



LPP

MODERN SLAVERY
STATEMENT

2020

RESERVED

CROPP

 **house**

MOHITO

sinsay

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 be and are not indifferent. It is our duty to limit the environmental impacts of our operations to a minimum.

- Marek Piechocki - Founder, CEO

This Statement has been published in accordance with the Section 54 of the UK Modern Slavery Act 2015 (taking into account the Guidance issued by the UK Government on 20 April 2020 on modern slavery reporting during the COVID-19 pandemic). The statement concerns all companies belonging to the LPP Group, further referred to as LPP. It outlines the activities we take as a business to prevent slavery and human trafficking in our own operations and supply chain for the financial year 2020 (ended 31 January 2021).

We recognise that Modern Slavery is a growing global issue and we understand our responsibility to prevent, mitigate and remediate where necessary, the risks of human trafficking, forced, bonded and child labour and to respect human rights in our operations and our supply chain.

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.

ABOUT US

We are a **Polish family company** operating in the clothing industry which was set up 30 years ago in the region of Pomerania. Ever since its founding, LPP has been growing dynamically, increasing its presence in more and more foreign markets and effectively implementing Polish creative ideas wherever we sew and sell the collections of our **five diverse fashion brands: Reserved, Cropp, House, Mohito and Sinsay**.

Today we operate as the LPP SA Capital Group consisting of 31 companies. LPP products are available to our customers in **38 markets**, and more than a half of the **PLN 7,8 bn of our revenue** is generated by foreign sales.

Yet, it is in Poland where we develop our brand concepts and make all the strategic decisions. Our main headquarters are located in Gdańsk and so are the design departments of Reserved, Cropp and Sinsay. Mohito and House collections are devised in LPP's offices in Cracow. We are a stable employer and a reliable business partner. We employ **nearly 22,000 people** and cooperate with **1,108 suppliers**. We were one of the first clothing producers to make it on the Worker Rights Consortium (WRC) list of companies that meet their obligations towards suppliers.

We have:

- 30 years of experience in the industry.
- 21,977 employees all over the world (including 11,578 in Poland).
- 233 million items of clothing sold annually.
- 1.435 million m2 – combined retail space of the LPP Group.
- + 1,800 stores in 25 countries on 3 continents.

Since 2019, LPP has been a signatory of the United Nations Global Compact and we commit to respect and promote its ten universally recognized principles. These include the elimination of all forms of forced and compulsory labour and the effective abolition of child labour.

We also contribute to the achievement of selected goals of the 2030 Agenda for Sustainable Development adopted by the UN General Assembly in 2015. We identify areas of our impact and take actions that are consistent with our business activity and our approach to social involvement.

In April 2020 LPP became the founding member of the Union of Polish Retail and Services Employers (ZPPHiU), an industry organization set up in the face of the crisis caused by the COVID-19 pandemic and the (resultant) economic shutdown and reorganization of the operations of shopping centres. The primary goal of ZPPHiU's actions is to save jobs in the retail and services sector. The organization supports dialogue between tenants and property managers to work out solutions adapted to the new reality and adjust rents to the situation currently seen in shopping centres.

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 behaviour, as well as working for the benefit of local communities. In 2019 we adopted a new strategy for 2020 – 2025, For People For Our Planet, which focuses on reducing our environmental impact.

We respect human rights in all aspects of our business model and expect the same from our suppliers. We protect human rights through actions that regulate and promote fair treatment of our employees, vendors, customers and other stakeholders. When the COVID-19 pandemic broke out in the spring of 2020, we rose up to the new challenges in this area. For more information about human rights at LPP, please see our Integrated Report for 2020/2021: <https://www.lppsa.com/en/sustainable-development/annual-report>

OUR POLICIES ON SLAVERY AND HUMAN TRAFFICKING

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Our *Code of Conduct*, *External Partnerships Policy* and *LPP Principles* (ethical code) reflect our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

RISK MANAGEMENT & DUE DILIGENCE

RISK MANAGEMENT

As part of our initiative to identify and mitigate risk we have in place systems to:

- Identify and assess potential risk areas in our supply chains.
- Mitigate the risk of slavery and human trafficking occurring in our supply chains.
- Monitor potential risk areas in our supply chains.
- Protect whistle blowers.

LPP approach to risk management is governed by two documents: “The Internal Control System” and “The Transfer Pricing Policy”. They provide a comprehensive analysis of the risks identified within the organization, ways to prevent them and control procedures.

We carry out regular assessments of the financial and non-financial risks faced by the Group. Members of the Management Board and top executives play an important role as regards identifying risks and reacting to them. Our managers are responsible for supervising their respective departments for operational risks.

We also place strong emphasis on identifying and assessing risks concerning reliable, trustworthy and lawful financial and non-financial reporting processes. In addition to that we take into consideration relevant ESG issues from the wider perspective of our business strategy.

Find out more about *Risks identified in LPP SA and the LPP Group* in *LPP's Integrated Report for 2020/2021* on <https://www.lppsa.com/wp-content/uploads/2021/05/LPP-Group-Integrated-Report-for-2020-21-1.pdf>

TRAINING

LPP employees are continuously trained in our policies (*LPP Principles, Anti-Mobbing Procedure* etc.) and company values, including those related to human rights.

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. We also support occupational health and safety training for the workers, as part of which they learn about a whistleblower system of reporting irregularities, among other things (90% of our suppliers' employees complete the training).

STAKEHOLDERS ENGAGEMENT

We make sure that our communication are clear and adjusted to take account of the needs of different stakeholder groups. Through open dialogue, we try to get to know their expectations and respond to them as best we can. From 2017 to 2019 we organised round tables in accordance with the AA1000SES standard held by independent moderators who ensured everyone's anonymity. The meetings discussed fair fashion, customer needs and corporate social responsibility. In the 2020/21 reporting year, due to the COVID-19 pandemic, we did not organise face-to-face meetings. Instead, we held on one-on-one video conferences with our business and social partners, and industry experts, focusing on transparency and the scope of disclosure in non-financial reporting.

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. It also requires suppliers to look after the natural environment.

The Code of Conduct drawn up by LPP defines the requirements that must be fulfilled unconditionally by all our suppliers, regardless of the country where they are based. Each of the producers must sign the document before the start of their collaboration with our company. They are also audited before they begin manufacturing for LPP. In the last reporting year, 8 factories in Bangladesh were not approved following the audit.

The principles described in the Code are as follows:

- obligation to have a proper payroll policy and formal terms and conditions of work
- unconditional prohibition of employing children
- voluntariness of labour
- freedom of association
- equal treatment of all employees
- occupational health and safety standards.

In 2020 the Code was updated and expanded to include the following additional requirements:

- rules of drafting contracts of employment in local languages
- additional regulations concerning permissible overtime and overtime pay, leave entitlement and work breaks
- rules of ensuring safety in connection with specific dangers
- rules of electing employee representatives
- additional environmental requirements to be fulfilled by the suppliers.

LLP's Code of Conduct is available in in 5 languages:

1. English: <https://www.lppsa.com/wp-content/uploads/2018/02/LPP-Code-of-Conduct-11-01-2021-EN.pdf>
2. Chinese, Bengali, Turkish: <https://www.lppsa.com/wp-content/uploads/2018/02/LPP-Code-of-Conduct-11-01-2021-CN-BD-TR.pdf>
3. Polish: <https://www.lppsa.com/wp-content/uploads/2018/02/LPP-Kodeks-Post%C4%99powania-11-01-2021-PL.pdf>

AUDITS IN THE SUPPLY CHAIN

We continue our efforts to improve the quality of our collaboration with the suppliers and ensure their compliance with our standards. One of the mechanisms that are helpful in this regard are audits conducted along the supply chain by LPP's sustainable development department and our

representative offices in Shanghai and Dhaka. If a supplier is found to be in infringement of our requirements, they receive a Corrective Action Plan with an implementation deadline.

As a result of the COVID-19 pandemic, the number of conducted audits decreased dramatically as compared to the year before. During this particularly difficult time, external audits were carried out between February and April 2020. After this audits of a very limited scope were conducted by the employees of our local office due to the travel restrictions in place.

In the reporting period, LPP auditors carried out **197 audits** with regard to occupational health and safety and human rights in **3 countries**.

RELATIONS DURING THE COVID-19 PANDEMIC

EMPLOYEE'S HEALTH AND SAFETY

During the COVID-19 pandemic, saving jobs and protecting our employees became the absolute priority of LPP. On 13 March 2020, at the very beginning of our struggle with the social consequences of the coronavirus, the Management Board decided to set up an emergency committee and task it with ensuring the safety of all employees in all locations. We formulated and swiftly implemented safety procedures to be followed in our offices (central headquarters and branches), retail outlets and logistic network – the Distribution Centres and Fulfillment Centres.

Our responsibilities included following updates on COVID-19 regulations, adapting the safety measures in place on our premises and stores to the changing situation on the ground, crisis management, supporting teams in the event of confirmed coronavirus cases and making sure that employees respect the safety rules.

We also took additional preventive measures not required by the law: we had our offices disinfected weekly by specialist teams, each employee had their temperature taken daily before entering the building, while non-employees were forbidden from coming into our offices and warehouse spaces. In particular, we made sure that our workers had access to all the necessary information on procedures round the clock. We set up special e-mail addresses to deal with this issue. We tried to provide maximum support in the event that a worker became infected, field all questions asked by our employees and manage any doubts they expressed.

SUPPLY CHAIN

The pandemic was challenging for us, yet the consequences of the economic changes it triggered were also very acutely felt by our suppliers and other companies based in developing countries, such as Bangladesh. That is why, after outbreak of the pandemic, we took action to support the suppliers. We were settling our liabilities to the factories in a timely manner. Being as we were in an extremely difficult situation ourselves due to the outbreak of the pandemic in Poland and subsequent lockdown, we were forced to limit some of our orders. We considered the situation of each supplier on a case by case basis in order to help the manufacturers maintain accounting liquidity. In the spring, when the restrictions hit the economy hard, we were in constant contact with the suppliers, looking for solutions together.

We also monitored the payment of wages to workers of the factories. In April 2020, 99% of the Bangladeshi sewing plants collaborating with us paid the March wages and settled their liabilities over the subsequent months when production was on hold.

LPP was one of the first clothing manufacturers to be included on the Worker Rights Consortium's list of companies that honour their commitments towards suppliers.

LOOKING AHEAD

LPP is open to continuous improvement and will continue to develop policies and activities to ensure respect for human rights throughout its value chain. In 2021 we plan to review key issues concerning human rights and develop our first Human Rights Policy.

BOARD APPROVAL

This statement is made pursuant to section 54 of the Modern Slavery Act 2015 and constitutes LPP's slavery and human trafficking statement for the financial year ending in January 2021. It has been unanimously approved and signed by the Management Board of LPP SA on behalf of LPP SA and all members of the LPP Group on 28 June 2021.

PRZEMYSŁAW LUTKIEWICZ, VICE-PRESIDENT OF THE MANAGEMENT BOARD



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