



LPP RETAIL SP. Z O.O.

REPORT

on the Implementation of the Tax Strategy
for the Fiscal Year Ended 31 January 2021

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List of Abbreviations

<u>Tax Code</u>	Act of 29 August 1997 "Tax Code" (Journal of Laws 2021.1540, as amended).
<u>CIT ACT</u>	Act of 15 February 1992 on Corporate Income Tax (Journal of Laws 2020.1406, as amended)
<u>ACCOUNTANCY ACT</u>	The Act of 29 September, 1994 on accounting (Journal of Laws 2021.217, as amended)
<u>CIT</u>	Corporate Income Tax
<u>PCC</u>	Tax on Civil Law Transactions
<u>PIT</u>	Personal Income Tax
<u>VAT</u>	Value Added Tax
<u>STRATEGY, TAX STRATEGY</u>	This document
<u>COMPANY OR LPP RETAIL</u>	LPP Retail Spółka z ograniczoną odpowiedzialnością
<u>HEAD OF NRA</u>	Head of the National Revenue Administration

Introduction

LPP Retail Sp zoo is a member of the international LPP Group. The Group deals in the designing, manufacturing and distribution of clothing has nearly 30 years of experience in the clothing industry. Its retail network covers the whole Poland, countries of Central, Eastern and Western Europe, the Balkans, and the Middle East.

The LPP Group offers its customers visiting its brick-and-mortar stores clothes, accessories and footwear under five brands: Reserved, Cropp, House, Mohito and Sinsay. Each of the brands has a different target audience and a different character.

The LPP Group comprises 6 Polish companies (including the parent company) and 25 foreign ones. The Group's foreign subsidiaries are mainly companies dealing with the distribution of branded products outside Poland.

All intra-group transactions are made on an arm's length basis based on the updated transfer pricing policy developed in consultation with external tax advisors. The Group also uses consultancy services with regard to all transfer pricing obligations.

LPP Retail is an entity providing support services for LPP S.A., which is its parent company. The development of the Company depends on the creation of new retail outlets for the goods sold by LPP S.A. Therefore, the Company's business strategy is substantially consistent with the business strategy created by LPP S.A. for the LPP Group, as presented below.

LPP Retail conducts a business consisting of goods retailing services in the stores owned by LPP S.A. located in Poland, and the sale of IT services to that company.

This report on the implementation of the tax strategy only covers the period from 1 February 2020 to 31 January 2021 and includes transactions, documentations, procedures, plans and facts as well as state of the art as of that period.

The report has been prepared in order to address the requirements of the tax law (Article 27 of the CIT Act).

Information about tax processes and procedures used in the management of the fulfilment of the tax law obligations and ensuring the proper fulfilment of the obligations, forms of voluntary cooperation with the tax authorities, applications

TAX PROCESSES AND PROCEDURES USED

LPP Retail has outsourced its bookkeeping to the parent company of the Group. This was aimed at ensuring the same rules and procedures of recording business transactions for all the Polish entities in the LPP Group. This way all the tax obligations are fulfilled by the Company fairly and diligently.

Seeking to ensure compliance of its activities with the tax law, and to ensure the proper management of the fulfilment of the obligations provided for in the tax law, the Company has implemented and maintains tax procedures and processes tailored to the size and structure of the Company, i.e.:

- a) the proper accounting for business events giving or not giving rise to tax obligations and tax liabilities;
- b) the proper recognition of the events posted in the books of accounts in the tax accounting;
- c) the proper fulfilment of formal obligations, including the punctual filing of necessary tax returns, declarations and reports, notices and other necessary submissions;
- d) the proper application of the tax rates;
- e) the proper qualification of the parties to economic events to the extent this affects tax obligations and tax liabilities;
- f) the proper qualification of the object of economic events to the extent this affects tax obligations and tax liabilities;
- g) the proper qualification of the circumstances of economic events to the extent this affects tax obligations and tax liabilities;
- h) the proper collection and preparation of documentation directly required by the tax law;
- i) the proper collection and preparation of documentation indirectly required by the tax law, but affecting the application of due care for the proper fulfilment of the tax obligations;
- j) other necessary rules of behaviour which are undocumented but reflected in the corporate culture of the Company, whose continuity and consistency affects the proper fulfilment of tax obligation.

The Company deems these processes and actions as necessary to address tax risks inherent in the operations of the company, including but not limited to:

- the risk of changes in the tax and customs law concerning the purchase of clothing from outside the EU;
- risks related to the growing number of administrative duties, whether concerning the fulfilment of new obligations or the necessity to update or purchase new information technology solutions;
- the risk of rapid legislative developments requiring adjustments in the systems (e.g. a new new VAT Uniform Control File - JPK VAT) or legislative developments with a short *vacatio legis*,

- the risk of divergent advance tax rulings by the tax authorities;

Selected principal obligations of the Company under the tax law

1. INFORMATION ABOUT THE FULFILMENT BY THE TAXPAYER OF ITS TAX OBLIGATIONS IN THE TERRITORY OF THE REPUBLIC OF POLAND IN 2020

	Type of tax		Does company pay tax
Direct taxes	CIT	Taxpayer	YES
		Remitter	YES
	PIT	Taxpayer	NO
		Remitter	YES
Indirect taxes	VAT		YES
	Excise		NO
	CUSTOMS DUTY		NO
	PCC		NO
Local taxes	Property tax		NO
	Vehicle tax		NO
	Forest tax		NO
	Agricultural tax		NO

2. MDR

Information about tax schemes reported to the Head of the NRA during fiscal year covered by the report on the implementation of the Tax Strategy in which the Company was involved as a promoter, user or facilitator, broken down by tax types

The Company did not report any information about tax schemes to the Head of the NRA during fiscal year covered by the report on the implementation of the Tax Strategy in which the Company was involved as a promoter, user or facilitator during the fiscal year covered by this report on the implementation of the Tax Strategy.

Information about related party transactions the amount of which exceeded 5% of the total assets and restructuring measures contemplated or undertaken by the Company, which might affect the amount of the tax liabilities of the Company or its related parties in the fiscal year covered by this report on the implementation of the Tax Strategy

1. COMPANY'S TRANSACTIONS WITH RELATED PARTIES

Related parties (PLN'000)	Income during period 01/02/2020- 31/01/2021	Purchases during period 01/02/2020- 31/01/2021
LPP S.A.	237,154	237,154

2. INFORMATION ABOUT RESTRUCTURING MEASURES CONTEMPLATED OR UNDERTAKEN BY THE COMPANY, WHICH MIGHT AFFECT THE AMOUNT OF THE TAX LIABILITIES OF THE COMPANY OR ITS RELATED PARTIES

The Company did not perform any restructuring activities during the fiscal year covered by this report on the implementation of the Tax Strategy.

Information about applications filed by the taxpayer for general advance tax rulings, individual advance tax rulings, binding rate information and binding excise information

1. GENERAL ADVANCE TAX RULINGS

The Company did not apply for any general advance tax ruling during the fiscal year covered by this report on the implementation of the Tax Strategy.

2. INDIVIDUAL ADVANCE TAX RULINGS

The Company did not apply for any individual advance tax rulings during the fiscal year covered by this report on the implementation of the Tax Strategy.

3. BINDING RATE INFORMATION

The Company did not apply for any binding rate information during the fiscal year covered by this report on the implementation of the Tax Strategy.

4. BINDING EXCISE INFORMATION

The Company did not apply for any binding excise information during the fiscal year covered by this report on the implementation of the Tax Strategy.

Information concerning the settlement of taxes in territories or jurisdictions applying harmful tax competition

During the fiscal year covered by this report, the Company did not make any tax settlements with contractors operating in the territories or countries applying harmful tax competition, as listed above.