

LPP

MODERN SLAVERY STATEMENT 2019

This statement concerns all companies belonging to the LPP Group, further referred to as LPP.

INTRODUCTION

We tune in to the needs of the world around us and the challenges we all face today. Human rights and environment protection concern every single one of us. We cannot and are not indifferent. It is our duty to limit the environmental impacts of our operations to a minimum.

- Marek Piechocki - Founder, CEO

The world of LPP in numbers and actions

LPP Group: a Polish company with global aspirations

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

25+ years of experience in the industry

- **24,447 jobs**
- **265 million** items of clothing sold each year
- **1.231 million m²** – the total area of all the stores of the LPP Group
- **+ 1,700 stores** in 25 countries on 3 continents

Openness, diversity, responsibility for our shared development and mutual respect create our company's unique culture. Yet, the most important foundation of our work is freedom.

We fully, completely and unconditionally oppose any form of forced labour.

This objection is made known along with the company's values and is an intrinsic part of our DNA. In this document, you will find information on actions we take to counteract modern slavery.

RISK MANAGEMENT AT LPP

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

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

We carry out regular assessments of the financial and non-financial risks faced by the Group. Our top managers play an important role in this respect, as they supervise their respective departments which includes identifying and assessing various operational risks (including social, product, employee and environmental risks; protection of human rights and corruption prevention). In 2019 we identified a new employee risk: “business partners in Europe not respecting the rights of immigrants”

Risks identified in The Internal Control System and The Transfer Pricing Policy	
Non-financial issue	LPP SA LPP Group
Social risks	<ul style="list-style-type: none"> - legislative changes (shopping hours) - legislative changes (tariffs and taxes)
Product risks	<ul style="list-style-type: none"> - product quality - increased competition - choosing the right pricing policy - increased material cost - logistic risk - choosing the right pricing strategy - dependence on individual recipients
External risks	<ul style="list-style-type: none"> - macroeconomic risks - increased competition - dependence on one market segment - vendors’ credibility - dependence on individual vendors of goods and services - reputation damage (copyright infringement) - macroeconomic risks - increased competition - dependence on one market segment

Employee risks	<ul style="list-style-type: none"> - risks associated with technical means, technologies and technological development - low performance quality - dependence on staff - lack of qualified workforce - business partners in Europe not respecting the rights of immigrants 	<ul style="list-style-type: none"> - dependence on staff - low performance quality - lack of qualified workforce - risk of increasing labour costs (outflow of unqualified workers)
Environmental risks	<ul style="list-style-type: none"> - increased raw material costs - extreme weather conditions threatening operations - regulatory risks (compliance with regulations aimed at preventing climate change) 	<ul style="list-style-type: none"> - extreme weather conditions threatening operations - regulatory risks (compliance with regulations aimed at preventing climate change)
Protection of human rights	<ul style="list-style-type: none"> - reputation damage (contracting suppliers from the Global South) - personal information handling by suppliers - mobbing risk 	<ul style="list-style-type: none"> - mobbing risk - personal information handling by suppliers
Corruption prevention	<ul style="list-style-type: none"> - fraud 	<ul style="list-style-type: none"> - fraud

STAKEHOLDERS ENGAGEMENT

Through the dialogue with our stakeholders, we try to get to know their expectations the best we can. That is why, each year we hold round tables to discuss issues of key importance from the point of view of our organisation's operations. After a meeting on fair fashion (2017) and responding to customer needs (2018), this time round we focused on sustainable development and corporate social responsibility. We organised a round table on the priorities of a responsible business, inviting our business partners, social partners, industry organisations, representatives of the academia and industry experts to join in. The round table was held in accordance with the AA1000SE Stakeholder Engagement Standard by independent moderators. One of last year topic of conversation was "taking care of employee".

We are also conducting country assessments based on public and available information's, our bureaus in Dhaka and Shanghai, external auditors and data form partners we're in. Thanks to free helpline in Bangladesh, through ACCORD on fire and building safety in Bangladesh we are able to connect with our suppliers' workers.

THE LPP CODE OF CONDUCT

This original LPP document takes account of the provisions of the International Labour Organisation conventions and the Universal Declaration of Human Rights. The code sets out requirements that must be met by all our suppliers across the world. It sets out the following principles:

- obligatoriness of having a proper payroll policy and formal terms and conditions of work,
- unconditional prohibition of child labour,
- voluntariness of labour,
- freedom of association,
- equal treatment of all employees.

The code also specifies work safety and hygiene standards and compel the suppliers to take care of the natural environment. Each supplier is required to sign the code before their begin to work with us. To boot, every plant in Bangladesh undergoes an audit before it starts to produce clothes for LPP brands. In the re-reporting period seven out of all the factories re-reported by the merchandisers were not approved as LPP suppliers following an audit.

Here you can find our Code of Conduct in 5 languages: <https://www.lppsa.com/wp-content/uploads/2018/02/LPP-Kodeks-postepowania-04.2015-PL-CH-EN-BD-TK.pdf>

AUDITS IN THE SUPPLY CHAIN

At LPP, we want to ensure high quality in our business partnerships by introducing control measures in the supply chain. We are particularly keen to promote our standards among our suppliers and monitor their compliance. This is the task of specialized units in our organization: the sustainable development unit and the representative offices in Shanghai and Dhaka. To audit our suppliers in Bangladesh, which remains our key market, we have enlisted the help of SGS, an independent international auditor, which inspects conditions of work, pay and environment protection. The auditor monitors compliance with The LPP Code of Conduct. In the reporting period, our representative office commissioned 83 SGS audits and 97 special audits. 85% of our production plants received a very good or good score. The average SGS score, which shows the manufacturers' compliance with The LPP Code of Conduct, was 92% in the reporting period, LPP auditors conducted 1,564 audits to evaluate occupational health and safety,

working conditions and human rights protection in 10 countries (Bangladesh, China, Cambodia, Myanmar, Pakistan, India, Turkey, Ukraine, Bulgaria and Georgia) in the reporting year (and 84% in 2018). As for discrimination prevention, the compliance score was 100%. If a supplier does not meet all of our requirements, they receive a Corrective Action Plan with an implementation deadline. In 2019 we also launched special audits in India. In the reporting period, LPP auditors conducted 1,564 audits of occupational health and safety, conditions of work and human rights protection in 10 countries (Bangladesh, China, Cambodia, Myanmar, Pakistan, India, Turkey, Ukraine, Bulgaria and Georgia).

In October 2019, another Awareness Day meeting was held at the SGS headquarters in Dhaka with representatives of 40 LPP suppliers in attendance. The participants were reminded of the provisions of The LPP Code of Conduct. We also discussed the main health and safety problems occurring at the factories and recommended solutions. The participants received instructions to help them implement our standards.

ACCORD ON FIRE AND BUILDING SAFETY

Since 2013 have been the only Polish signatory of the Bangladesh Accord on Fire and Building Safety (ACCORD), which unites clothing companies. ACCORD works to improve the working conditions in Bangladeshi factories and educate the factory workers on safety and their rights. Our actions initiated a great deal of positive change in the factories where LPP clothes are produced between 2017 and 2019:

- 97% of factories replaced or modernized their electrical wiring.
- 91% of manufacturers had additional fire protection equipment installed.
- 88% of the plants had their buildings reinforced, while many moved production to new buildings.

As part of ACCORD, LPP also supports a training programme for occupational health and safety. More than 263,000 of our suppliers' workers have joined the scheme. Nearly 80,000 have completed it. One of the key things the workers learn about is a whistleblower system, a free helpline every worker may call to report a safety hazard in their factory.

HUMAN RIGHTS AT LPP

We believe that respecting human rights is the cornerstone of ethical and responsible business. That is why we work to ensure that all our employees, suppliers, clients and other stakeholders are treated with dignity. Our approach to human rights protection is detailed in the LPP More Sustainable Development Strategy for 2017–2019, which rested on the following pillars: practices involved in clothes design and production, friendly workplace and employee well-being, ethics

and transparent norms of behavior, as well as working for the benefit of local communities. In October we adopted a new strategy, For People For Our Planet, which focuses on reducing our environmental impact. Respecting human rights at all levels of the value chain is, however, the linchpin of our operations. Below is an overview of the actions we take to protect human rights across our business model.

Design

All processes involved in product development

Key issues	Our actions	Our policies
<ul style="list-style-type: none"> ▪ Work based on mutual respect. ▪ Preventing discrimination of employees. ▪ Transparent employment terms. ▪ Supporting diversity in all its aspects. ▪ Promoting employee development and education. ▪ Promoting healthy lifestyles and health awareness among the employees. ▪ Social engagement. ▪ Preventing corruption. ▪ Copyright protection 	<ul style="list-style-type: none"> ▪ Our ethics code, The LPP Principles, and whistleblowing system. ▪ Diversity Team and its operations. ▪ Employee development programmes. ▪ Cancer prevention, nutrition and mindfulness workshops. ▪ Encouraging employees’ physical activity as part of The LPP Team and other schemes, reimbursement of private health insurance. ▪ Employee volunteering. ▪ Educational projects led by LPP employees. ▪ Anti-corruption training for all employees. 	<ul style="list-style-type: none"> ▪ Employee Conduct Policy and Anti-Mobbing Procedure. ▪ The LPP Principles (ethics code). ▪ General Recruitment Policy. ▪ Payroll Policy and Procedure. ▪ Employee Support Fund Policy and Procedure. ▪ List of particularly strenuous jobs and jobs prohibited to pregnant women. ▪ List of jobs prohibited to minors. ▪ Anti-Plagiarism Policy. ▪ External Partnerships Policy. ▪ Business Travel Policy.

Production

Garment production outsourced to external entities

Key issues	Our actions	Our policies
<ul style="list-style-type: none"> ▪ Safety and good conditions of work. ▪ Raising vendors' awareness about human rights. 	<ul style="list-style-type: none"> ▪ Joining ACCORD. ▪ Inspections of workplace safety and conditions carried out by LPP. ▪ Social audits carried out by our social auditor in Bangladesh. ▪ Workplace safety inspections carried out by an independent auditor, SGS. ▪ Cooperation with and training for suppliers. ▪ Pilot phase of the Quality Assurance System in Bangladesh. 	<ul style="list-style-type: none"> ▪ Code of Conduct for Suppliers. ▪ Quality Guidebook (requirements concerning chemicals).

Logistics

The operations of our distribution and fulfilment centres.

Key issues	Our actions	Our policies
<ul style="list-style-type: none"> ▪ Ensuring that Distribution and Fulfillment Centres' employees are safe. ▪ Comfortable working conditions. ▪ Supporting employee diversity. 	<ul style="list-style-type: none"> ▪ Facilities at the distribution centre in Pruszcz Gdański (free meals for the night shift, break areas) ▪ Upgrades and comfort improvements at the fulfilment centre to facilitate employee diversity. 	<ul style="list-style-type: none"> ▪ Distribution Centre Rules and Regulations. Alcohol Abuse Prevention Policy. ▪ Employee Conduct Policy. ▪ Occupational Health and Safety instructions.

Sales

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

Key issues	Our actions	Our policies
<ul style="list-style-type: none"> ▪ Friendly conditions of work at our stores. ▪ Employee development and education. ▪ Honest and coherent marketing communication. ▪ Respect for the customers, their needs and diversity. ▪ Customers’ right to be informed. ▪ Preventing corruption. 	<ul style="list-style-type: none"> ▪ Implementation of development programmes. ▪ An ethics code for store personnel, The LPP Principles. ▪ Multichannel communication with customers. ▪ Marketing communication adjusted to different groups of customers (such as communication that promotes diversity). ▪ Friendly and respectful customer service. ▪ Information on materials and the origins of products.. 	<ul style="list-style-type: none"> ▪ The LPP Principles (ethics code) and The LPP Principles for Store Personnel. ▪ Payroll Policy and Procedure. ▪ Customer Service Procedures for each brand. ▪ Returns Policy and Complaints Policy. ▪ Crisis Management.

SELECTED PROVISIONS OF TERMS OF EMPLOYMENT

Contracts & Terms of Employment

The Employer and the Employee should conclude in writing an employment contract specifying the type of work, the place of work, the remuneration to which the Employee is entitled, with the indication of the components of the remuneration, the working hours and the date of commencement of the work, as well as an agreement on financial liability, if required.

Equal Pay, Harassment & Violence

The Employer:

- shall combat discrimination in employment, in particular on grounds of sex, age, disability, race, religion, nationality, political views, trade union membership, ethnic origin, beliefs, sexual orientation or employment for a fixed or indefinite period or full-time or part-time;

- shall not use or allow any form of discrimination and, in addition, to make the text of the provisions on equal treatment in employment available to Employees by making it available at the Work establishment;
- shall inform Employees in the manner adopted by the Employer about the possibility of full or part-time employment, and Employees with fixed-term contracts about vacancies;
- shall counteract mobbing.

Maternity Rights & Parental Leave

- Women shall not be employed for work that is particularly arduous or harmful to health.
- A pregnant Employee shall not do overtime or work at night.
- A pregnant Employee shall not be posted outside the place of permanent employment without her consent.
- An Employee caring for a child up to the age of 4 years shall not do overtime, work at night, or be posted outside the place of permanent employment or employ on an intermittent basis without the person's consent.
- A breastfeeding employee is entitled to two half-hour breaks included in her working hours. An employee who is breastfeeding more than one child is entitled to two breaks of 45 minutes each. Breastfeeding breaks may be granted jointly upon request of the Employee. An employee employed for less than 4 hours a day are not entitled to breastfeeding breaks. If the working time of the Employee does not exceed 6 hours per day, she shall be entitled to one breastfeeding break.
- Upon request, the Employee shall be granted leave immediately after the maternity leave; this also applies to the Employee-father who is taking maternity leave.

Notice Period, Dismissal & Disciplinary Action

- A serious breach of the basic obligations of the employees, which constitutes the basis for termination of the employment contract without notice through the fault of the Employee shall be, in particular:
 - not showing up for work, or leaving work, without any excuse;
 - appearing at work after drinking alcohol, in a state of intoxication, under the influence of drugs or other similar narcotic drugs or psychoactive substances, as well as consuming alcohol, drugs and other similar narcotic drugs or psychoactive substances on the premises of the Work establishment;
 - performance by the Employee during his or her working hours of any work not related to the scope of his or her obligations under the employment contract or other contracts

concluded with the Employer, for the benefit of another natural or legal person or organisational unit without legal personality, regardless of whether the activities conducted by these persons or units are competitive to the Employer;

- conducting or participating in the conduct of third parties' activities competitive to the Employer's activities;
 - disclosure of professional, economic, commercial, organisational or other secrets of the Employer;
 - infringement of occupational health and safety regulations or rules, or fire regulations;
 - theft, misappropriation, fraud or culpable destruction or damage to Employer's property;
 - culpable improper performance of work.
- Before making a decision on termination of the employment contract without notice through the fault of the Employee, the Employer thoroughly investigates the existence of the prerequisites for termination of the contract in this manner, as defined in the provision of Article 52 of the Labour Code.
 - Pursuant to the provisions of Article 108 of the Labour Code, for the Employee's failure to observe established organisation and order in the working process, the occupational health and safety regulations, fire protection regulations or the procedure adopted to confirm arrival and presence at work, as well as justifying absence at work, the Employer may apply the following:
 - punishment of admonition;
 - punishment of reprimand.

Working Hours & Rest Breaks

- The Employee shall be entitled to paid annual leave without interruption.
- The leave entitlement shall be:
 - 20 days, if the Employee has been employed for less than 10 years;
 - 26 days, if the Employee has been employed for at least 10 years.
- The leave entitlement for a part-time Employee shall be determined in proportion to the Employee's working hours, taking as a basis the amount of leave specified in paragraph 4 above; a part-time Employee's leave shall be rounded up to the nearest full day.
- A person classified as having a significant or moderate degree of disability is entitled to additional leave on the terms and subject to leave allocation specified in generally applicable law.

BOARD APPROVAL

This slavery and human trafficking statement for the financial year ending 2019 has been approved by the board of directors of LPP SA on behalf of LPP SA and all members of the LPP Group, in accordance with section 54 of the Modern Slavery Act 2015.

PRZEMYSŁAW LUTKIEWICZ VICE-PRESIDENT OF THE MANAGEMENT BOARD