLICIES REGULATING EMPLOYEE ISSUES AT THE DISTRIBUTION CENTRE

Among the many specific areas of operation of the Distribution Centre, areas broadly related to security should be mentioned, i.e. security of persons and property, fire safety and occupational health and safety.

The basic legal act in force at the Distribution Centre is the Regulations, which specify:

1. Organisation of warehouse work and general principles.
2. Organisation of personal traffic and monitoring work.
3. The flow of wheeled transport and passenger vehicles.
4. Observance of health and safety regulations, particularly including the use of work clothing.

The provisions of the 'Anti-alcohol Policy', which prohibits work after drinking alcohol, were also introduced in the Distribution Centre.

On the basis of the Regulations of the Distribution Centre, procedures have been developed which define in detail the above-mentioned areas:

1. Rounding and sealing the building.
2. Movement of people: control of entries and exits.
3. Proceedings in the event of a robbery.
4. Procedure in the event of burglary.
5. Terrorist threat.
6. CL Procedure no. 001/2016 – rules for handling sprinkler damage.
7. CL Procedure no. 002/2016 – rules of conduct in the event of an accident at work.
8. CL Procedure no. 003/2016 – supervision of car traffic.
9. CL Procedure no. 004/2016 – rules for issuing the use of workwear.
10. CL Procedure no. 005/2016 – reduction of losses.
11. CL Procedure no. 001/2017 – principles for using video monitoring system.
12. CL Procedure no. 002/2017 – organisation of the service time of security staff.



STEP 4: SELLING



Investment Director



Reserved Sales Director



E-commerce Operation Manager

NETWORK OF POINTS OF SALE

DYNAMIC DEVELOPMENT OF THE SALES NETWORK

We have been growing dynamically for years, but 2017 was a particularly intense investment for us. We have rebuilt 6 stores, creating new brand images from scratch, expanding 14 stores, relocating 22 stores, opening 148 new ones, including 9 stores of over 2,500 m² in 2017 in Cologne, Hamburg, London, Kraków (Serenada), Szczecin (Galaxy), Warsaw (Złote Tarasy), Wrocław (Pasaż Grunwaldzki and Wroclavia) and Kiev (Lavina).

Every day, in several cities, groups of engineers, designers and dedicated specialists from Poland prepare more stores before LPP collections fill their shelves. At the LPP Design Office, 40 architects and coordinators are involved in the design and implementation of new solutions used in stores of individual brands. The team invent and test an average of 100 experimental solutions per year, spending about PLN 10 million for this purpose.



9

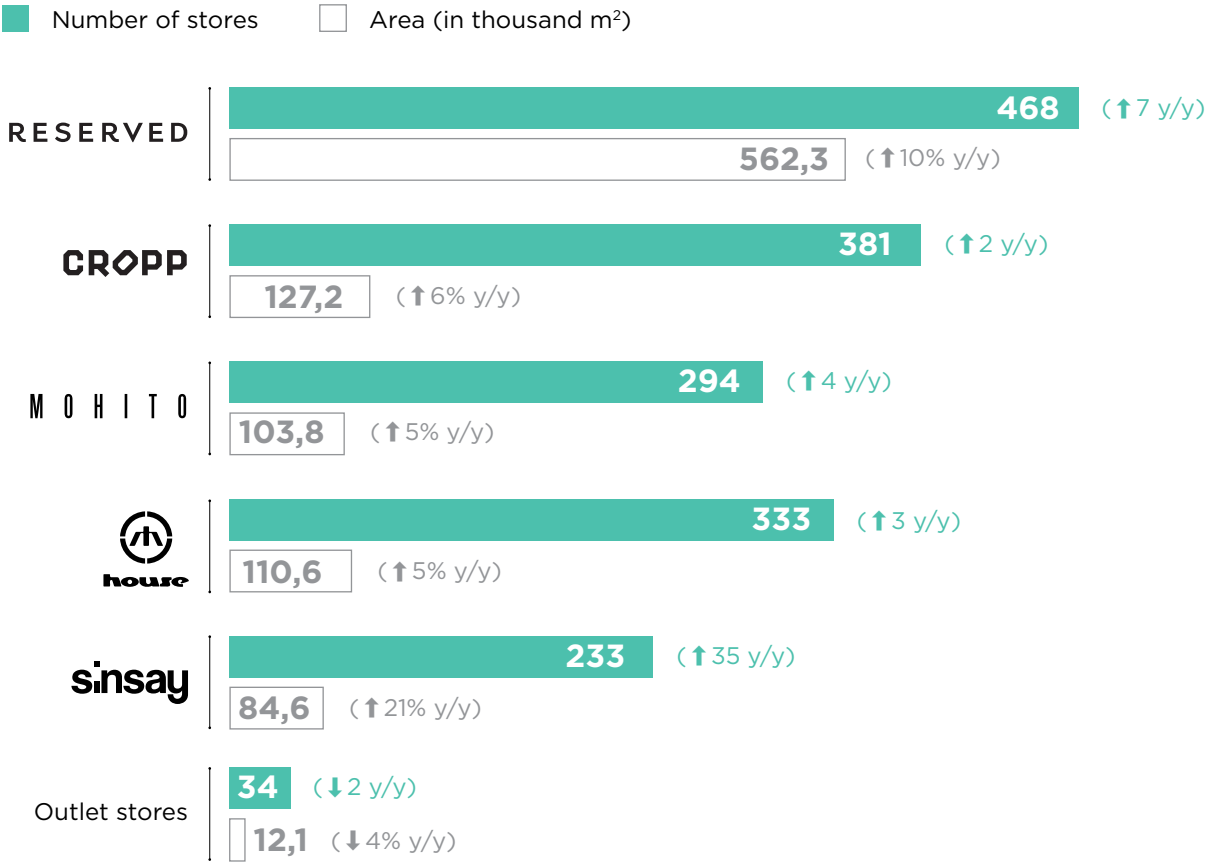
new stores of **more than 2,500 m²** in 2017, i.e. the area of fifty 50-square-metre apartments

Over
1m m²

the area of stores of the LPP Group in 2017

Development of store chains by brands

[Custom index]

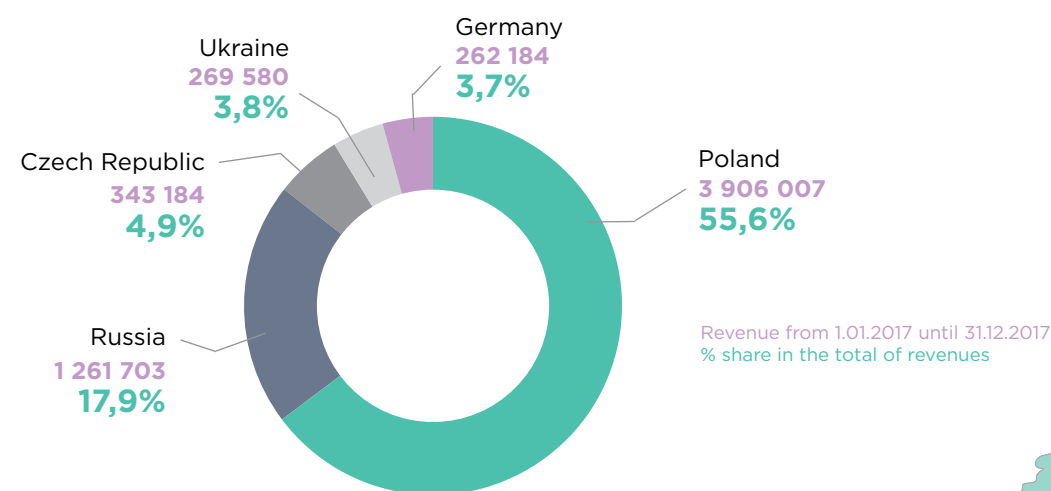


In 2017, 8 Tallinder stores were closed – the Tallinder brand was liquidated in 2016.



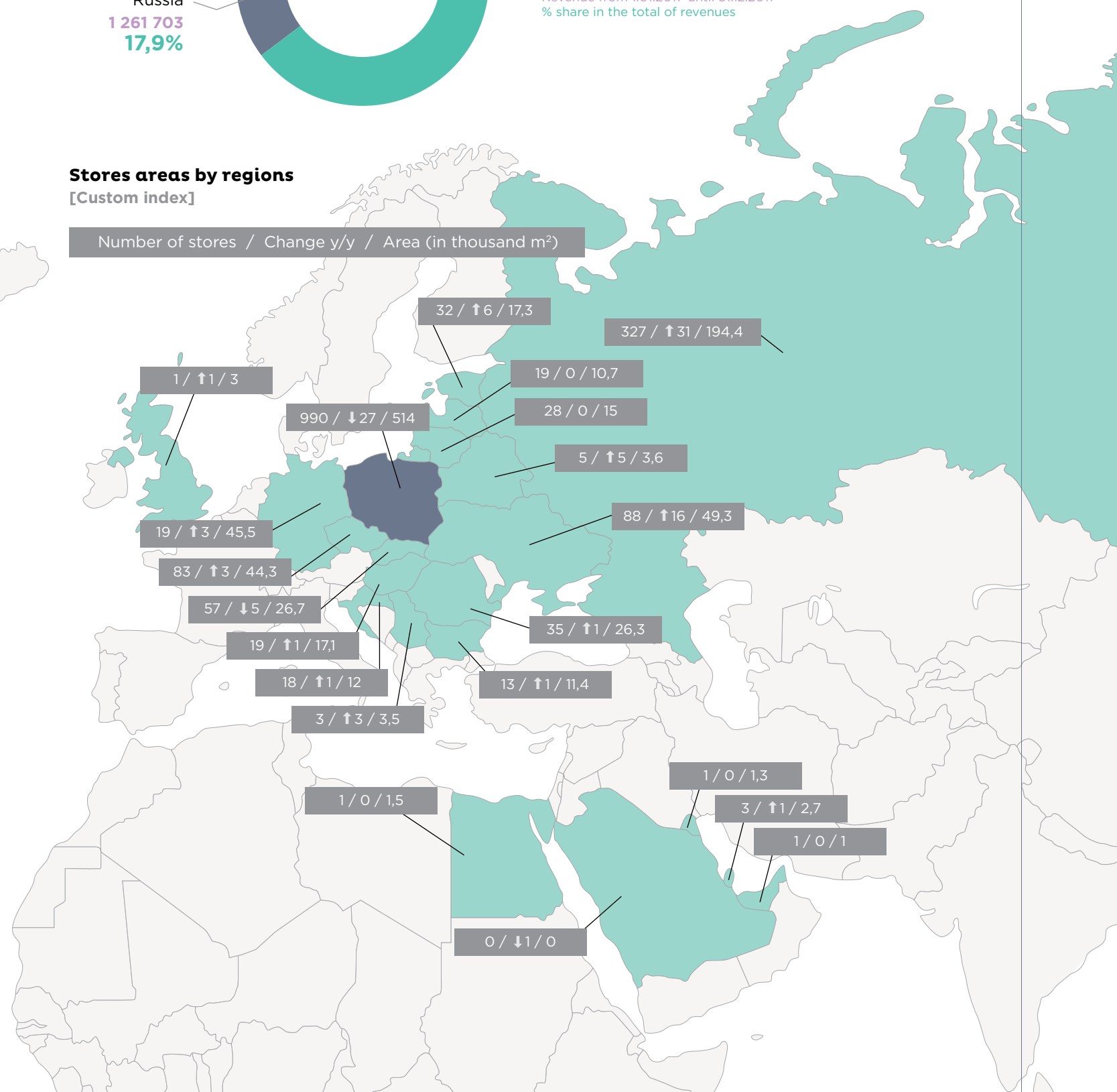
Number of stores in 2017	Reserved	Cropp	House	Mohito	Sinsay
opened	36	20	18	23	37
rebuilt	3	0	0	2	0
developed/expanded	7	2	0	3	1
relocated	8	6	4	1	3

TOP 5 countries regarding revenues



Stores areas by regions [Custom index]

Number of stores / Change y/y / Area (in thousand m²)



1,743

stores in 20 countries
on 3 continents

COOPERATION WITH THE FRANCHISE NETWORK

Due to the specificity of local markets, in some countries we opt for the franchise model. It consists in entrusting the sale of our products to business partners with more experience in a particular region.

As part of franchised cooperation, our partner is responsible for:

- searching for locations in the best shopping centres in accordance with our guidelines (location suggestions come from the partner, while final decisions on acceptance fall to LPP),
- building a store in accordance with our standards and under our control,

- store management, including the employment of qualified employees and conducting operations in accordance with local law,
- adherence to visual and operational standards appropriate for each brand,
- providing current payments for inventory of the stores.

Currently, in the franchise model, we operate in 5 countries:

- Arab Emirates: 1 Reserved store,
- Kuwait: 1 Reserved store,
- Qatar: 3 Reserved stores,
- Egypt: 1 Reserved store,
- Belarus: Reserved (1), House (1), Cropp (1), Mohito (1), Sinsay (1) stores.

SOLUTIONS TO MINIMISE ENVIRONMENTAL IMPACT IN STORES

When opening stores in modern shopping malls and on the best shopping streets, it is our duty to meet a number of environmental criteria. Moreover:

We are gradually introducing modern, energy-efficient LED lighting in the stores of the flagship brand Reserved. There are already 8 stores designed according to the new concept, since 2017 we have been introducing LED in other brands; a different approach to lighting design has allowed the need for electric lighting fixtures to be reduced by as much as 18%.

In Reserved stores, we have also introduced a system of automatic lighting management, which reduces it by 70% outside the store's opening hours.

We switched to new LED screens (from P4 to N4) enabling marketing communication with the customer, and reduced the screen area in the newly opened stores, which provided 50% energy savings.

We are introducing solutions in our stores which reduce electricity consumption by air conditioning systems by using devices with the highest efficiency ratios, devices which optimise the operation of air conditioning devices, and free cooling, i.e. external air cooling. In London and several locations in Poland, we have introduced remote monitoring systems for the operation of air conditioning devices.

In some stores, we use recycled paper bags.

In the Reserved store in London, we tested a container for used clothing, and in 2018 we will gradually place them in further stores.



OPEN TO PUBLIC: A NEW CONCEPT FOR RESERVED STORES

Customer interest is the key to success, especially on the shopping streets of European capitals, where many brands compete with each other for the attention of customers. The arrangement of 'open to public' stores is a minimalistic, modern interior, without unnecessary decorations. Their basic feature is transparency – the customer can see the store's range before setting foot inside. The store uses modern technologies for properly displaying the collection and making it easier for customers to navigate the store and make purchases. Examples of solutions are energy-efficient LED lighting with a DALI control system, enabling, among others, store lighting to be adjusted to the time of day, and LED screens for marketing communication with customers or information system managing traffic in fitting rooms.

The first Reserved store designed according to this concept can be visited in Poland, in the Morena shopping centre in Gdańsk and in the Złote Tarasy shopping centre in Warsaw. Stores designed according to this concept were also opened in Berlin and London in 2017.

OUR CHALLENGES:

- a better understanding of the needs of customers from the network of stores in the age of access to technology,
- a combination of both fixed-location and online sales channels to ensure high quality of service regardless of the place of purchase,
- reduction of electricity consumption by air-conditioning devices by 20%.

DEVELOPMENT PLANS

In 2018, we are planning a further increase in retail space of approximately 10% compared to 2017. We will open about 50 new stores, including on markets that are new to us, in Kazakhstan, Israel and Slovenia. We will also strengthen the reach of the Sinsay brand – the youngest in the portfolio. We estimate that in 2018 the number of this brand's stores will increase by as much as 25% compared to 2017.



BERLIN

BICYCLES, WORKSHOPS FOR BLOGGERS AND THE 'TOP MODEL' STAR: THE DEBUT OF RESERVED IN BERLIN

The Reserved brand store is located in a prestigious location, on one of the main streets of the capital at 18 Tauentzienstraße. For the opening of the Reserved store, it prepared numerous attractions for the first guests of the store. As part of promotion on the streets of

Berlin, hostesses and holidaymakers cycled the city on LPP-branded bicycles and handed sweets to passers-by, encouraging them to visit the store. In the newly opened flagship store, you could be professionally made up and manicured, as well as taking a souvenir photo in a photo booth. As a preview of the opening of the Berlin store, we also organised workshops for the most popular bloggers from the fashion industry. The event was hosted by the star of the German edition of the 'Top Model' TV show, Nikeata Thompson.



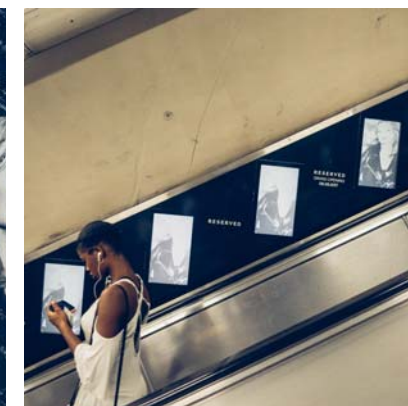
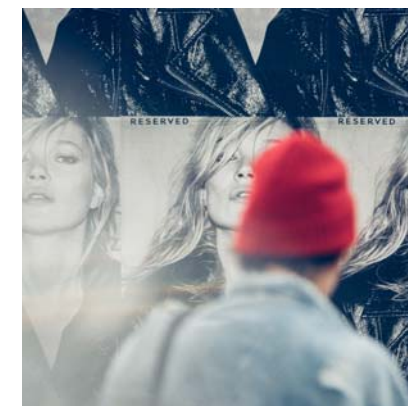
LONDON

POLISH STORE ON OXFORD STREET IN LONDON

A store of almost 3,000 square meters is located at 252-258 Oxford Street, in the very centre of London's West End. British Reserved customers were offered, among others, a specially designed collection of ReDesign, which refers to Polish culture and design. The brand offers the British a fresh look at fashion and style, combining lightness and elegance with more avant-garde elements. The offer includes the full Reserved

range, that is, the collections for women, men and children. Along with the opening of the London store, Reserved online sales also started in the British market.

The Reserved store on Oxford Street was mostly designed and made by Polish companies that LPP has been cooperating with for years. Capital expenditures for the project and construction alone amounted to nearly PLN 20 million. The lease agreement has been signed for 10 years. More than 100 people are employed in the Oxford Street shop.



CUSTOMER SATISFACTION

[Custom index: customer satisfaction]

The success of LPP is determined not only by the product and a wide distribution network, but above all by customer satisfaction and loyalty. It is professionally prepared for their role, as sellers and managers in our stores will talk with customers and get to know their expectations in order to meet it to as high a standard as possible. Neither price nor product quality is as important as a well-qualified sales team with the highest skills. It is the employees in the store, their attitude, motivation, appropriate approach, professionalism, commitment and active participation in the whole sales process that determines the results of a particular store.

Our priorities:

- Full customer satisfaction
- Satisfaction with our products and efficient service
- Emphasis on the availability of an attractive product
- Openness to the customer and his needs
- Employees' kindness and openness to the customer's needs
- Employees' product knowledge

Documents regulating the customer service area:

- Customer Service Standards - sales hall, changing room, cash desk
- Procedures for handling complaints

Every employee working in stores is also obliged to familiarise themselves with:

- Work Regulations,
- the list of tasks that are particularly burdensome and forbidden to pregnant women,
- the table of the allocation of protective clothing and footwear and personal protection equipment,
- the list of tasks prohibited for young people,
- the occupational risk assessment for individual work positions,
- safety instructions.

In all Reserved stores, the standard of service for pregnant women has been implemented

- they are served out of order - employees open another cash register if possible or invite the pregnant customer to the cash desk ahead of other customers.

In 2017, three waves of the Mystery Shopping survey and two customer experience waves were conducted at selected stores of all brands.







Range of the 2017 Customer Experience survey (Customer Satisfaction)



	Reserved	Cropp	House	Mohito	Sinsay
Number of stores covered by the survey	120	116	111	42	31
Total number of customers surveyed	2 400	2 340	2 220	840	620

Selected results from the Customer Experience survey (Customer Satisfaction)

Our customers appreciate:

-  Service in stores and kindness and help offered by sellers
-  Attractiveness of clothing and quality of shoes at the right price
-  Employees' knowledge about products
-  Cleanliness and interior of the living room and product display

Elements to improve

-  Availability of all sizes from the sought after model
-  Greeting the customer after entering the store

NET PROMOTER SCORE - CUSTOMER LOYALTY INDEX

We asked our Reserved and Mohito customers whether they would recommend shopping in Reserved to their family or friends. Respondents indicated answers on the axis from 0 to 10, where 0 meant 'definitely not' and 10 'definitely yes'. As many as 63% of Reserved customers indicated 9 or 10, which means that they would happily recommend shopping in our stores. Only 6% indicated a value below 6, which means that the Reserved customer loyalty index (NPS) is 57. The same indicator for the Mohito brand is 60.

30

days to return products

COMPLAINT POLICY AT LPP STORES

We strive to approach each complaint individually and with the greatest benefit for the customer. People assessing complaints in stores have at their disposal substantive materials prepared by the Sales Support Department. In complicated cases (especially cancellations) complaints are dealt with by employees of the Sales Support Department or the Quality Control Department. Complaints about products are processed in accordance with the Civil Code.

An important issue is also the policy of returns and exchanges of goods. **Our customers - both of physical and online stores - have 30 days to exchange and return products.** In addition, for example in the House lounge, for refunds requested from 30 to 365 days after purchase, the customer may receive a refund in the form of a gift card top-up.



108.4%

the increase in online sales
in 2017 compared to 2016

THE GROWTH OF E-COMMERCE

Adjusting to the prevailing trend for online shopping to grow in popularity, the LPP Group is expanding its sales in this channel. We are aware of the importance of e-commerce in the clothing industry and we see great potential for further development in it. Thanks to investments, our online sales are growing at a rate of 100% per year. Soon, our online stores will work in all markets where we have our own network of physical stores.

Currently, 250 programmers are testing and implementing technical solutions to increase the effectiveness of Reserved and other brands in the ever-changing realities of retail trade. For this purpose, LPP spent PLN 60 million in 2017.

Online stores are available in **11 markets**. Until 2016, we served Poland, Germany, Hungary, the Czech Republic, Slovakia and Romania online. In 2017, we launched an additional 5 online stores: in Great Britain, Lithuania, Latvia, Estonia and Russia. In 2018, we plan to start online sales in 4 more countries: Bulgaria, Croatia, Serbia and Slovenia.

The LPP e-commerce department is responsible for:

- online sale of the full range of LPP brands (Reserved, Cropp, House, Mohito, Sinsay),
- preparation of content for the websites of LPP brands,
- website management and development on foreign markets.

Our achievements in the field of e-commerce in 2017:

- sales increase 100% over the previous year,
- development on foreign markets: Russia, Great Britain, Lithuania, Latvia, Estonia,
- improvement of e-commerce logistics – opening of a new Distribution Centre in Stryków.

Our priorities for 2018:

- sales increase of 100% over the previous year,
- development on foreign markets: Ukraine, Bulgaria, Croatia, Serbia, Slovenia and other European Union countries,
- e-commerce logistics streamlining – a warehouse planned in Great Britain and one in southern Europe.



MEASURES TO MINIMISE THE ENVIRONMENTAL IMPACT OF E-COMMERCE

One hundred percent of packaging used in the shipment of online orders for Reserved and Mohito brands is made of recycled paper. Introduction of ecological cardboards replacing the cardboard and foil used so far has allowed for the complete elimination of the outer film. In addition, the new cardboards have RESY certificates (for reusable packaging) and FSC (Forest Stewardship Council, Responsible Forest Management Council). Cardboard boxes have two closing paths, meaning they can be reused in the return process. This solution will be successively introduced in the online stores of other brands.

46

online stores of various
brands in 11 markets

**PLN
60m**

allocated by LPP
for the development
of e-commerce channels
in 2017.

5.1%

the share of internet sales
in the revenues of the LPP
Group (by 2020 we plan to
increase this to 8%)

MARKETING
COMMUNICATION

Each brand has a different target group, and hence the nature of marketing campaigns of each brand is different. In our communication

activities, we use all available communication channels to provide customers with a consistent message.

Communication channels of individual brands with LPP customers

Reserved	Cropp	House	Mohito	Sinsay
<ul style="list-style-type: none">- Newsletter,- Social media (Facebook, Instagram, YouTube, VK.com on the Russian market),- Website,- Cooperation with influencers,- Reserved stores (monitors, POS, advertising in magazines published by shopping centres)- Online advertisement, advertisement in press, in shopping centres,- Press - PR activities.	<ul style="list-style-type: none">- Newsletter- Social media (Facebook, Instagram, YouTube, VK.com on the Russian market),- Website,- Press - PR activities. Cooperation with influences- Cropp stores (POS materials, monitors in stores),- In some galleries, there are also flags, posters, stickers or an outdoor gallery circle,- Online advertisement, advertisement in press and in shopping centres.	<ul style="list-style-type: none">- Newsletter,- Social media (Facebook, Instagram, YouTube, VK.com in Russia),- Website,- Cooperation with bloggers,- Press - PR activities,- House stores (POS materials, screens in stores),- In some malls, there are also flags, posters, stickers or outdoor ads around the mall.	<ul style="list-style-type: none">- Newsletter,- Social media (Facebook, Instagram, YouTube, VK.com in Russia),- Website,- Mohito's blog,- Cooperation with influencers,- Online, press and shopping advertising,- PR activities.	<ul style="list-style-type: none">- Newsletter,- Social media (Facebook, Instagram, YouTube, VK.com on the Russian market, Snapchat),- Cooperation with influencers,- Press - PR activities,- Editorial online publications,- Newspapers issued by shopping centres.

Number of fans on social channels at the end of 2017.
[Own index]

	Reserved	Cropp	House	Mohito	Sinsay
Facebook	2 774 203 (including the Reserved Kids profile)	1 410 057	1 510 925	971 626	726 000
Instagram	356 000	143 000	85 300	201 290	270 000
YouTube	2 580	13 717	1 860	291	3 879
Newsletter	1 502 451	227 412	234 795	549 913	115 000

On the Russian market, our target group is not active on Facebook, so we suspended the activity of a dedicated profile in order to develop a communication channel on the more popular platform, VK.com (the Russian equivalent of Facebook).

SELECTED MARKETING CAMPAIGNS IN
2017

KATE MOSS IN THE GLOBAL RESERVED
CAMPAIGN
RESERVED FOR KATE

Supermodel Kate Moss took part in the global Reserved campaign accompanying the opening of the first brand store on Oxford Street in London. The campaign was carried out in London with the well-known fashion photographer Daniel Jackson.

Promotional activities focused primarily on internet communication and outdoor advertising using the store's website and advertising media at bus stops and metro stations. The image of Kate Moss promoting the Reserved brand was also used on London's famous double-decker buses. She also took part in the official opening of the store.

The Reserved for Kate campaign, the Reserved Press Day and the Reserved opening in London generated almost **100 media publications** in the United Kingdom with a total range of **over 800 million, 16.2 million** is the range generated by the collaboration with influencers. The debut of Reserved on Oxford Street was featured in the most important magazines and web portals, such as **'Vogue', 'Glamour', 'Harper's Bazaar', 'Daily Mail' and 'Drapers'**.





CROPP TITLE SPONSOR OF THE CROPP BALTIC GAMES FESTIVAL

Baltic Games is the largest extreme sports event in Poland, and consists of skateboarding and BMX competitions. The 10th edition of the competition took place in August 2017 in Gdańsk. As the title sponsor of the festival the Cropp brand designed a limited collection of T-shirts and sweatshirts and prepared a special stand, which served as a relaxation zone for competitors and fans, and a pop-up store where you could buy brand products.

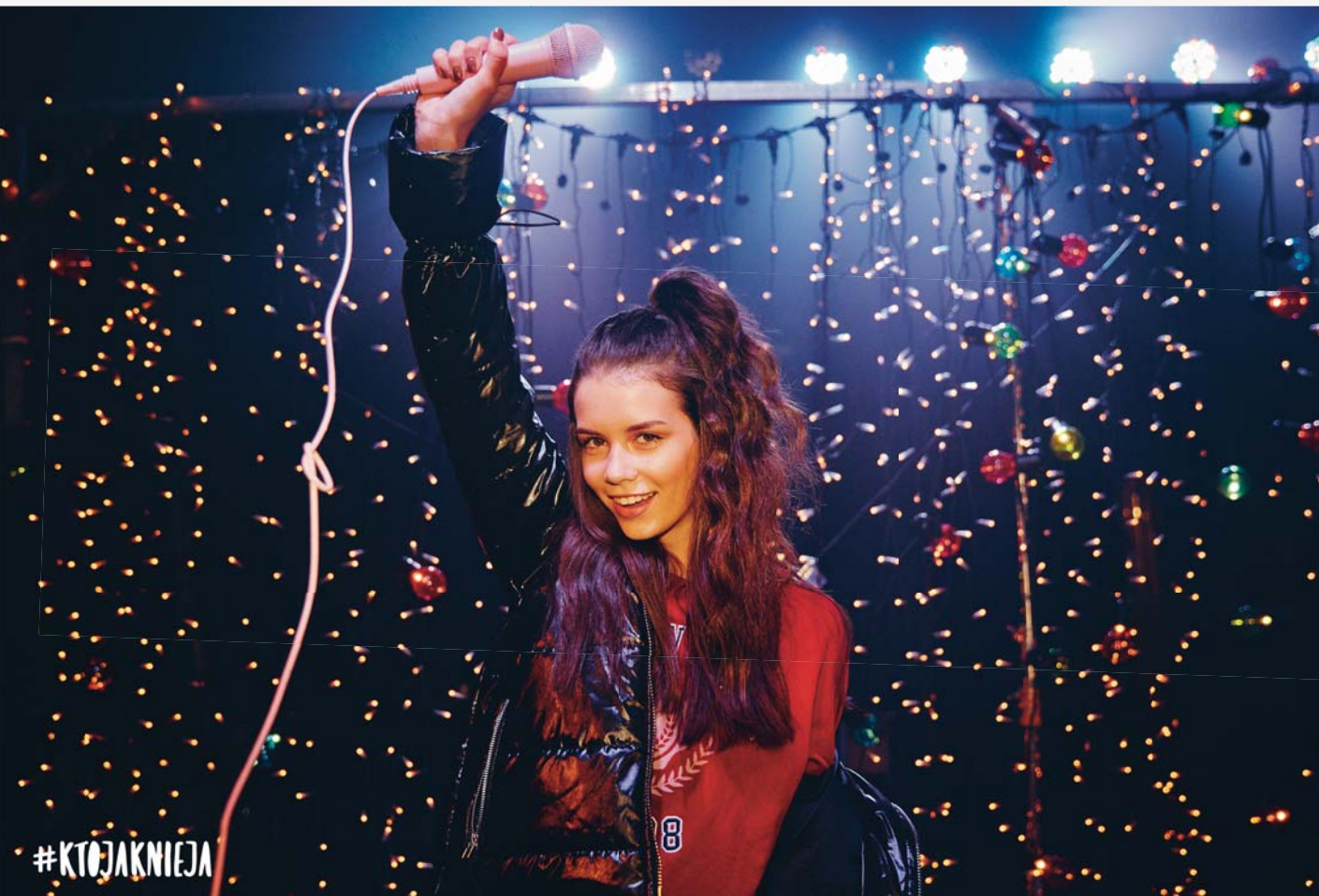
A photo session was held with Robert Ceranowicz, a legend of the Polish skateboard photography scene, and siblings Paweł and Piotr Jurczak, who are respected as the best video operators in extreme sports, were responsible for the video material. The models in the session were genuine skateboarders and BMX and MTB riders, including two who became brand ambassadors – Przemysław Hippler and Damian Onufra.

HOUSE

„#DZIĘKUJEMY, ŻE JESTEŚ SOBĄ”

House's spring/summer campaign received the most prestigious KTR marketing award for the best fashion film of 2017. The jury appreciated not only the creative idea and the novel approach to fashion advertising. The '#Dziękujemy, że jesteś sobą' film stands out above all for its humorous concept and modern approach to fashion video communication. House's film surprises with its original script, funny ending and intriguing mysterious hero – the writer. The artistic concept of the film was created by directorial duo of Krzysztof Kozłowski and Kuba Bujas and the cinematographer Kacper Fertacz, known among others for the most interesting feature films of recent years, 'Ostatnia rodzina' and 'Hardkor Disko'.





SINSAY #KTOJAKNIEJA

The advertising campaign for fall/winter 2017 season is the first Sinsay campaign with the help of inflorescence instead of models. Four young Polish influencers not only played the role of models, but also took up the brand's challenge under the slogan #ktojaknieja. Challenges consisted in overcoming weaknesses and building belief in one's own abilities. The campaign consists of videos intended for Instagram. Communication on the internet was supported by teasers introducing the climate of the painting and photographic material. The films were directed by Anna Bajorek, while the cinematographer is Justyna Dudek. The campaign ended with a competition for customers that encouraged them to share their stories related to overcoming fears and realising hidden dreams.



MOHITO FALL/WINTER 2017/2018. GIRLS IN PARIS

In the autumn/winter season, the Mohito brand presented a Parisian story with two main characters. The campaign by Sonia Szostak presented elegant, evening silhouettes photographed against the background of the beautiful architecture of Paris. The campaign's protagonists were the models Brygida 'Bree' Naumowicz and Julita Formella. The entire creative concept was created by women and was appreciated by, among others, Glamour magazine.

DESCRIPTION OF CRISIS SITUATIONS IN COMMUNICATION WITH CUSTOMERS AND LPP ACTIONS TAKEN TO MINIMISE THE EFFECTS OF THE CRISIS

We run several dozen marketing campaigns every year. We set ourselves the goal of making our marketing message stand out positively and hit our target group. Unfortunately, our efforts do not always achieve the intended result. In 2017, we faced three challenging situations

Activities related to minimising the effects of the crisis are always implemented in cooperation with the Communication and Sustainable Development Department of the LPP. In each of the following cases, we openly communicated with the public, customers and our employees.

1. In the **#polskichtopak** campaign, a girl from the USA named Dee Dee asks on the net for help in finding a boy from Poland that she had met at a concert. However, the request was not genuine, and the first part of the Reserved brand advertising campaign was addressed to men. The campaign was submitted to the Advertising Ethics Commission and ended in a negative decision for LPP. [Custom index]
We publicly apologised to internet users for abusing their trust. In the end, we also withdrew the campaign in its original form.
2. **Unfortunate styling** – after comments had appeared in social media stating that one of the Reserved shirts with military style patches resembled Nazi costumes, we decided to immediately withdraw the controversial image from the website and withdraw the t-shirt that had raised customer doubts.
3. **Plagiarism** – after one of the founders of the Local Heroes brand accused Reserved of plagiarising a pin, we signed an agreement with the company in terms of financial compensation and withdrew the product from sale.

II.

Everyday reality in the fashion industry



Over
25,000
employees

60%
of managerial and director
positions in the head office
of LPP SA are occupied by women



HR Director



Head of Communications
and Sustainable Development

LPP GROUP TEAM

LPP IS A POLISH COMPANY WITH
INTERNATIONAL REACH AND OF FAMILY
CHARACTER

Collections of our brands and all strategic decisions are made here, in Poland. In our country, we create the whole of our collections, we pay taxes here, and most shareholders live here. The group

was created by Polish entrepreneurs – Marek Piechocki and Jerzy Lubianiec. Our development is possible thanks to the native capital. Our priority is the good of the company and people working in it, not short-term profits.




Meet our departments at the head office

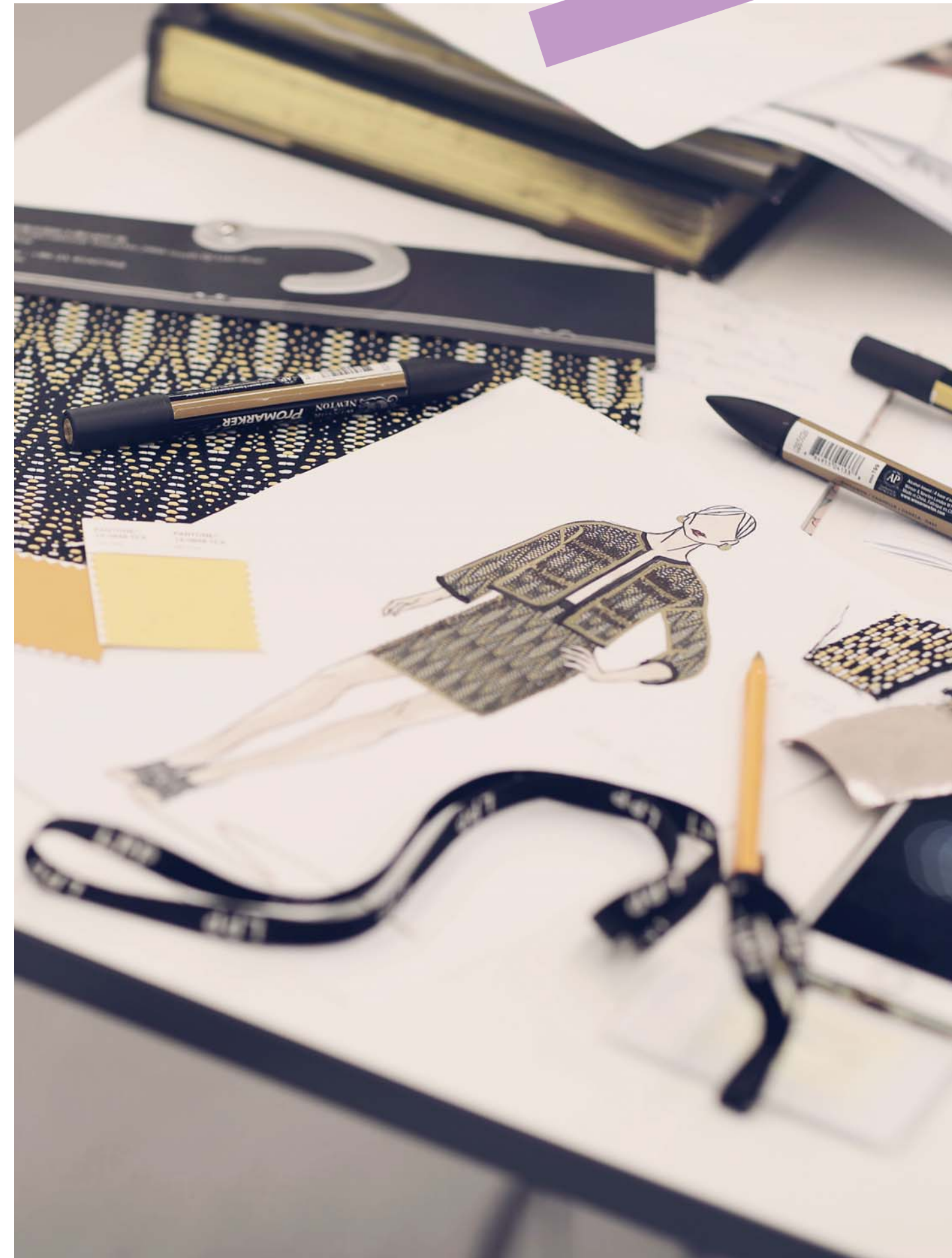
Name of department	Scope of responsibilities
PRODUCT PREPARATION DEPARTMENT	We design here the latest collections to meet the expectations of the market and our customers. We are the heart of LPP.
MARKETING DEPARTMENT	We make LPP brands evoke positive emotions in our recipients.
HR DEPARTMENT	We recruit employees, care for their satisfaction, we build training programmes and plan development paths.
SALES DEPARTMENT	Our key challenge is to constantly increase sales and optimise costs in the chain of hundreds of stores.
EXPORT DEPARTMENT	We deal with the development of the distribution network of individual brands on foreign markets.
LOGISTICS DEPARTMENT	We co-create a team of one of the most modern logistics centres in this part of Europe.
LEASE OFFICE	We acquire new retail area and develop the chain of our stores in attractive locations.
INVESTMENT DEPARTMENT	We design the decor of the stores and coordinate the course of their opening in the country and abroad.
FINANCIAL AND CONTROLLING DEPARTMENT	We prepare reports and analyses in order to effectively plan and manage the company.
IT DEPARTMENT	We develop IT systems in key areas for us: goods management, sales and supply chain.
E-COMMERCE DEPARTMENT	Online sales is our specialty.
ADMINISTRATION DEPARTMENT	Our task is to ensure the efficient functioning of offices.
DEPARTMENT FOR COMMUNICATION AND SUSTAINABLE DEVELOPMENT	We shape the image of LPP as a company.

MAREK PIECHOCKI
President of the Board

CSR and environmental protection
Supervision of the work of the Board
HR
PR / CSR



- Leasing department
(leasing of commercial space)
- Investment department
(for building showrooms)
- Legal department





60%

of managerial and director positions in the head office of LPP SA are occupied by women

COMPOSITION OF THE LPP SUPERVISORY BOARD

[GRI 102-18]

Jerzy Lubianiec

President of the Supervisory Board

Creator and co-founder of LPP. Since January 2000, he has been the President of the LPP Supervisory Board.

Wojciech Olejniczak

Vice-President of the Supervisory Board

Member of the LPP Supervisory Board in 1997-1998 and from November 1999.

Piotr Piechocki

Member of the Supervisory Board

In the years 2012-2017, he co-created and managed the e-commerce department at LPP. He was responsible for all sales in this channel and launching online stores in new markets (Germany, Czech Republic, Slovakia, Romania, Hungary). He is family-related with the President of the LPP Board.

Magdalena Sekuła

Independent Member of the Supervisory Board

Since March 2010, she has been the President of the Management Board of Hala Gdańsk-Sopot company.

Antoni Tymiński

Independent Member of the Supervisory Board

He has over 16 years of experience in working as a consultant and auditor in leading global consulting companies. He also has the qualifications of a certified auditor and is a member of the Polish Chamber of Statutory Auditors.

Miłosz Wiśniewski

Independent Member of the Supervisory Board

He gained experience in finance and management at Cereal Partners Worldwide. In March 2016, he assumed the position of the President of the Management Board of Robod S.A.

OUR TEAM

Below we present the employment structure in the LPP Group (as at 31/12/2017). In order to present a full picture, apart from the consolidated data for the whole LPP Group, we also show values for individual companies. LPP SA includes employees employed at the head office in Gdańsk, Warsaw, Kraków and representa-

tive offices in Shanghai and Dhaka. LPP Retail is a company that recruits employees from our sales network in Poland. Our subsidiaries are responsible for looking for and hiring employees on foreign markets. In the table, in a separate column, we present the results of all 20 foreign subsidiaries.

Total number of employees by gender in the LPP Group (LPP SA, Distribution Centre in Pruszcz Gdański, LPP Retail and foreign subsidiaries)

[GRI 102-8]

	LPP SA	Distribution Centre in Pruszcz Gdański	LPP Retail	Foreign subsidiaries	LPP Group in total
Number of employees (as at 31/12/2017)	2 126	1 194	11 416	10 899	25 635
Women	1 572	684	10 293	8 957	21 506
Men	554	510	1 123	1 942	4 129

The Distribution Centre employs contract employees, while LPP Retail also included employees employed under civil law contracts to actually reflect the number of employees in the LPP Group.



Total number of employees by type of employment in the LPP Group (LPP SA, Distribution Centre in Pruszcz Gdański, LPP Retail and foreign subsidiaries)

[GRI 102-8]

	LPP SA	Distribution Centre in Pruszcz Gdański	LPP Retail	Foreign subsidiaries	LPP Group in total
INDEFINITE EMPLOYMENT CONTRACT					
Women	887	136	735	6 210	7 968
Men	301	92	75	1 455	1 923
OTHER CONTRACTS (TRIAL PERIOD, FIXED TERM, INCLUDING INTERNSHIP AND SUBSTITUTION ONES)					
Women	685	548	9 558	2 747	13 538
Men	253	418	1 048	487	2 206

Total number of employees by type of employment (full-time or part-time) and by gender in the LPP Group (LPP SA, Distribution Centre in Pruszcz Gdański, LPP Retail and foreign subsidiaries)

[GRI 102-8]

	LPP SA	Distribution Centre in Pruszcz Gdański	LPP Retail	Foreign subsidiaries	LPP Group in total
FULL-TIME					
Women	1 553	684	4 756	6 096	13 089
Men	545	509	503	1 456	3 013
PART-TIME					
Women	19	0	5 537	2 853	8 409
Men	9	1	620	494	1 124

EMPLOYEES ROTATION

We present data on the number of new hires and departing employees for the companies LPP SA and LPP Retail Sp. z o.o. (as at 31.12.2017).

Total number and percentage of newly hired employees broken down by gender in LPP SA and LPP Retail

[GRI 401-1]



656 – total number of new hires in LPP SA in 2017 (which constitutes 30% of all employees), including:

16 072* – total number of new hires in LPP Retail in 2017, including:

14 365 women and **1 707** men



481 women



and **175** men

* The high number of new hires in LPP Retail and persons who have not yet been employed indefinitely does not reflect the actual operations of the company. LPP Retail was established in 2017 to improve the model of sales network operation and, above all, positively influence the working conditions of our employees in stores. This means that the existing employees of the sales network have become employees of LPP Retail.

Total number of newly hired employees by age in LPP SA and LPP Retail Sp. z o.o.

[GRI 401-1]

LPP SA hires



393 persons < 30 years



251 persons 30-50 years



12 persons >50 years

LPP Retail hires

14 995 persons < 30 years, **1 029** persons

aged 30-50 years and **48** persons > 50 years.

Total number and percentage of employees who left the organisation by gender and age in LPP SA and LPP Retail

[GRI 401-1]

	< 30 y	30 - 50 y	> 50 y	Women	Men
LPP SA	228	153	7	298	90
LPP Retail	4 843	164	9	4 384	632

GOOD WORKPLACE

Having highly qualified and committed employees guarantees the LPP Group the preparation of an appropriate product range, the right approach to the customer and, as a result, market success. That is why we are constantly developing our motivation system, investing in employees through training, acquiring and developing talents, setting career paths and enabling promotions within our structure.

In 2016, LPP opened a design office in Warsaw, providing the company with additional creative employees who did not have to consider changing their place of residence to Gdańsk or Kraków, where the design teams of our brands had been working thus far.

Working in LPP means access to the most modern tools and trends, comfortable working conditions, international projects and numerous business trips. What distinguishes us is our creative, informal atmosphere and friendly relations. Employees are given independence and decision-making authority according to their level of experience, which helps us avoid the need for formal procedures and approvals at various levels before taking action. [Aspects of reporting: terms of employment]

Our offices are open plan, with higher managerial staff, including the Board and Directors, working in shared rooms with all employees.



LPP SUSTAINABLE DEVELOPMENT STRATEGY 2017-2019: OUR COMMITMENTS

MORE CARE

Our employees

A good start for a good morning – we implement a programme of smooth entry into the company's structure.

A good start for a good morning – we implement a programme of smooth entry into the company's structure.

DIVERSITY is an added value – we promote diversity among employees.

Together means better – we support employees' social projects.

We have introduced ECOOffice rules – we owe it to Mother Earth.

WolontWARIAT – a real revolution of good and energy.

ORGANISATIONAL CULTURE

Our priority is to match the culture, activity and methods of communication and management to a multigenerational and international work environment, in which young employees make a significant contribution.

Openness, diversity, responsibility for joint development, and mutual respect create the unique culture of our company. There is no business dress code in LPP, and the management team socialises with employees regularly during lunch at a restaurant. Members of the Management Board do not close themselves off in inaccessible offices. The President of LPP, Marek Piechocki, usually works in an open space together with the Product Preparation department.

Our employees are free to express their opinions and associate, but in our organisation, there are no trade unions or collective agreements. [GRI 102-41]

Benefits for LPP Retail (offered to employees hired on a contract of employment). We provide: [GRI 401-2]

a medical package after working for three full calendar months,

a multisport card,

discount vouchers (25% for stores of all LPP brands),

life insurance.

Documents regulating the employee area

- Work Regulations along with the Anti-mobbing Procedure
- Payroll regulations
- Teleworking Regulations
- Regulations of the Company Social Benefits Fund
- Cooperation policy with external partners

Average duration of training per employee at the LPP head office:

**6 h
49 min**



We conducted
14,508
hours of face-to-face training
at our head office, for
1,883
employees in 2017



INTERNAL COMMUNICATION

In our internal communication we attach great importance to the direct, informal communication, created in the common spaces of our head office.

In addition to standard methods of communication, such as telephone, Skype or e-mail, in 2017 we launched an internal Yammer social network, which exchanges information between employees, but also facilitates communication between departments, project teams or our internal micro-communities.

Benefits for LPP SA employees: [GRI 401-2]

- Private medical care
- Multisport card
- Discount vouchers (25% for stores of all LPP brands)
- Life insurance
- Language platform
- Internal and external training
- Co-financing of meals (indirect, through co-financing of the food operator at the head office of LPP in Gdańsk)

The vast majority of benefits are available to all employees, regardless of their location or whether their position is full-time or not. For reasons of facilities, meal financing applies only to people working in Gdańsk.

WE INVEST IN OUR EMPLOYEES

[Aspect of reporting: development of employees]

STAFF TRAINING

In LPP, we respond flexibly to the training needs of our employees. Functioning in this way provides us with the opportunity to act in teams that are tailored to real needs and to our capabilities.

Training and other development activities are planned in the short-term during meetings in which the manager of a given department and a specialist from the Personnel Department participate. The initiator of a meeting can be any of the parties. Such meetings determine the department's needs and planned support activities.

Our training priorities:

- To increase the number of employees covered by development activities year-on-year
- To increasing the availability and diversity of development forms
- To maintain a high level of participant satisfaction
- To implement the main programme objectives

Main programme objectives:

- To develop the competences of middle managers towards a participatory management model
- To empower and strengthen teams
- To facilitate cooperation between teams
- To filling competency gaps in line with changes in processes in particular departments

SKILL DEVELOPMENT PROGRAMMES IMPLEMENTED IN 2017

[GRI 404-2]



LEADERSHIP SUPPORT AND TRAINING

MANAGERIAL PROGRAMMES

1. Manager's Academy

The programme is dedicated to newly appointed managers (managers of teams of at least 3 people). The programme consists of a soft skills training block and a 'knowledge' block. Conducted over 6 months. Since 2012, 145 people have taken part. In 2017, two editions of the Academy were held, attended by 24 managers.

2. Leader's ABC

Programme for newly appointed leaders (coordinators of teams and managers of mini-teams). Conducted over 5 months. Since 2015, 37 people have taken part. In 2017, 25 people participated in two editions.

3. a'Head Academy

A programme dedicated to lead designers, in order to increase their skills in coordinating a project team. The programme consists of 4 modules (4 training days). In 2017, it was completed for the first time. 14 people participated.

4. Peer Coaching

A series of monthly meetings (4 hours each) for the Product Managers group in the Reserved preparation department. The goal is to help solve problems in the team, mutual learning and exchange of experiences, based on a group coaching method. Meetings have been organised since 2015. In 2017 there were 2 groups of 8 people (16 managers in total), 18 meetings were held (9 meetings within one group).

5. Action Learning

A series of monthly meetings for a group of managers and leaders at the LPP head office. The aim is the development of a chosen competence or area, mutual learning and exchange of experiences based on a group coaching method. In 2017, two groups were organised, in which 13 people worked together.

6. Coaching

Managerial coaching for selected managers and directors from the Head Office. The goal is to support the improvement of selected management areas or further development and strengthening in a position. Internal coaching sessions have been implemented since 2012. In 2017, there were 8 managers in the coaching process.

TRAINING PROGRAMMES FOR STORES

1. Manager development programme

The programme objective is to develop the managerial skills necessary for the proper management of a team, store or region. In 2017, 232 people took part.

2. Training 'ABC Manager'

The training includes elements of the manager's role, motivation, feedback, recruitment and dismissal of employees.



COMMUNICATION SUPPORT AND TRAINING

IMPLEMENTATION PROGRAMMES

1. Transition workshops

Workshops for the team and manager that includes team management. The goal is to get to know each other better, integrate and identify the needs of both parties. Workshops have been organised since 2015. In 2017 workshops for 6 managers and their teams were organised.

2. Team building and conflict resolution workshops

Workshops for teams and managers for whom there was a manager-employee problem. In 2017, three workshops were run.

3. Workshops for team leaders

Workshops involving the specification of the role and principles of cooperation in a team. In 2017, two workshops took place.

4. Team strategy workshops, sharing knowledge and ideas

Workshops aimed at developing a team's strategy for the future. Workshops for exchanging knowledge and experience, improving communication between the various assortment groups. In 2017, 9 workshops were run.

5. Workshops on cooperation and building specific skills

Workshops dedicated to mini-teams within large product teams or leaders of these teams. The goal is to improve cooperation, develop responsibility and independence and build skills (e.g. group work on large tasks). In 2017, 5 workshops were run.

TRAINING

1. Training for soft skills specialists:

- **Communication** - training in communication and collaboration skills and styles of relationship building
- **Emotional Intelligence** - training in coping with difficult situations using emotional intelligence; how to understand emotions and use them in an effective way at work
- **Assertiveness and conflict resolution**,
- **Negotiation skills** - training in the basics of negotiation for merchants and younger buyers
- **Work organisation** - training in planning and setting priorities
- **Self-presentation** - training in presentation skills
- **Evaluation system** - training in the employee appraisal system for buyers, designers and graphic designers

2. Soft skills training for managers:

- **Coaching Management Style** - training in the skills of listening and asking questions, a coaching method of conducting interviews with employees for managers
- **New Way of Management** - training combined with a presentation and discussion on the turquoise approach to management
- **Emotional Intelligence** - training in coping with difficult situations using emotional intelligence
- **Evaluation system** - training in the employee evaluation system

E-LEARNING TRAINING

DEVELOPMENTAL E-LEARNING

There are several electronic education platforms in LPP:

- 1. LPP Edukacja (LMS SharePoint) platform for employees of the LPP head office**
On the platform available to the employee, after logging into the company network, 122 e-learning training programmes (implementation, general development, managerial and product preparation) are available. Employees can sign up for training themselves or be delegated by an administrator or supervisor.
- 2. LPP Edustores platform (Moodle) for LPP Retail employees**
On the platform, trainings on personnel issues are made available for employees in managerial positions in stores.
- 3. Skillshare training platform for graphic designers**
An external platform on which access is purchased for 19 people working in graphics positions. Places are reserved on the platform on the condition that 2 training hours a month are completed. If they are not used, access to the platform is given to another employee.

E-TRAINING IN PROCEDURES AND SYSTEMS

- 1. E-learning in the field of personnel procedures for LPP Retail**
All people holding managerial positions in LPP Retail stores are provided with e-learning training on personnel issues and procedures related to the organisation of working time for salesperson employees. The training is completed with tests of knowledge, which the employee must pass. The results are reported to the Human Resources Department and Regional Sales Managers responsible for the work of the stores.

IMPLEMENTATION E-LEARNING

- 1. E-initial training for all employees employed at the LPP Head Office**
Each employee is provided with two e-learning courses in personnel procedures and basic issues related to IT procedures applicable in the LPP. The user is required to read the training before starting work.
- 2. The e-learning implementation procedure for employees including the position of Buyer's Assistant in the product preparation department**
During the first three months after the employee is employed as a buyer's assistant, the employee is required to complete 16 trainings in the field of knowledge, procedures and systems essential for the correct implementation of the tasks of the position. The training is made available to the employee on the LMS Centrala platform (LPP Edukacja). After three months, the employee is required to pass a knowledge test. Together with the report from the first 3 months, the employee and his supervisor receive a list of e-training available on the LPP Edukacja platform, which is mandatory or recommended during the first year of work, i.e. the next 9 months.

- 2. E-training in using the product data management system (PDM*)**
Compulsory training in the field of proper work with the PDM system includes persons employed as a buyer's assistant and all persons employed as designers, starting from Designer's Assistant. Persons in design positions are required to complete dedicated e-training within 3 weeks of employment.

* PDM (Product Data Management) - a production data management system for managing data on individual



DEVELOPMENT PLANS FOR TRAINING

Our long-term goal is to improve the availability of training in LPP and to stimulate the knowledge exchange process in LPP.

Average number of training hours (e-learning) by gender in 2017 [GRI 401-1]



WOMEN
On average: **25 min**
LPP: 1 h 22 min;
LPP Retail: 16 min



MEN
On average: **17 min**
LPP: 22 min;
LPP Retail 14 min

Total number of training hours (e-learning) by employment category in 2017 [GRI 401-1]



MANAGERIAL STAFF
Total number of training hours: **3,111**
LPP: 74 h;
LPP Retail: 3 037 h



EMPLOYEES
Total number of training hours: **2,282**
LPP: 2 282 h

SUPPORTING THE SPORTS ACTIVITY OF LPP EMPLOYEES

For the employees of LPP, most of whom are young generation Y, a healthy lifestyle is important – in their free time, many people choose active leisure. LPP actively supports its employees' passions.

LPP TEAM

LPP TEAM is a sports team in the company, which by the end of 2017 numbered about 150 employees. The cyclists regularly take part in race events in the Tri-City and Kraków. These include street marathons, orienteering and mountain runs. In addition, the company has an active group of people taking part in competitions and bike rallies in two sections – MTB and road – as well as triathlon sections.

LPP enters into sponsorship agreements with the most highly engaged people, under which it covers the costs of starter packages, provides sports clothing and co-finances professional equipment. The list of current purchases includes equipment such as road bikes, helmets, cycling shoes, triathlon foams, or a designer set of sports clothing from one of LPP's clothing brands.

Since the beginning of May 2017, employees of LPP in Gdańsk can use free business bicycles

LPP WINS THE EUROPEAN CYCLING CHALLENGE

- LPP employees travelled over 55,000 km, with the most being for the team from Gdańsk – the top bicycling city in Europe in the 2017 European Cycling Challenge.
- Up to 20% of LPP employees participated in the event.
- LPP also became the best company in a cycling competition in Kraków.
- Mariusz Kowal, an LPP photographer, won the individual ranking.

We spent

**PLN
250 k**

on supporting our employees' sports activity in 2017.

'LPP TEAM FOR KIDS' CAMPAIGN

The sporting ambitions of LPP employees have also been turned into their involvement in the charity campaign 'LPP TEAM for KIDS' for children from Gdańsk and Kraków children's homes. From July to September 2017, all kilometres ridden by LPP employees on a bicycle, scooter or skateboard were converted into PLN. Cycling both during work and recreationally was taken into account.

160

employees involved in the 'LPP TEAM for KIDS' campaign

**PLN
35 k**

collected for children's homes in Gdańsk and Kraków

3m

calories burned





EMPLOYEE INVOLVEMENT

[Aspect of reporting: employee satisfaction]

Monitoring and improving employee satisfaction is an important part of creating a friendly workplace that supports creativity and facilitates the achieving of business goals.

The employee satisfaction survey is regulated by the 'Organisational climate research procedure'. The aim of the survey is to check the mood and atmosphere at work, evaluate and improve employee satisfaction, identify problems that reduce job satisfaction and define a plan of action. The results of the survey and the action plan are communicated to employees, and the survey itself is repeated after 1 year to evaluate the effectiveness of the implemented corrective actions.

The main assumptions of the survey:

- duration: 2 weeks
- respondents: all employees with an internship exceeding 3 months
- method: online questionnaire
- carried out by: the Human Resources Department

In addition to evaluating the level of satisfaction itself, key areas are verified that are important in terms of building a friendly working environment. These are:

- autonomy,
- knowledge sharing,
- emotional involvement,
- feedback,
- communication,
- responsibility and decision-making,
- organisation of work,
- sense of appreciation,
- sense of influence,
- senior positions: respect,
- senior positions: team management,
- relations,
- development,

- support,
- resources.

An organisational climate survey is conducted individually for selected departments. Departments in which it is carried out compulsorily and regularly are departments that constitute the business centre, or product preparation departments. In addition, the survey is also carried out at the request of the department director or on the initiative of the personnel director. In 2017, the survey was conducted in total among **26 departments representing approximately 65% of the organisation in terms of number of employees.**

RESULTS OF THE 2017 EMPLOYEE SATISFACTION SURVEY

Taking everything into consideration, how would you rate your level of job satisfaction derived from working for LPP?

76%

of employees are very satisfied or satisfied with work for LPP



20%

of employees checked the 'hard to say' answer



4%

of employees are dissatisfied or very dissatisfied



The HR Department's standard response in the event of worse results directly stemming from the way a particular manager manages is to conduct a 180-degree survey devoted entirely to the manager's assessment and to obtain more detailed information needed to implement a recovery plan. Improvement in effectiveness is evaluated in the next organisational climate survey.

In 2018, an organisational climate survey is also planned in our sales network.



SAFETY OF OUR EMPLOYEES

[Aspect of reporting: Occupational health and safety at work]

In terms of the safety of our employees, the priorities include minimisation of threats, identification and control of the risk level, verification of the effectiveness of current protection measures and elimination of the likelihood of workplace accidents and occupational diseases.

Documents regulating security issues in LPP:

Work Regulations: precisely and unambiguously specifies internal rules of work organisation in accordance with the needs of LPP

A list of tasks particularly burdensome and forbidden to pregnant women: to protect the health and abilities of pregnant women by providing them with safe working conditions

Table for the allocation of clothing and protective footwear and personal protective equipment: unambiguous allocation of personal protective equipment necessary for the safe performance of work for a given position

A list of tasks prohibited for young people: health protection and ensuring safe working conditions for young people

Occupational risk assessment for individual workplaces: providing employees with effective protection against threats occurring in the work environment

Health and safety instructions: ensuring knowledge of the principles of safe operation of machines and equipment at the workplace as well as the rules of emergency procedures

OUR INITIATIVES:

- Consultation with employees of organisational changes affecting occupational safety
- Conducting periodic inspections of working conditions and compliance with health and safety rules and regulations
- Organising quarterly meetings of the Health and Safety Committee
- Ongoing information on identified occupational hazards

THE EFFECTS OF OUR ACTIVITIES IN 2017:

[GRI 403-2]

- No severe or fatal accidents at work
- Low coefficient of accidents to the number of employees: in 2017 there were 14 accidents in LPP SA resulting in a loss of working time. 11 women and 3 men were involved in accidents. There were 24 such accidents in LPP Retail (23 women, 1 man).
- Total number of days lost due to accidents: 135 calendar days
- Lack of incidence or suspicion of occupational disease
- General increase in employee awareness of health and safety

JOIN US

[Aspekt raportowania: BHP w miejscu pracy]

At LPP, we employ creative people who love fashion and modern technologies. We guarantee attractive remuneration, and for those involved in strategic areas of our business, we have implemented a bonus system, rewarding them for the real effects of their work. Talented employees have the possibility of intensive development and independence in making decisions.

Our priorities in recruitment:

- **Transparency of process** – we want our recruitment processes to be public and the information about projects carried out is communicated in the form of internal and external announcements.
- **We focus on internal promotions and the development of our employees.**

There are several completely different career paths in LPP. Each is characterised by a different form and character of work.

Head Office

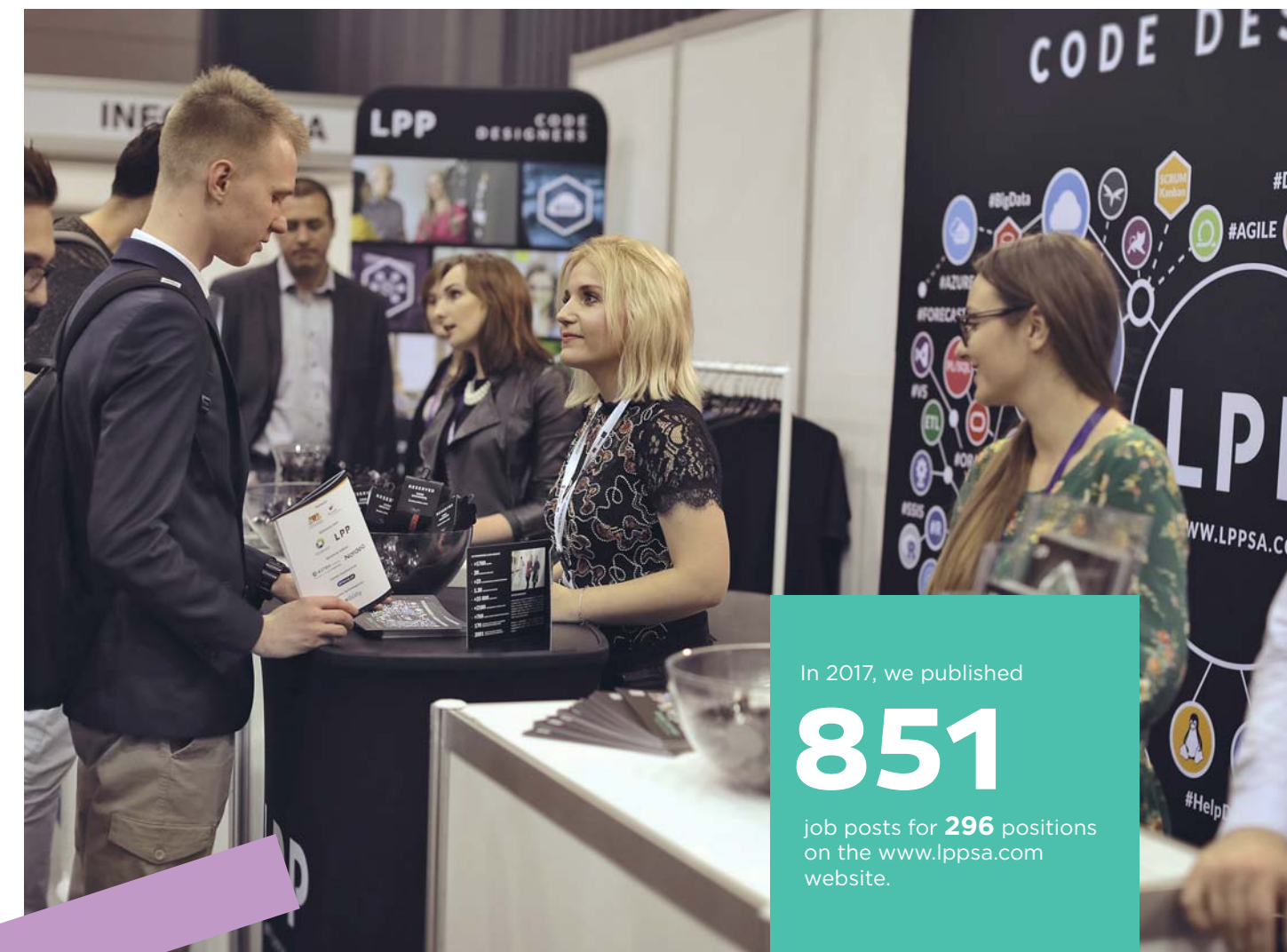
In the head office of LPP (Gdańsk, Kraków Pruszcz Gdański and Warsaw), we employ young and dynamic enthusiasts of fashion, business and modern technologies. They develop in 11 departments, co-creating the unique character of our brands.

Points of sale

We offer work in the stores of one of our five brands. Promotions provide the opportunity to take on various positions, from Decorator to Regional Sales Manager.

For students

We help students gain valuable experience. We're looking for talents and to let them spread their wings. We offer students: internships, paid internships and the Ambassador's programme.



In 2017, we published

851

job posts for **296** positions on the www.lppsa.com website.



In 2017, we received

51,927

candidate CVs.

Approx.

200

recruitment processes being conducted at the same time to all departments in the company

RECRUITMENT TO OUR HEADQUARTERS

[Aspect of reporting: recruitment]

We give our employees broad development opportunities, which is why several career paths are waiting for them.

Career path in the buyer team:



- Product Manager
- Senior Fashion Buyer
- Fashion Buyer
- Junior Fashion Buyer
- Fashion Buyer's Assistant
- Buyer Internship

Career path in the design team:



- Chief Designer
- Senior Designer
- Designer
- Junior Designer
- Designer's Assistant
- Design Internship



We obtain candidates' applications through:

- recruitment announcements on external portals, at Career Offices, on event flyers,
- e-mails to all employees and an announcement on the Intranet,
- Open Days for art schools,
- job fairs and industry events, e.g. Graduate Talent Day, Tech.3Camp,
- establishing cooperation during industry meetings (e.g. during the IT Meet JS Summit event),
- participation in conferences, e.g. textile conference "Sewing" at the Academy of Fine Arts in Łódź,
- Career Days organised at the LPP head office in Gdańsk and Kraków,
- activation of employees to participate in the employee command programme, recommending friends to work in the LPP.

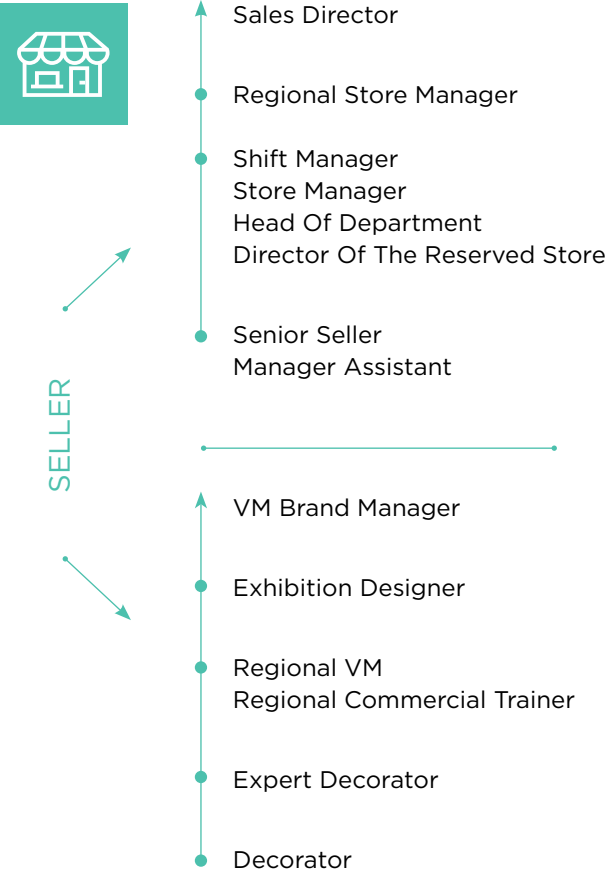
LPP AS A GOOD EMPLOYER

In 2017, we organised the "Design Day" event, to which journalists and influencers were invited. During the event, the guests had the chance to see what work in LPP looks like, the interiors in which our employees work and how it affects their work.

In December 2017, we organised an Open Day for people interested in working in a team of fashion merchants who introduced the specificity of this position to young people from various universities. In addition, articles and interviews were created with LPP employees providing information about the company and development opportunities in it. Social media campaigns promoting working in the company are constantly being run. For those who are interested in getting a first-hand perspective of what working at LPP looks like, we have also launched the Instagram profile "Discover LPP".

RECRUITMENT TO THE SALES NETWORK

Development paths in the store network



We adjust the career path to the skills and motivation of employees. From the level of the decorator you can also develop towards the regional store manager or sales director. Professional development does not have to stop at the level of stores. Many of our employees at the head office started working in the store.

All our current offers can be found at the following website: www.lppsa.com/kariera

Actions promoting and showing work in stores:

- 'LPP Ambassador' programme
- LPP Career Days: meetings at Head Office with employees of stores
- StartUP: onboarding programme for the sales network
- First Approach: for young people leaving educational institutions or children's homes
- Expert Manager: a development programme for the best Directors of Reserved brand stores
- Participation in job fairs: Graduate Talent Days, Picnic at the University of Gdańsk Metropolitan Job Fair.

"LPP AMBASSADOR" PROGRAMME

In 2017, we established **7 fourth- and fifth-year students of full-time studies** as LPP Brand Ambassadors. The project aimed to establish cooperation between the academic environment in selected cities in Poland and the Personnel Department responsible for the area of the sales network. The aim of the project was to build a positive image of LPP and brands from the company's portfolio as an attractive employer at selected universities.

The LPP Ambassador was a link between LPP and universities. Their role was:

- to represent the company at universities (student organisations, Career Offices, scientific circles, student self-government, student houses),
- to participate in the organisation of events at universities (conferences, job fairs, guest lectures, dedicated workshops, Open Days in the Head Office),
- to promote a positive image of the company (social media, information and image materials about the company).



OUR PRINCIPLES

Of equal importance to the achievement of business goals is the way in which this business is run. We want to enjoy the confidence of our environment, that's why we all operate according to specific rules.

OUR COMMON MISSION, VISION AND VALUES

[GRI 102-16]

Our vision, mission and values inspire us in our everyday work and influence how we operate. The mission defines the role and purpose of the existence of LPP; the vision defines our ambitions and sets the direction we follow. They not only affect how we function as an organisation, but also determine our approach to customers, employees, business partners and all shareholders.



Internal Auditor

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



FIRE-FUELLED

We are fuelled by internal fire.
We are full of energy. Our business, our brands and our customers are our passion. We are proud to be part of LPP.



AMBITION-DRIVEN

Ambition drives our action.
We are constantly looking for new challenges and striving to be the best. We have the courage to reach for more.



SOCIALLY RESPONSIBLE

We are responsible for what we do.
We care about our immediate and more remote environment. We support employees and partners. We listen to their needs to act in harmony with nature.



TEAM-ORIENTED

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

**LPP SUSTAINABLE
DEVELOPMENT STRATEGY
FOR THE YEARS 2017-2019:
OUR COMMITMENTS**

**MORE
ETHICAL**

Our principles

A big 'NO' to fraud, corruption and dishonesty. Ethically and aesthetically, this is the only right direction. Transparent rules give all activities the right meaning.

An ETHICAL CODE is more important than a DRESS CODE: we are FAIR to ourselves and others.

NO WAY corruption! We run anti-corruption training among our management.

He who asks, does not err: you can always drop in to the Ethics Ombudsman for a coffee.

We implement a sustainable development strategy: BALANCE is key in business operations.

DiaLOG: we promote dialogue with the environment by building relationships with consumers and stakeholders.

In 2017, we also started work on updating our Code of Conduct for Workers. This regulated issues such as our workplace rules, conflict of interest, or relationships with suppliers and colleagues, including accepting gifts or other benefits. As part of the work on the Code, we conducted a survey for managers and organised two workshops for our employees to actively involve them in creating the document. We intend to implement the Code in 2018.

**COMPLIANCE OF ACTIVITIES
WITH THE LAW**

[Aspect of reporting]

As a public company listed on the Warsaw Stock Exchange, LPP SA is subject to the supervision of a number of supervisory authorities in the territory of the Republic of Poland and other countries. In particular, this supervision is exercised by the Polish Financial Supervision Authority. Responsible internal units of LPP SA (including the legal department, industrial property unit and trademarks, internal audit and CSR) cooperate with supervisory authorities and external advisers to ensure compliance of operations in all geographical areas and countries of operation.

The LPP Group has implemented an internal audit system supervised by the Supervisory Board and the Audit Committee of LPP SA. Its aim is to minimise the risk of threats and crimes in connection with its activity and employee's activity.

COUNTERACTING CORRUPTION

The issues of counteracting corruption are regulated by the LPP document 'Principles of cooperation with contractors'. The policy was announced in 2012. It was presented to employees in the form of an e-mail. In addition, its entries have been placed on the inside of the LPP. From the moment the policy is adopted, each newly admitted employee is informed about its content and signs an appropriate statement.

100% of members of the governing bodies were informed about the organisation's anti-corruption policy and procedures in 2017 (4 members of the Board and 5 members of the Supervisory Board). [GRI 205-2].

100% of employees have received training in counteracting corruption (2,126 people).

RESPECT FOR HUMAN RIGHTS

[GRI 102-16]

Issues of respect for human rights are regulated in LPP by a number of documents concerning employee and social issues and cooperation with suppliers. These include:

- LPP Sustainable Development Strategy for the years 2017-2019,
- rules and guidelines regarding the anti-mobbing policy described in the rules of conduct and in accordance with the Labour Code,
- the Code of Conduct for Suppliers specifying requirements to ensure respect for human rights.

In 2017, no cases of discrimination were recorded. [GRI 406-1]

LPP is particularly exposed to the risk of disregarding human rights due to the commissioning of production to suppliers abroad. LPP has minimised this risk by:

- joining the Accord on Fire and Building Safety initiative in Bangladesh,
- appointing a cell dedicated to the control of working conditions and security in the suppliers' factories (in the structure of an internal company),
- changing the cooperation model with independent agents, involving placing production only with certified suppliers.



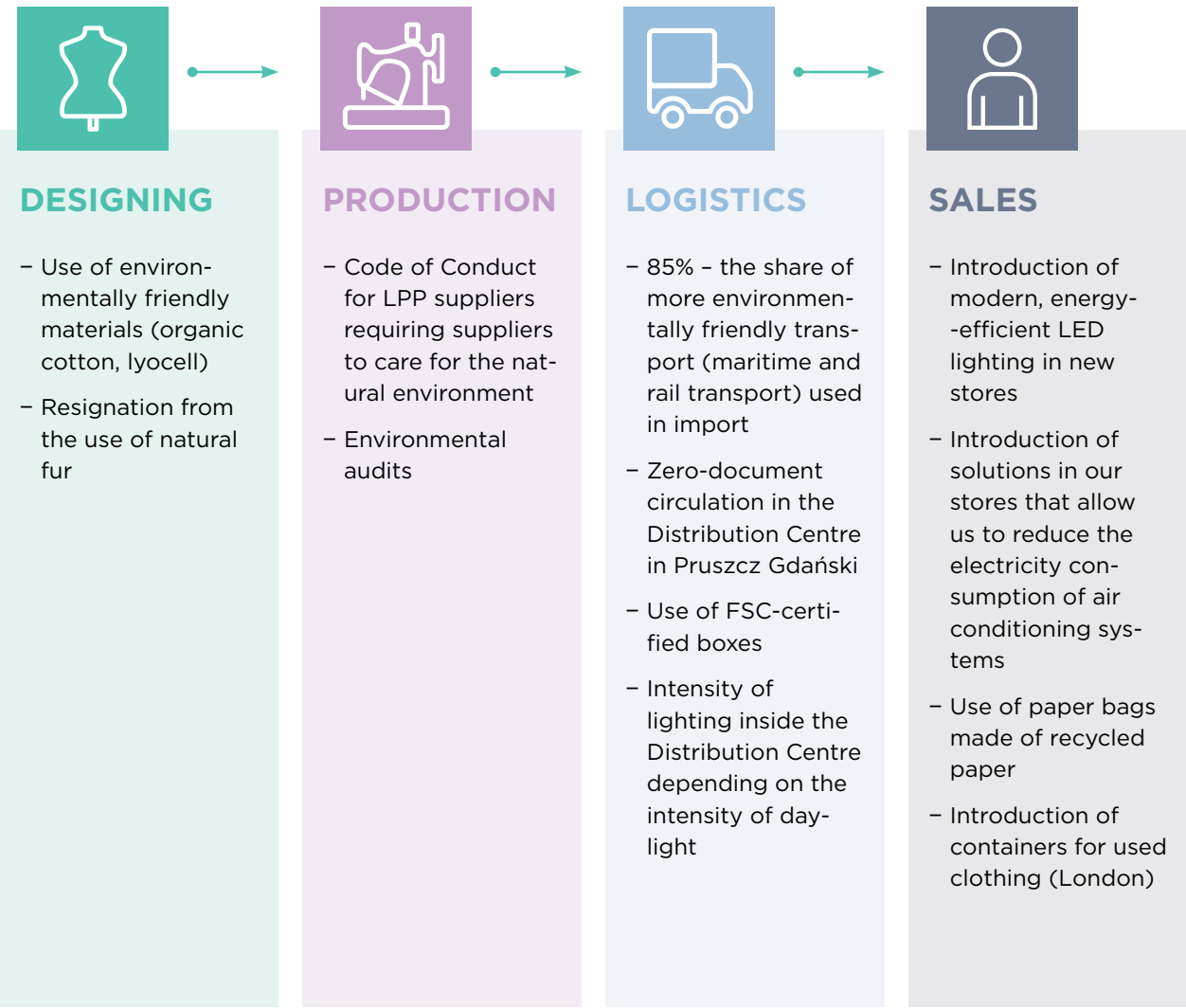
THE ENVIRONMENTAL IMPACT
OF THE BUSINESS

We are aware of the impact the global clothing business has on the environment. We pay more and more attention to issues related to respect for natural resources at all stages of our activity, from the selection of raw materials from which the clothing of LPP brands is made, through the sales network, to our offices and logistics facilities. Caring for the natural environment is an inseparable part of our work in offices and the logistics centre. We sensitise our employees to environmental issues and encourage them to properly segregate waste.

Minimising our environmental impact in the supply chain is our biggest challenge due to our limited ability to control suppliers where we are not the main recipient, and due to the very high costs of implementing ecological solutions. However, we are gradually expanding the list of activities aimed at reducing our negative impact on the environment.
[GRI 102-11]

- Documents regulating the issues of our impact on the environment:
- LPP Sustainable Development Strategy for the years 2017-2019,
 - Code of Conduct for suppliers,
 - ECOOffice rules.

Measures to minimise environmental impact in the supply chain



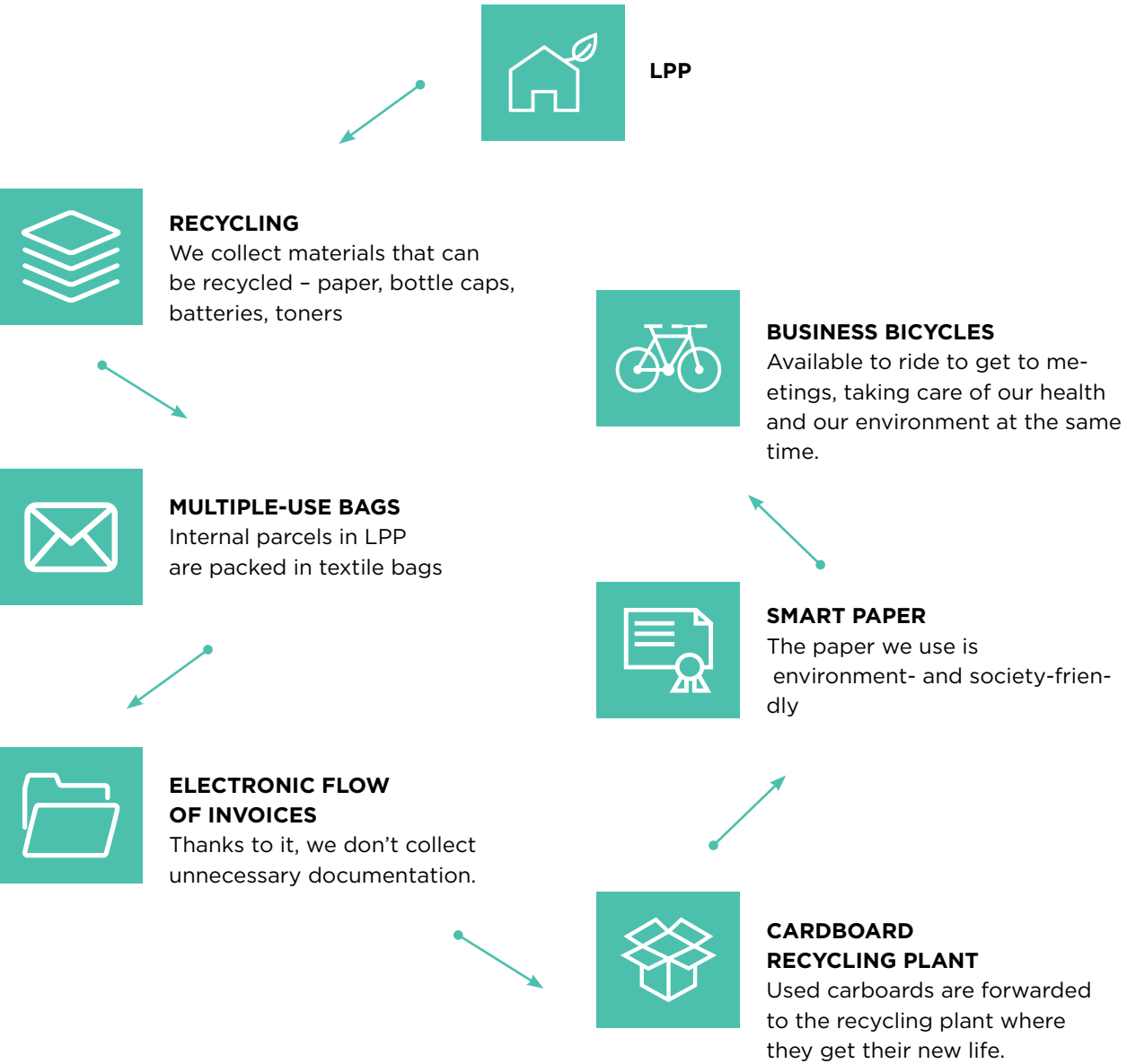
RULES OF THE 'ECOFFICE' PROGRAMME

In our everyday work, we use environmentally friendly paper produced from eucalyptus trees. The trees from which it is created are planted solely for the purposes of the paper mill, as part of farmer support programmes. The raw material is processed in a process in which the consumption of water and energy is minimised and the emission of noise is low.

In internal correspondence, we use reusable material envelopes. The main purpose of this type of envelope is to limit the use of disposable packaging.

Standard print settings in all company computers guarantee double-sided printing and black and white colour, although of course, if necessary, the employee can change them. Used toner cartridges are sent and segregated and sent for recycling.

We promote healthy lifestyles and ecological attitudes among LPP employees; from company cars, we are increasingly switching to company bikes that are currently available in three offices in Gdańsk.



ENVIRONMENTAL DISCLOSURES FOR THE YEAR 2017

1 245 641 kg CO₂* – direct greenhouse gas emissions in 2017 for LPP, from the combustion of fuels in stationary sources [GRI 305-1]

80 966 GJ** – total electricity consumption for LPP SA [GRI 302-1]

Energy consumption in LPP SA in 2017***
[GRI 302-1]

Source of energy	Value [in GJ]
Natural gas	16 956
Unleaded petrol	2 295
Diesel oils for diesel engines	15 016
Light fuel oil	7 129
Electricity	33 317
Heat	6 253
IN TOTAL	80 966

Waste weight by type of waste and methods of waste treatment in LPP SA
[GRI 306-2]

Cardboard waste
4 627 159 kg – produced and forwarded for recycling.

Foil packaging
131 583 kg – produced and forwarded for recycling.

Information on the waste management method originates from waste recipients.



* Calculations concerning CO₂ made by VERT based on LPP SA data collected on the Card List for 2017:
1. Boiler room in Pruszcz Gdański (Grunwaldzka 64a), consumption of heating oil: 199 000 l: CO₂ emission -328 350 kg.
2. Boiler room in the Logistics Center in Pruszcz Gdański, natural gas consumption: 373 083 m³: emission of CO₂ - 732 740 kg.
3. Boiler rooms in Kraków, Bagrowa 7 and Bagrowa 9, natural gas consumption: 93 967 m³: emission of CO₂ - 184 551 kg.

** Total amount of energy consumed based on invoices in locations: Gdańsk, Pruszcz Gdański, Kraków (without the chain of stores).

*** The KOBISE 2017 indicators were used to calculate the fuel energy consumption.



RISK MANAGEMENT SYSTEM IN LPP
[GRI 102-15]

Risk management in the LPP Group is regulated by the ‘Internal control system’ and ‘Transfer pricing policy’ document. It is a comprehensive description of the risks occurring in the organisation, methods of their mitigation and control procedures. The document is subject to periodic updates.

LPP conducts a periodic analysis of financial and non-financial risks related to the operations of the entire Group. An important role in this matter is played by the senior managerial staff who are responsible for controlling the activities of their departments, including the identification and assessment of operational risks, including social, employment, environmental, respect for human rights or counteracting corruption issues.

Non-financial issues	Risks identified in the Internal Control System and Transfer Pricing Policy	
	LPP SA	Grupa LPP
1. Social	<ul style="list-style-type: none">– Risk of changes in legal regulations (trading hours)	<ul style="list-style-type: none">– Risk of changes in legal regulations (customs and tax regulations)
1.1. Product-related	<ul style="list-style-type: none">– Risk of product quality– Risk of market trends and sales– Risk of accuracy of the pricing policy– Risk of increasing the cost of goods– Risk of becoming dependent on individual recipients– Logistic risk	<ul style="list-style-type: none">– Risk of accuracy of the pricing policy– Risk of becoming dependent on individual recipients
1.2. Associated with the external environment	<ul style="list-style-type: none">– Macroeconomic risk– Risk of increased competition– Risk of concentration on one market segment– Risk of suppliers’ credibility– Risk of dependence on individual suppliers/services/goods– Reputational risk (incorrect use of copyright)	<ul style="list-style-type: none">– Macroeconomic risk– Risk of increased competition– Risk of concentration on one market segment
2. Employees-related	<ul style="list-style-type: none">– Risk of technical resources, technology and technological progress,– Risk of poor quality of services provided– Risk of becoming dependent on the staff– Risk of a lack of qualified staff	<ul style="list-style-type: none">– Risk of becoming dependent on the staff– Risk of poor quality of services provided– Risk of a lack of qualified staff
3. Environmental	<ul style="list-style-type: none">– Risk of rising prices of raw materials	<ul style="list-style-type: none">– There are no risks in this area in the risk system
4. Respect for human rights	<ul style="list-style-type: none">– Risk of loss of reputation due to commissioning work from suppliers from third world countries– Risk of mobbing	<ul style="list-style-type: none">– Risk of mobbing
5. Counteracting corruption	<ul style="list-style-type: none">– Risk of embezzlement	<ul style="list-style-type: none">– Risk of embezzlement

III.

Investments in social development

Over

90%

of profits generated by the LPP Group
is taxed in Poland

PLN 2m

the total value of cash and goods transferred
to charity in Poland in 2017



CSR Coordinator

STAKEHOLDERS OF LPP

LPP cares for effective and transparent communication with stakeholders, providing comprehensive information on activities, product offer and events. This report is a new form of communication in which we openly discuss our activities. [GRI 102-42]

Below are the key groups of stakeholders in our environment. We identified them during the work on this report. We contact each of them in a slightly different way, trying to respond to the expectations we have set.

LPP SUSTAINABLE
DEVELOPMENT STRATEGY
2017-2019: OUR
COMMITMENTS

MORE
MINDFUL

Our environment

We act here and now! We teach a conscious and consistent approach to development. We share knowledge and draw it from others. Share and grow!

Local community support strategy – SOCIALISE takes on a real meaning in the place where we really operate.

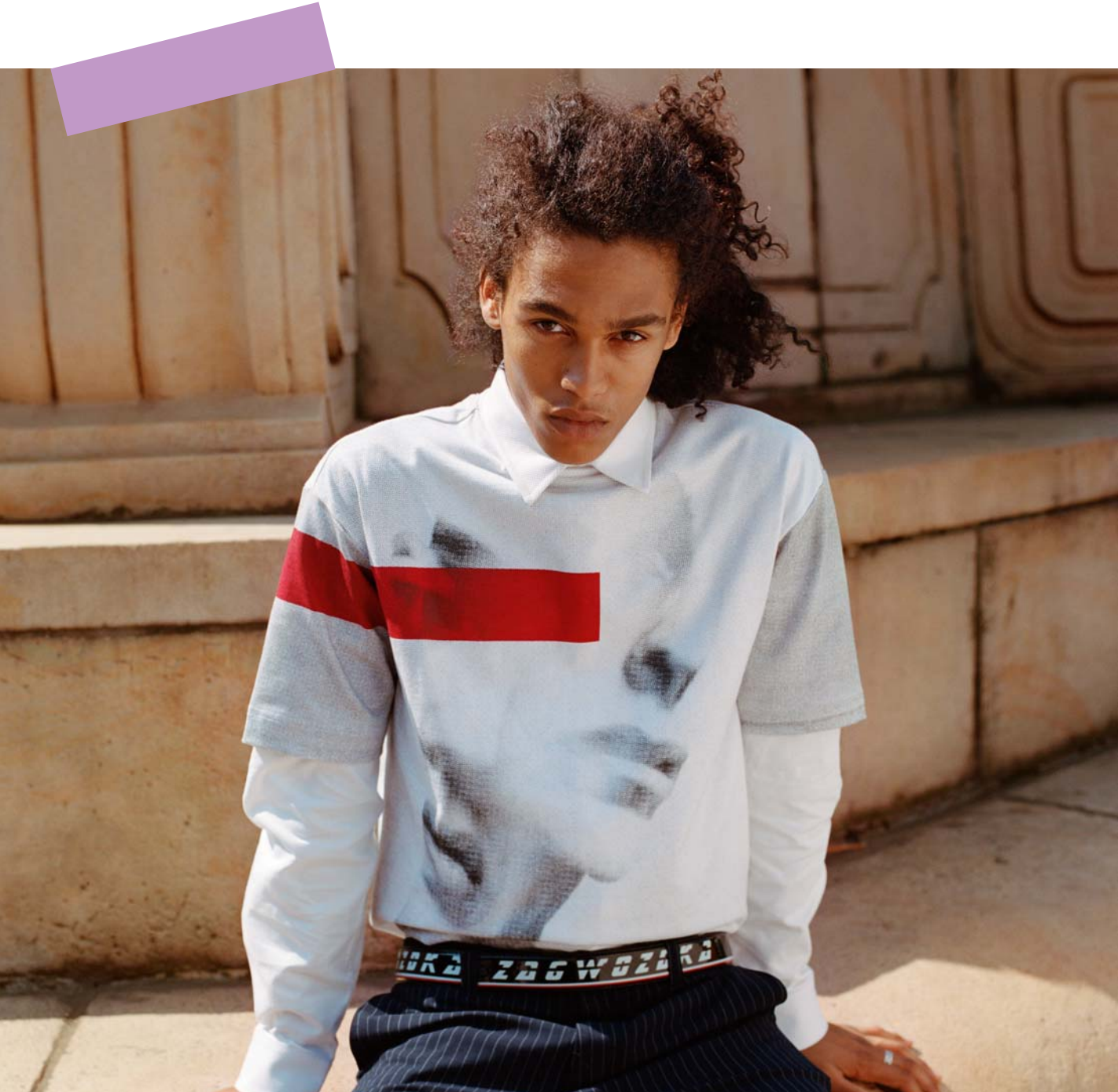
CHEERING IS YOUR WINNING – a donation fund and dedicated budget for sponsoring activities.

We educate in cooperation with universities – we have extensive professional experience, which we share with young fashion enthusiasts.

INFORMATION IS THE KING – we conduct educational activities for consumers regarding the maintenance and care of clothes.

Our environment [GRI 102-40, GRI 102-43]

Our environment	In particular	Communication channels
Investor environment	<ul style="list-style-type: none">– Investors– The most interested analysts from Poland and abroad – about 70 people taking part in the outcome meetings,– Stock Exchange,– Association of Stock Exchange Issuers,– Polish Financial Supervision Authority.	<ul style="list-style-type: none">– Bilingual corporate website,– Mailing– Direct contact with the CFO / investor relations manager,– Business media,– Annual and integrated reports,– ESPI (Electronic Information Transfer System) – for transmitting current and periodic reports, in the course of performing information duties,– EBI (Electronic Information Database) – for reporting on the application of corporate governance,– Quarterly conferences,– Teleconferences,– Video comments,– Organisation of events dedicated to analysts, investors, media: Investor Days, Open Days in the Showroom in Warsaw.– The General Meeting of Shareholders of LPP.– Surveys and opinion polls.
Employees	<ul style="list-style-type: none">– Head Office staff,– Distribution Centre employees,– Employees in the sales network,– Families of employees.	<ul style="list-style-type: none">– Mailing– Yammer social network,– Work area (screens, walls, information boards, reception),– Direct meetings,– Special events,– Training,– Surveys and opinion polls.
Customers	<ul style="list-style-type: none">– Customers of stores,– E-commerce customers.	<ul style="list-style-type: none">– Social media,– Brand website (online stores),– Newsletter,– Store area,– Lifestyle media,– Customer satisfaction surveys
Business environment	<ul style="list-style-type: none">– Suppliers in Poland and abroad,– Renting space for stores in key organisations,– Franchisees.	<ul style="list-style-type: none">– Mailing– Corporate website,– Direct meetings,– Events and special publications,– Dedicated events, e.g. a stakeholder panel,– Business media,– Surveys and opinion polls.
Social environment	<ul style="list-style-type: none">– Branch organisations,– Consumer organisations,– Social organisations supported by LPP,– Universities and schools cooperating with LPP,– Local government.	<ul style="list-style-type: none">– Mailing– Social media,– General-information media,– Direct meetings,– Dedicated events, e.g. a stakeholder panel,– Surveys and opinion polls.



**‘FAIR FASHION’ - THE FIRST PANEL
FOR LPP STAKEHOLDERS** [GRI 102-43]

In 2017, in order to better understand the expectations of our environment, we organised the first panel for stakeholders of LPP ‘Fair Fashion’. We invited our social and business partners, local authorities, consumer organisations, suppliers, representatives of institutions, schools and academia, industry experts and other entities specialising in social and economic issues important to us to participate in the meeting.

During the consultation meeting we discussed such issues as:

- priority management practices in accordance with the standards of responsible business and recommendations for activities in this area for the future,
- the social and economic role of our company in the region and the possible types and scope of cooperation,
- expectations of information provided by LPP on the company’s activities and their socio-economic impact.

The panel was run by external moderators, according to the AA1000SES standard. We used the conclusions of the meeting while working on our Sustainable Development Strategy for the years 2017-2019 and this report.

**ASPECTS OF RESPONSIBLE BUSINESS IN
THE CLOTHING INDUSTRY** [GRI 102-44]

During the panel, we asked our stakeholders, representatives of organisations and institutions, for whose opinion we particularly care, what the first thing that would let them learn (after what prac-

tices and activities) that LPP is a responsible and trustworthy company was. Below are the most important conclusions that have been raised by our guests during the meeting. The applications served to develop the Sustainable Development Strategy for the years 2017-2019, many of which we have already implemented in 2017.



Economic aspects

- Financial results,
- Quality of financial statements, selection of accounting standards, adherence to mandatory and non-mandatory guidelines,
- Share price,
- Product development/sales increase,
- Paying taxes in Poland,
- Price policy, which concerns remuneration, suppliers, etc.



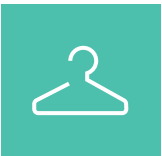
Aspects related to communication

- Communication in the field of responsible business and sustainable development through the website,
- Publication of sustainable development reports,
- Providing the possibility of direct communication with the company.



Aspects related to sales and customer

- Quality, durability and attractiveness of the product,
- Product and manufacturer composition communication - emphasising the local manufacturer,
- Taking care of customer relations,
- Creating responsible consumer attitudes through our products (fair trade, organic, etc.),
- Service culture in stores,
- Responsible advertising and ethics of advertising.



Aspects related to production and product

- Locations of manufacturing factories,
- Production approach,
- Controlling working conditions at the lowest levels of production and implementing changes that stem from them,
- Creating a product based on author’s ideas, not copying the market.



Aspects related to the workplace

- Conditions offered to employees, including decent remuneration,
- Recruitment rules,
- Diversity in the workplace,
- Investment in vocational education.











Aspects related to social activities

- Operation and communication of engagement strategies for local communities,
- Supporting the local community in a metropolitan team,
- Participation in local cross-sector partnerships at the self-government level,
- Investing in culture.

ECONOMIC, ENVIRONMENTAL AND SOCIAL INITIATIVES SUPPORTED BY LPP

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

We actively support the implementation of **the UN Sustainable Development Goals** through our activities and the Sustainable Development Strategy.

UN Sustainable Development Goals		Our selected activities
No poverty		<ul style="list-style-type: none">- We control the working conditions and remuneration of suppliers,- We provide over 25,000 jobs, including 14,000 in Poland,- We implement a donation policy (PLN 2 million - the total value of cash and goods transferred in 2017 to charity in Poland).
Zero hunger		<ul style="list-style-type: none">- We offer over 25,000 jobs, including over 14,000 in Poland,- We outsource the production of our projects in Asian countries, contributing to the development of the textile and clothing industry in the region,- We work with 50 clothing stores in Poland, employing over 1,000 employees.
Good health and well-being		<ul style="list-style-type: none">- We care about the quality of our products and verify them for the presence of chemical substances,- We control the working conditions and remuneration of suppliers,- We regularly serve fresh fruit to our employees,- We subsidize starter packages for employees and purchase of sports equipment (LPP Team). Employees in Gdansk have business bicycles at their disposal.
Quality education		<ul style="list-style-type: none">- We work with art schools to develop the industry.- We organize open meetings with experienced employees who share their knowledge and experience with students.
Gender equality		<ul style="list-style-type: none">- We run an internal campaign on diversity - 56% of women in LPP are at managerial positions.
Clean water and sanitation		<ul style="list-style-type: none">- We control the working conditions of suppliers (since 2013, we have allocated PLN 16 million for this purpose),- We have implemented the Code of Conduct for suppliers, in which the supplier is obliged to provide employees with access to drinking water, clean sanitary facilities.
Affordable and clean energy		<ul style="list-style-type: none">- We introduce modern, energy-efficient LED lighting in stores.
Decent work and economic growth		<ul style="list-style-type: none">- We conducted audits at factories in Bangladesh regarding compliance by suppliers with the LPP Code of Conduct, including punctuality in payment of remuneration, overtime or work of minors.

Industry, innovation and infrastructure		<ul style="list-style-type: none">- We are the owner of the largest and most modern Clothing Distribution Centre in Central and Eastern Europe.- We implement a number of innovative projects in the area of IT, e-commerce and sales.
Reduced inequalities		<ul style="list-style-type: none">- We control the working conditions and remuneration of suppliers,- We provide over 25,000 jobs, including 14,000 in Poland,- We are implementing a donation policy.
Sustainable cities and communities		<ul style="list-style-type: none">- We support the development of the Lower Town district and of Gdańsk, where our head office is located.
Responsible consumption and protection		<ul style="list-style-type: none">- We are implementing a customer education programme in the area of maintenance and care of clothes.- We control the working conditions and remuneration of suppliers,- We conducted audits at factories in Bangladesh regarding compliance by suppliers with the LPP Code of Conduct.
Climate action		<ul style="list-style-type: none">- ECOOffice rules and actions minimising our impact on the environment.
Life below water		<ul style="list-style-type: none">- Each of our suppliers is obliged to comply with the laws applicable in the country in the field of environmental protection, including water consumption.
Life on land		<ul style="list-style-type: none">- We use cardboard boxes with FSC certification in transport (Forest Stewardship Council),- Each of our suppliers is obliged to comply with the laws applicable in a given country in the field of environmental protection, in particular air pollution and noise generation.
Peace, justice and strong institutions		<ul style="list-style-type: none">- We are one of the largest tax payers in Poland and the largest on the Coast.
Partnerships for the goals		<ul style="list-style-type: none">- We work with universities to improve the quality of education.

PARTNERSHIPS

In 2016, we concluded an official agreement with the organisation 'Otwarte Klatki', under which we made a permanent commitment to abandon the use of natural fur and joined the international Fur Free Retailer initiative.

Since 2013, we have been the only Polish member of the **ACCORD organisation (The Bangladesh Accord on Fire and Building Safety)**, acting on behalf of the clothing industry to improve

working conditions in the clothing industry in Bangladesh.

In 2017, we joined the group of members of the **Family Business Association - Family Business Network Poland**, associating family businesses. The superior idea of this organisation is to build an entrepreneurial spirit and support businessmen who develop their businesses with the future generations in mind - while maintaining the principles of ethics and family values.

IMPACT ON ECONOMIC
DEVELOPMENT

For the last 7 years (2010-2017), we have allocated almost PLN 2.7 billion to investments. Thanks to this, we have created over tens of thousands of new jobs, opened new or modernised sales rooms, as well as design and logistics facilities. In addition, we allocated PLN 16 million to control the supply chain.

TAX POLICY

We are one of the largest tax payers in Poland and the largest on the Coast.

Settlements within the LPP Group are regulated by the transfer pricing policy, which is in line with the Polish law and guidelines of the Organisation for Economic Cooperation and Development (OECD) for multinational enterprises and tax administrations. **Over 90% of profits generated by the LPP Group is taxed in Poland***. In our tax return, we also include the profit generated by Gothals Limited in Cyprus, which manages the trademarks of Reserved, Cropp, House, Mohito and Sinsay. [Aspect of reporting: tax practice of the company]

Proceeds to the State budget - the years 2015-2017 [PLN thousand]

	2015	2016	2017
VAT	412 945	488 056	529 929
Corporate income tax - CIT	44 401	5 692	41 703
Duty	149 204	143 259	157 869
Personal income tax - PIT	16 871	14 256	18 994
Social Insurance Facility [ZUS] - employee	11 154	14 828	19 890
Social Insurance Facility [ZUS] - employer	15 779	21 068	27 866
Health premiums	5 370	9 313	12 617
PFRON	118	345	590
Property tax	2 954	3 225	3 607
Tax on transport means	3	3	3
IN TOTAL	658 799	700 045	813 068

In 2010-2017, the LPP Group contributed to the budget of the Polish State

4,3 bn
PLN

* The remaining several percent is taxed in countries in which the LPP Group has stores.



LPP DECLARED EMPLOYER OF THE YEAR
LPP received a special award – the Employer of the Year 2017 title of the Gdańsk-Gdynia-Sopot Metropolitan Area awarded by the President of Employers of Pomerania, the Gdańsk Labour Office and the President of the Management Board of the Metropolitan Area – the Mayor of Gdańsk, Paweł Adamowicz. This award is given to companies that have developed significantly in the scope of investments and employment.

INTERNATIONAL CHAMPION
In 2017, we received a prestigious distinction in the category 'Exporter: Polish Private Company – large enterprise' in the 6th edition of the Polish Business – International Champion competition. The 'Puls Biznesu' competition promotes the activity of Polish companies on global markets. The competition jury appreciated the consistent development of global brand recognition and the dynamic expansion of the Polish clothing manufacturer on foreign markets.

IMPACT ON THE DEVELOPMENT OF THE INDUSTRY

LPP has been cooperating with art schools for many years and organises workshops during which the company's designers share their knowledge and experience with students. For two years, educational projects have been carried out under the name 'Fashion Starter'.

"FASHION STARTER"

[Reporting aspect: promotion of occupations related to clothing production]

In the first edition, the students of the Gdańsk Academy of Fine Arts faced the challenge of adapting their own artistic visions, i.e. abstract silhouettes, to the requirements of a commercial collection. Their work was presented in the autumn of 2016 on the Reserved website in shopping centres in Gdańsk, Gdynia, Warsaw, Łódź and Poznań. In the second edition of the 'Fashion Starter' project, which took place in 2017, students of the Academy of Fine Arts in Kraków took part in a series of lectures and workshops conducted by experienced designers. The leitmotif of this year's edition, held jointly with the Open Clothing Design Studio, operating at the Faculty of Interior Architecture at Kraków university, was the use of only the natural fabrics, flax and hemp, to create a clothing collection.

The main objective of the project was to provide participants with practical knowledge about the design process and to familiarise students with the secrets of the designer's work.

They began their adventure with LPP with a series of theoretical lectures on the individual stages of the collection - from establishing a customer profile and creating lifestyle boards to creating a technical drawing and commenting on the first sewn patterns. During practical workshops, on the basis of a jointly made moodboard, the students prepared draft journals and technical drawings selected for the model collection. During subsequent workshop meetings, students discussed the details of sewing individual models and their finishing with designers and tailors. The final stage of the work was, however, a photo session made in the LPP e-commerce studio, in which workshop participants also took part. All projects were displayed in Mohito stores in three shopping malls: Galeria Krakowska, the Wars and Sawa shopping centre on Marszałkowska Street in Warsaw and at the Grunwaldzki Pasaż in Wrocław.



58

students and graduates took part in the 'Fashion Starter' programme (45 in Gdańsk, 13 in Kraków)

COOPERATION WITH ART SCHOOLS

In 2017, our priority in terms of activities to attract talented employees was cooperation with universities:

- International School of Costume and Fashion Design (MSKPU),
- VIA MODA from Warsaw,
- Gdańsk Academy of Fine Arts,
- Kraków Academy of Fine Arts,
- School of Art and Fashion Design (SAPU).
- Łódź Academy of Fine Arts.

As part of the cooperation, we organised Open Days for VIA MODA and MSKPU Students. Representatives of LPP took part in the Diploma Show at the Academy of Fine Arts in Łódź and collaborated with the Academy of Fine Arts in Kraków during the creation of a textbook for students' clothing design. We also took part in the 'Sewing room only for professionals' industry meeting at the Łódź Academy of Fine Arts.

LPP IS #MADEINPOLAND

In June 2017, we invited opinion leaders to our head office in Gdańsk, who gathered to discuss the development prospects of the Polish clothing market among the LPP employees and in the presence of the president and independent experts. The main point was a discussion panel on clothing production in Poland with the participation of an independent expert and a Polish clothing manufacturer.

In October 2017, for the second time, we invited journalists and our business partners to Gdańsk. The purpose of the meeting was a discussion with invited guests, the president and employees of LPP regarding the process of creating added value for the Polish economy, primarily through investments in research and development, creation of creative, highly-specialised jobs, cooperation with local contractors and export development.

25 journalists had the opportunity to visit the laboratory located in the LPP Distribution Centre in Pruszcz Gdański and learn about modern technologies used in the design of LPP stores. During the meeting, a study visit was also organised in a modern production plant belonging to Partnex, a company that has cooperated with LPP for many years.

During the event, the LPP business partners with whom the company has been cooperating in the design and construction of stores from almost the very beginning presented the history of this cooperation and its impact on the development of their business.

The key point of the meeting was the discussion on the process of LPP creating added value for the Polish economy in several areas: R&D, investment in modern technologies supporting the customer's shopping experience, and sales network development, including foreign expansion and cooperation with Polish suppliers. Przykładowo, zatem 65 proc. wartości produktu, jakim jest Reserved powstaje w Polsce, w siedzibach LPP zlokalizowanych w Gdańsku, Krakowie i Warszawie.

During the meeting, it was announced that by the end of 2018 the company intends to employ over a thousand employees and invest nearly PLN 200 million annually in R&D.



Social Projects Coordinator

IMPACT ON LOCAL DEVELOPMENT

For many years, we have been operating a charity primarily in our neighbourhood – in Pomerania and in Lesser Poland, that is, in the regions where our branch offices operate. In accordance with our strategy, we cooperate with social organisations counteracting social exclusion.

Sławomir Łoboda, vice-president of LPP, is the President of the Council of the Hospice Foundation, a public benefit organisation that protects chronically ill people. He was awarded the Bronze Cross of Merit by President Bronisław Komorowski for his social activity.

#LPPSUPPORTS [GRI 413-1]

Due to the nature of the business, since 1996 our clothing has been donated to charity. In the years 1996–2017 as part of this aid LPP made a donation worth over **PLN 19.6 million net** to over 250 non-governmental organisations (associations and foundations) in the country since 1996.

In 2017, we donated 157 gift cards for the purchase of clothes for families injured during the storms in Kashubia and in Tucholskie Forest.

In addition, LPP Russia has transferred funds worth RUB 357,000, LPP Slovakia worth EUR 5,500, and LPP Lithuania worth EUR 67,000.
[Custom index: value of donations]

The issues of social involvement in LPP are governed by the written 'Principles of cooperation'.

1. LPP supports local, regional and national projects. Due to the location of our branches, Pomorze and Małopolska are particularly important areas for us.

2. Taking care of the effectiveness and efficiency of our activities, in the field of corporate social responsibility we cooperate only with legal entities.
3. All requests addressed to LPP are thoroughly analysed; however, due to the huge number of requests, we reserve the right to contact only selected entities.
4. In particular, we engage in projects in:
 - a. supporting the empowerment of excluded people,
 - b. material help for our company's immediate neighbours,
 - c. innovative and ecological solutions in the textile industry,
 - d. artistic education.
5. We also provide material donations to those most in need.

**19,6m
PLN net**

to over 250 non-governmental organisations (associations and foundations) in the country since 1996



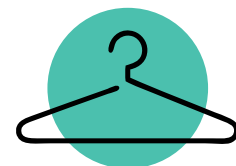
COOPERATION WITH THE HOSPICE FOUNDATION

LPP has been associated with the Gdańsk Hospice Foundation for over 10 years. We encourage our customers to donate 1% of the tax to the organisation and we hand over lots of clothing and gift cards to our stores, which go to several dozens of hospice facilities. The financial support granted to the Foundation in 2013–2017 totalled over PLN 182,000. So far, over **5,500 people** have received help from the foundation. In 2017, LPP became a partner of the Stranded Children Fund programme, providing scholarships to 42 beneficiaries of the programme to develop their skills and passions.

'FIRST FITTING' PROJECT

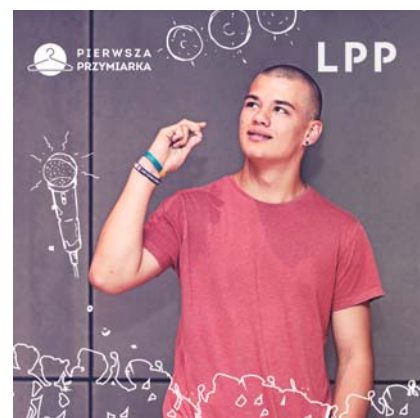
- Together with the Foundation for Social Innovation, LPP helps young people to take their first professional steps.
- The project is addressed to the charges of family homes for children entering adult life – its aim is to prepare young people to live independently on their own.
- After workshops on improving effective job-hunting skills, 11 programme participants held a paid internship at Reserved stores.

Most of the participants of the pilot (8 of 11 people) were given the opportunity to continue working in the LPP outlets, and 5 of them decided to also combine work with education during the school year. Programme participants gained their first experience, and professional and social skills, and the company gained employees working in stores. In addition, mentors emphasised that, for them, participation in this project was an important and valuable experience – they could prove themselves in a new role, as well as gaining new skills. In 2018, we are planning the next edition, and in the coming years we will gradually expand the project to new cities and stores in Poland.



**PIERWSZA
PRZYMIARKA**

#LPPwspiera



PLN 2m

– the total value of cash and goods transferred to charity in Poland in 2017, including: over 100,000 items of clothing worth almost **PLN 1.6 million** transferred to **120 organisations**.





100

volunteers actively
involved in charitable
activities in Poland;
96 volunteers in Russia

COOPERATION WITH SOCIAL ORGANISATIONS

LPP also cooperates with Caritas Polska, the Family Gdańsk Foundation, the House of Single Mother and Child and many other social partners, providing material donations. Thanks to this material help, thousands of beneficiaries have been reached.

Nor does LPP remain indifferent to random incidents, such as the August storm that hit Kashubia and Bory Tucholskie; LPP donated clothes and gift cards to children from areas affected by the disaster. We provided 70 cardboards of clothes to the injured and 157 gift cards (with a total value of PLN 50,000) to children from the areas affected by the disaster.

EMPLOYEE VOLUNTEERING

LPP employees are happy to initiate and engage in help – they organise grass-roots collections and participate in activities organised by the company. There is already the tradition of the annual pre-Christmas collection for a previously chosen goal. In 2017, the employees painted cardboard Santas, which LPP then donated as Christmas decorations to the organisations co-operating with the company. In addition, employees prepared products and decorations for the Christmas market. Thanks to all these actions,

I managed to collect PLN 117,000, which was donated to support employees or their relatives struggling with serious diseases.

As part of employee volunteering, LPP employees designed and refreshed the interiors of the dining room of the Children's Hospital in Gdańsk at Polanki. Four designers prepared designs for three rooms, then 34 people divided into three groups and painted rooms all day. Thanks to that, in the dining rooms you can now meet unicorns, fabulous cats, bears and rainbows, and forest animals, as well as rockets, cosmonauts and robots.

The Hospital for Children in Prokocim needed volunteers to distribute presents on Saint Nicholas' Days. On December 6, 2017, forty volunteers from the Krakow branch of LPP donated presents to patients of various departments in this hospital.

Socially engaged LPP employees can also be found in Russia and Slovakia. In 2017, 96 employees took part in employee volunteering in Russia and more than 60,000 rubles were spent on activities. Our Slovak team donated the financial resources of the Eric Karova Foundation to the purchase of equipment dispensing medicines for patients of the children's hospital in Banská Bystrica.



More about our social activities can be found at:
www.lppsa.com/odpowiedzialnosc-csr/lpp-wspiera

LOWER TOWN

For almost 20 years we have been associated with the Gdańsk district of Lower Town, where the company's head office is located.

Our employees actively participate in activities for the development of our immediate environment, thanks to which they will learn about the resources, but also the needs of the local community. A significant part of our activity within the framework of employee volunteering, as well as financial and material support, which we provide to the needy goes to people and organisations operating in our immediate vicinity.

Our local activities include:

Carolling concerts – every year we donate funds for the organisation of a Christmas carol concert.

Co-financing holiday trips for children – every year we transfer funds to the Roman Catholic Parish Church, Immaculate Conception of the Blessed Virgin Mary, to organise a holiday trip for children from the Lower Town area. This is often their only opportunity for a trip during the year. In 2017, 17 children took advantage of the trip.

'Christmas Tree in the Lower Town' project – every year we buy a large Christmas tree of over 2 meters, which we dress together with the city and local partners.

In 2017, LPP became a sponsor of the International Festival of Open Air and Street Theaters FETA in Gdańsk, which is valued in Poland and one of the most recognisable festivals in this part of Europe.



Every year we offer

2-meter

Christmas tree for
our neighbors

INDUSTRIAL FASHION LAB IN THE HEART OF LOWER TOWN IN GDAŃSK

- In May, the construction of the next stage of the LPP Head Office project at ul. Łąkowa.
- Ultimately, all departments of LPP in Gdańsk will be at one address.
- The building will consist of office space (8,000 m²) and a basement (10,000 m²) that will include parking lots for employees, warehouses and technical rooms.

LPP FASHION LAB is a work of the JEMS Architekci studio, known among others from the

Gdynia Waterfront complex project and the revitalisation of Hala Koszyki in Warsaw. The facility was designed in the industrial style with the dominance of raw concrete and numerous glass elements. The project was created in consultation with the conservator and reflects the character of the buildings typical of the Lower Town. The courtyard of the building has been designed to create the friendly, intimate atmosphere of a mini-park. The central point of the campus will be a green square surrounded by hills, in which terraces will be shaped – a place of work and rest for all employees.

IV. Financial results

PLN 7,029m

net sales revenues of the group in 2017 (↑17% y/y)

SELECTED FINANCIAL DATA OF THE LPP SA CAPITAL GROUP

Selected consolidated financial data*	In PLN thousand		In EUR thousand	
	2017	2016	2017	2016
	01.01-31.12	01.01-31.12	01.01-31.12	01.01-31.12
Revenues	7 029 425	6 019 046	1 656 048	1 375 562
Operating profit (loss)	578 434	226 421	136 272	51 745
Pre-tax profit (loss)	563 671	194 078	132 794	44 354
Net profit (loss)	440 774	174 775	103 841	39 942
Profit (loss) per ordinary share	241,36	96,19	57,87	21,98
Net cash flows from operating activities	893 185	718 176	210 424	164 128
Net cash flows from investing activities	-383 934	-181 354	-90 450	-41 446
Net cash flows from financing activities	-359 872	-393 849	-84 781	-90 008
Total net cash flows	149 379	142 973	35 192	32 674

*data converted at the PLN/EUR exchange rate: 2017: 4.2447; 2016: 4.3757

Selected consolidated financial data*	In PLN thousand		In EUR thousand	
	2017	2016	2017	2016
	01.01-31.12	01.01-31.12	01.01-31.12	01.01-31.12
Total assets	4 206 819	3 677 932	1 008 612	831 359
Long-term liabilities	233 140	267 254	55 897	60 410
Short-term liabilities	1 530 248	1 275 947	366 887	288 415
Equity	2 443 446	2 134 731	585 832	482 534
Share capital	3 705	3 679	888	832
Weighted average number of ordinary shares	1 826 537	1 816 932	1 826 537	1 816 932
Book value per share	1 337,75	1 174,91	320,73	265,58
Declared or paid dividend per share	35,74	33,00	8,42	7,46

*data converted at the PLN/EUR exchange rate: 2017: 4.1709; 2016: 4.4240

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

Consolidated comprehensive income statement (in PLN thousand)

Continuing operations

	2017 Year ended 31.12.2017	2016 (restated) Year ended 31.12.2016
Revenue	7 029 425	6 019 046
Cost of goods sold	3 309 459	3 085 236
Gross profit (loss) on sales	3 719 966	2 933 810
Other operating income	35 770	25 436
Selling costs	2 751 848	2 405 007
General costs	348 091	203 799
Other operating costs	77 363	124 019
Operating profit (loss)	578 434	226 421
Financial income	4 754	1 307
Financial costs	19 517	33 650
Pre-tax profit (loss)	563 671	194 078
Income tax	122 897	19 303
Net profit (loss) on continuing operations	440 774	174 775
Net profit attributable to:		
Shareholders of the parent company	440 851	174 775
Non-controlling interests	-77	0
Other comprehensive income		
Items transferred to profit or loss		
Currency translation on foreign operations	-93 239	113 829
Total comprehensive income	347 535	288 604
Attributable to:		
Shareholders of the parent company	348 093	288 604
Non-controlling interests	-558	0
Weighted average number of ordinary shares	1 826 537	1 816 932
Profit (loss) per ordinary share	241,36	96,19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	2017	2016 restated)
	31 December 2017	31 December 2016
Statement of financial position (in PLN thousand)		
Non-current assets	1 919 694	1 838 664
1. Fixed assets	1 347 570	1 291 338
2. Intangible assets	64 071	43 511
3. Goodwill	209 598	209 598
4. Trademark	77 508	77 508
5. Investments in subsidiaries	101	136
6. Receivables and loans	4 836	6 180
7. Deferred tax assets	158 631	143 657
8. Prepayments	57 379	66 736
Current assets	2 287 125	1 839 268
1. Inventory	1 472 537	1 164 135
2. Trade receivables	199 648	165 389
3. Receivables from income tax	6 394	75 274
4. Receivables and loans	1 755	1 666
5. Other non-financial assets	47 569	29 459
6. Prepayments	44 432	37 592
7. Cash and cash equivalents	514 790	365 753
TOTAL assets	4 206 819	3 677 932
Equity	2 443 446	2 134 731
1. Share capital	3 705	3 679
2. Treasury shares	-43 334	-43 318
3. Share premium	277 631	251 393
4. Other reserves	1 823 453	1 608 298
5. Currency translation on foreign operations	-208 167	-114 928
6. Retained earnings	590 158	429 607
- profit (loss) from previous years	149 307	254 832
- net profit (loss) for the current period	440 851	174 775
Non-controlling interest capital	-15	0
Long-term liabilities	233 140	267 254
1. Bank loans and borrowings	141 824	195 033
2. Employee liabilities	751	2 711
3. Deferred tax liabilities	7 327	3 890
4. Accruals	83 157	65 575
5. Other long-term liabilities	81	45

Short-term liabilities	1 530 248	1 275 947
1. Trade and other liabilities	1 322 628	881 064
2. Income tax liabilities	53 462	7 449
3. Bank loans and borrowings	56 496	315 111
4. Employee liabilities	43 572	28 486
5. Provisions	9 944	9 687
6. Accruals	44 146	34 150
TOTAL equity and liabilities	4 206 819	3 677 932

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016 (restated)
Cash flow statement (in PLN thousand)	Notes	year ended 31.12.2017	year ended 31.12.2016
A. Cash flows from operating activities – indirect method			
I. Pre-tax profit (loss)		563 671	194 078
II. Total adjustments		329 514	524 098
1. Amortisation and depreciation		293 429	267 381
2. Foreign exchange gains (losses)		414	-5 679
3. Interest and dividends		8 673	22 253
4. Profit (loss) on investing activities		6 383	20 661
5. Income tax paid		-92 385	-59 239
6. Change in provisions and employee benefits	24, 25	15 356	16 461
7. Change in inventories	19	-353 991	211 737
8. Change in receivables and non-financial assets	18, 20	-38 654	-35 769
9. Change in short-term liabilities, excluding bank loans and borrowings	26	493 905	79 976
10. Change in prepayments and accruals	27	29 987	-6 582
11. Other adjustments		-33 603	12 898
III. Net cash flows from operating activities		893 185	718 176
B. Cash flows from investing activities			
I. Inflows		57 712	90 530
1. Disposal of intangible and fixed assets		57 442	90 255
2. From financial assets, including:		266	275
a) in associates		165	130
- interest and dividends		165	130
b) in other entities		101	145
- interest		4	8
- repayment of loans		97	137
3. Other investing inflows		4	0
II. Outflows		441 646	271 884
1. Purchase of intangible and fixed assets		441 596	271 831
2. For financial assets, including:		50	53
a) in associates		0	0
b) in other entities		50	53
- loans granted		50	53
3. Other investing outflows		0	0

III. Net cash flows from investing activities

-383 934

-181 354

C. Cash flows from financing activities

I. Inflows

26 264

16 336

1. Loans and borrowings

0

0

2. Proceeds from issuance of shares

26 264

16 336

3. Other inflows from financing activities

0

0

II. Outflows

386 136

410 185

1. Cost of maintenance of treasury shares

16

12

2. Dividends and other payments to owners

65 527

59 936

3. Repayment of bank loans and borrowings

308 979

328 683

4. Interest

11 614

21 554

5. Other outflows from financing activities - financial lease

0

0

III. Net cash flows from financing activity

-359 872

-393 849

D. Total net cash flows

149 379

142 973

E. Balance sheet change in cash, including:

149 037

141 306

- change in cash due to foreign currency translation

-342

-1 667

F. Opening balance of cash

366 026

223 053

G. Closing balance of cash, including:

515 405

366 026

- of limited disposability

0

0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

Statement of changes in equity (in PLN thousand)	Share capital	Treasury shares	Share premium	Other capitals
Balance as at 1 January 2017	3 679	-43 318	251 393	1 608 298
Treasury share purchases	0	-16	0	0
Distribution of profit for 2016	0	0	0	214 747
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
Transactions with owners	26	-16	26 238	215 155
Net profit (loss) for 2017	0	0	0	0
Currency translation on foreign operations	0	0	0	0
Balance as at 31 December 2017	3 705	-43 334	277 631	1 823 453
Balance as at 1 January 2016	3 662	-43 306	235 074	1 323 736
Treasury share purchases	0	-12	0	0
Distribution of profit for 2015	0	0	0	284 562
Share issue	17	0	16 319	0
Transactions with owners	17	-12	16 319	284 562
Net profit (loss) for 2016	0	0	0	0
Currency translation on foreign operations	0	0	0	0
Balance as at 31 December 2016	3 679	-43 318	251 393	1 608 298

Currency translation on foreign operations	Profit (loss) from previous years	Profit (loss) for the current period	Equity attributable to the parent company	Minority interests	TOTAL equity
-114 928	429 607	0	2 134 731	0	2 134 731
0	0	0	-16	0	-16
0	-280 273	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
0	-280 300	0	-38 897	62	-38 835
0	0	440 851	440 851	-77	440 774
-93 239	0	0	-93 239	0	-93 239
-208 167	149 307	440 851	2 443 446	-15	2 443 431
-228 757	599 330	0	1 889 739	0	1 889 739
0	0	0	-12	0	-12
0	-344 498	0	-59 936	0	-59 936
0	0	0	16 319	0	16 319
0	-344 498	0	-43 612	0	-43 612
0	0	174 775	174 775	0	174 775
113 829	0	0	113 829	0	113 829
-114 928	254 832	174 775	2 134 731	0	2 134 731



IV. About Report

APPROACH TO REPORTING

The **LPP integrated report** includes non-financial and financial results for LPP SA and LPP SA Group for 2017 (January 1 – December 31, 2017). [GRI 102-50] This is the first comprehensive LPP report so far, in which we present the impact of our company on issues related to the natural environment, social and labour issues, and supply chain management. At the same time, we are committed to reporting on an annual basis, which will allow comparability of our results year on year. [GRI 102-52]

The two departments responsible for the preparation of the LPP integrated report for 2017 were: Finance and Communication and Sustainable Development. Responsibility for the correct course of the reporting process, completeness of data and correct recognition of all significant non-financial issues and financial results was directly held by the Vice-President of the Management Board and Finance Director, Przemysław Lutkiewicz.

SCOPE OF REPORTING

Other subsidiaries of LPP SA (DP&SL sp. z o.o., IL&DL Sp. z o.o., AMUR SP. z o.o.) were not consolidated due to the irrelevance of the data. This is in line with the accounting policy adopted by the Group.

According to that policy, a subsidiary or associate is not consolidated if the amounts disclosed in the financial statements of this entity are insignificant in relation to the financial statements of the parent company. In particular, if balance sheet totals and the sales and financial operations of an entity total less than 1% of the balance sheet total and income of the parent company for the financial period, they are considered insignificant. The non-consolidation of the financial statements of these companies does not adversely affect the fair presentation of the financial and non-financial performance of the Group.

Financial statements of subsidiaries are prepared for the same reporting period as the statements of the parent company. Subsidiaries prepare their statements according to accounting standards in force in individual countries; however, for the purpose of consolidation, their financial data is transformed so that the consolidated financial statements are prepared on the basis of uniform accounting principles. In order to eliminate any discrepancies in the applied accounting principles, adjustments are made.

All significant balances and transactions between the Group's entities, including unrealised profits resulting from transactions within the Group, have been completely eliminated.

THE PROCESS OF CREATING A REPORT

The report has been prepared in accordance with the GRI Standards Core option - the international standard for non-financial reporting. [GRI 102-54] This means that when preparing this publication, we were guided by clearly defined rules regarding, among others, credibility and transparency of content.

Non-financial reporting topics have also been defined in accordance with the principles of the international standard Global Reporting Initiative. First of all, the report content was identified, taking into account the opinions and recommendations provided by external stakeholders and LPP employees in the form of an online survey and during the stakeholder panel. The company's internal materials were also analysed, as well as practices and trends of sustainable development in the clothing industry. Then, these topics were prioritised. This work identified the 15 most material topics of non-financial reporting of the LPP Group. [GRI 102-46]

In the whole process of preparing the report, we were supported by an external consulting company: CSRinfo. To confirm the reliability and reliability of the presented results, we have also decided to use external assurance by auditors from Bureau Veritas. [GRI 102-56]

The financial results included in the report constitute the consolidated financial statements of the LPP Group, which were prepared on the basis of the financial statements of all significant subsidiaries using the same valuation methods and principles of preparation of financial statements as LPP SA does. [GRI 102-45] In the reporting year there were no significant changes regarding the size, structure, ownership form and value chain. [GRI 102-10]

Identified material topics of LPP reporting [GRI 102-47]

1. Compatibility of the activity with the law

2. The tax practice of the company

3. Customer satisfaction

4. Business strategy of the company and its plans for the future

5. The quality of products
6. Production of clothing in Poland

7. Safe product

8. Conditions of employment

9. Employee development

10. Satisfaction of employees

11. Recruitment

12. Promotion of related professions with the production of clothing
13. Assessment of suppliers in terms of compliance with health and safety rules

14. Assessment of suppliers in terms of the working conditions provided

15. Occupational health and safety at work

CONTENT INDEX FOR GRI STANDARDS

GRI Standard/ Custom index	Disclosure	Page number
General Disclosures		
Organisation profile		
GRI 102-1	Name of the organisation	8
GRI 102-2	Description of the organisation's activities, main brands, products and/or services	6, 12-15
Custom index	The number of stores throughout the Group and growth y/y	12-15, 56
Custom index	Area of stores in m2 for the entire Group and % increase y/y	12-15, 56
Custom index	The comparable LFL (like-for-like) sales indicator in the reported year	7
GRI 102-3	Location of the organisation's head office	18
GRI 102-4	Location of operating activity	18
GRI 102-5	Form of ownership and legal structure of the organisation	24
GRI 102-6	Supported markets for the group and by brands	6
GRI 102-7	Scale of activity	7
Custom index	Group's net revenue from sales for the reported year and % increase y/y	7
Custom index	Net revenue by brands for the reported year and % increase y/y	12-15
Custom index	Ecommerce revenues – share in the group's revenue and % increase y/y	7, 66-67
GRI 102-8	Data regarding employees and other persons providing work for the organisation, including:	81-82
GRI 102-8	The total number of employees, broken down by gender and type of employment in LPP SA and in the LPP Group	82
GRI 102-8	Total number of employees, broken down by type of employment (full-time or part-time), broken down by gender in LPP SA and in the LPP Group	82
GRI 102-9	Description of the supply chain, including:	36, 48-53
Custom index	– Share of % of foreign suppliers by country (total range)	37
Custom index	– Share of % of production in Poland (entire range)	37, 39
Custom index	– Share of % of individual transport (air, sea, rail, road) categories in the reported year	49

Custom index	Number of garments sent on average per day to stores	49
Custom index	Number of stores serviced by the Distribution Centre in Pruszcz Gdański	19
GRI 102-10	Significant changes in the reporting period regarding the size, structure, ownership form or value chain	142
GRI 102-11	Explanation of whether and how the organisation applies the precautionary principle	104
GRI 102-12	External economic, environmental and social declarations, principles and other initiatives accepted or supported by the organisation	116
GRI 102-13	Membership of associations and organisations	116-117
	Strategy	
GRI 102-14	Statement by the top management	4-5
GRI 102-15	Description of key influences, opportunities and risks	22, 109
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GRI 102-16	Organisation values, code of ethics, rules and standards of behaviour	101
	Management	
GRI 102-18	The supervisory structure of the organisation together with the committees subordinated to the highest supervisory body	78, 81
	Stakeholders' involvement	
GRI 102-40	List of stakeholder groups engaged by the reporting organisation	113-114
GRI 102-41	Employees covered by collective agreements	85
GRI 102-42	Basis for identifying and selecting stakeholders engaged by the organisation	112
GRI 102-43	An approach to engaging stakeholders, including the frequency of involvement by type and group of stakeholders	68, 113
GRI 102-44	Key topics and problems raised by stakeholders and the response from the organisation, including by reporting them	65, 115
	Reporting	
GRI 102-45	Recognition in the report of economic entities recognised in the consolidated financial statements	142
GRI 102-46	The process of defining the content of the report	142
GRI 102-47	Significant subjects identified	142
GRI 102-48	Explanations regarding the effects of any adjustments to information contained in previous reports, giving reasons for their introduction and their impact (e.g. mergers, acquisitions, change in the year/base period, nature of operations, measurement methods)	N/A
GRI 102-49	Significant changes compared to the previous report regarding the scope, reach or methods of measurement used in the report	N/A
GRI 102-50	Reporting period	142
GRI 102-51	Date of publication of the last report (if published)	N/A
GRI 102-52	Reporting cycle	142
GRI 102-53	Contact details	152
GRI 102-54	Indication of whether the report was prepared in accordance with the GRI Standard in the Core or Comprehensive option	142
GRI 102-55	GRI index	143-147
GRI 102-56	Policy and current practice in the field of external verification of the report	142

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GRI 103-2	Management approach and its elements	21
GRI 103-3	Evaluation of management approach	21
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GRI 103-2	Management approach and its elements	102
GRI 103-3	Evaluation of management approach	102
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GRI 103-2	Management approach and its elements	118
GRI 103-3	Evaluation of management approach	118
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GRI 401-2	Additional benefits (benefits) provided to full-time employees	85, 87
GRI 401-1	Total number and percentage of new employees and the total number of departures in the reporting period, including:	83
GRI 401-1	Total number and percentage of newly hired employees broken down by gender and age in LPP SA and LPP Retail	83
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GRI 103-2	Management approach and its elements	87
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GRI 404-1	Number of training days per year per employee by employment structure (index reported in part)	91
GRI 404-2	Programmes for the development of managerial skills and lifelong learning	88-90
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GRI 103-1	Explanation of the topics identified as significant along with an indication of the restrictions	94-95
GRI 103-2	Management approach and its elements	94-95
GRI 103-3	Evaluation of management approach	94-95
GRI 406-1	Total number of cases of discrimination	103
	ASPECT OF REPORTING: recruitment	
GRI 103-1	Explanation of the topics identified as significant along with an indication of the restrictions	97-100
GRI 103-2	Management approach and its elements	97-100
GRI 103-3	Evaluation of management approach	97-100
	ASPECT OF REPORTING: Occupational health and safety at work	
GRI 103-1	Explanation of the topics identified as significant along with an indication of the restrictions	52, 96
GRI 103-2	Management approach and its elements	52, 96
GRI 103-3	Evaluation of management approach	52, 96
GRI 403-2	Type and rate of work-related injuries	96
	ASPECT OF REPORTING: customer satisfaction	
GRI 103-1	Explanation of the topics identified as significant along with an indication of the restrictions	64-65
GRI 103-2	Management approach and its elements	64-65
GRI 103-3	Evaluation of management approach	64-65
Custom index	Number of the Ethics Committee's interventions regarding marketing communications ending in a negative decision for LPP	73
Custom index	The number of fans in social channels by brands	68
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GRI 103-1	Explanation of the topics identified as significant along with an indication of the restrictions	46-47
GRI 103-2	Management approach and its elements	46-47
GRI 103-3	Evaluation of management approach	46-47
GRI 301-1	Used raw materials / materials by weight and volume (index reported in part, % share of materials used by LPP in the production of clothes by main categories)	32-33
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GRI 103-1	Explanation of the topics identified as significant along with an indication of the restrictions	46-47
GRI 103-2	Management approach and its elements	46-47
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GRI 103-2	Management approach and its elements	40-45
GRI 103-3	Evaluation of management approach	40-45
	ASPECT OF REPORTING: assessment of suppliers in terms of the working conditions provided	
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Custom index	The number of factories inspected for occupational health and safety, working conditions, and respect for human rights in the reported year	40-41
	ASPECT OF REPORTING: promotion of occupations related to the production of clothing	
GRI 103-1	Explanation of the topics identified as significant along with an indication of the restrictions	120-122
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	Social involvement programmes	
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Custom index	The value of donations made in the reported year	125
Custom index	Number of volunteers involved in the projects in the reported year	127



TABLE OF NON-FINANCIAL
ISSUES

Below is a list of non-financial issues required by the Accounting Act with a reference to the page number on which we describe the required information.

Issue	Page number	
	LPP SA	GK LPP SA
1. LPP business model.	18-19	18-19
2. Key indicators of non-financial effectiveness.	7	7
3. Policies, procedures, documents regulating at LPP:		
– employee issues	85	85
– social issues	22, 38, 52, 64, 123	22, 38, 52, 64, 123
– environmental issues	104	104
– respect for human rights	103	103
– counteracting corruption	102	102
4. Description of risks and management of non-financial risks.	109	109

EXTERNAL VERIFICATION



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 2017" (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 and LPP's non-financial indicators required by The Accounting Act¹ included in the Report for the period 1 January 2017 to 31 December 2017.

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> and principles of developing LPP's non-financial indicators.

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.

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.

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;

¹ 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)



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.

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.

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 certified² Quality Management System which complies with the requirements of ISO 9001:2008, 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 Inspections Agencies (IFIA)³, 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.

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 2017" has been prepared in accordance with standards for sustainability reporting the GRI Standards, Core option.

BUREAU VERITAS POLSKA Sp. z o.o.

Warsaw, March 2018

Witold Dżugan

Member of the Board

² Certificate of Registration No. 44 100 160145 issued by TUV NORD CERT GmbH

³ International Federation of Inspection Agencies – Compliance Code – Third Edition



CSR Coordinator



PR Manager

LET'S STAY IN TOUCH

And so you have come to the end of our report, in which we have tried to introduce you to the world of LPP.

We told about us, our activities, and the people who are creating this company with us. We hope that this has allowed to you to get to know us better.

We are full of energy. Our passion is our business, our brands and those for whom we create collections, which is why we listen to the needs of everyone. If after reading our report you have any reflections, comments or ideas, please share them. We are waiting for your e-mails at csr@lppsa.com.

The only constant thing in our business is change, because only that allows us to become better. Our passion ignites us, drives our ambition and only as a team, which you also can be part of, can we improve ourselves and our products. We care about each of you. Write to us and become part of the LPP world.

Let's stay in touch: [GRI 102-53]

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facebook.com/discoverlpp




linkedin.com/company/lpp-s.a/



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The LPP integrated report has been printed on 100% recycled paper, bleached entirely without chlorine. Thanks to using that kind of paper the negative impact on the environment has been reduced by:



348 kg of waste did not end up in landfills



Decreased amount of greenhouse gases emitted to atmosphere by **47 kg**



On average **468 km** shorter product travel (mid-range European car)



Usage of water decreased by **13 584 litres**



798 kWh of energy saved



566 kg of wood saved

Carbon footprint data evaluated by Labelia Conseil in accordance with the Bilan Carbone® methodology. Based on a comparison of paper from recycling and paper from wood pulp according to most recent BREF European wood pulp paper parameters. Results are obtained according to technical information and subject to modification.





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