

A DECADE OF CHANGES

**TOWARDS SAFE PRODUCTION AND IMPROVING
WORKING CONDITIONS
IN FACTORIES IN BANGLADESH**

“I am confident that the economic transformation that Bangladesh has experienced over the last 10 years will unleash further waves of change, this time with regard to social issues”

Marek Piechocki

We don't always have the opportunity to reflect on the bumpy road that has led us to where we are at the moment. But there are certain events that trigger reflection and make us want to share our own story.

10 years after the events at Rana Plaza, we want to give an insight into how the fashion industry has changed since 2013 and how much we – as one of the largest apparel companies in Poland – have been able to do in terms of fixing the supply chain in Bangladesh. We will also reflect on what still needs to happen for the transformation to take place. We know that the process started a decade ago is still ongoing and we are still learning how to take care of all those involved in supply chain processes. However, I feel that the most difficult lesson in this regard had already been learned.

In 2013, we faced a construction disaster that highlighted the need for reform of the garment industry and contributed to the establishment of Accord. Thanks to the independent inspections and remedial programmes initiated at the time, in the course of the next 10 years, Bangladeshi factories have become safer places to work. Working together with 176 companies and trade unions, we were able to jointly extend protection for over 2 million people working in the manufacturing industry in Bangladesh. Action on such a scale would not have been possible alone. Our involvement in that country required both joint industry-wide

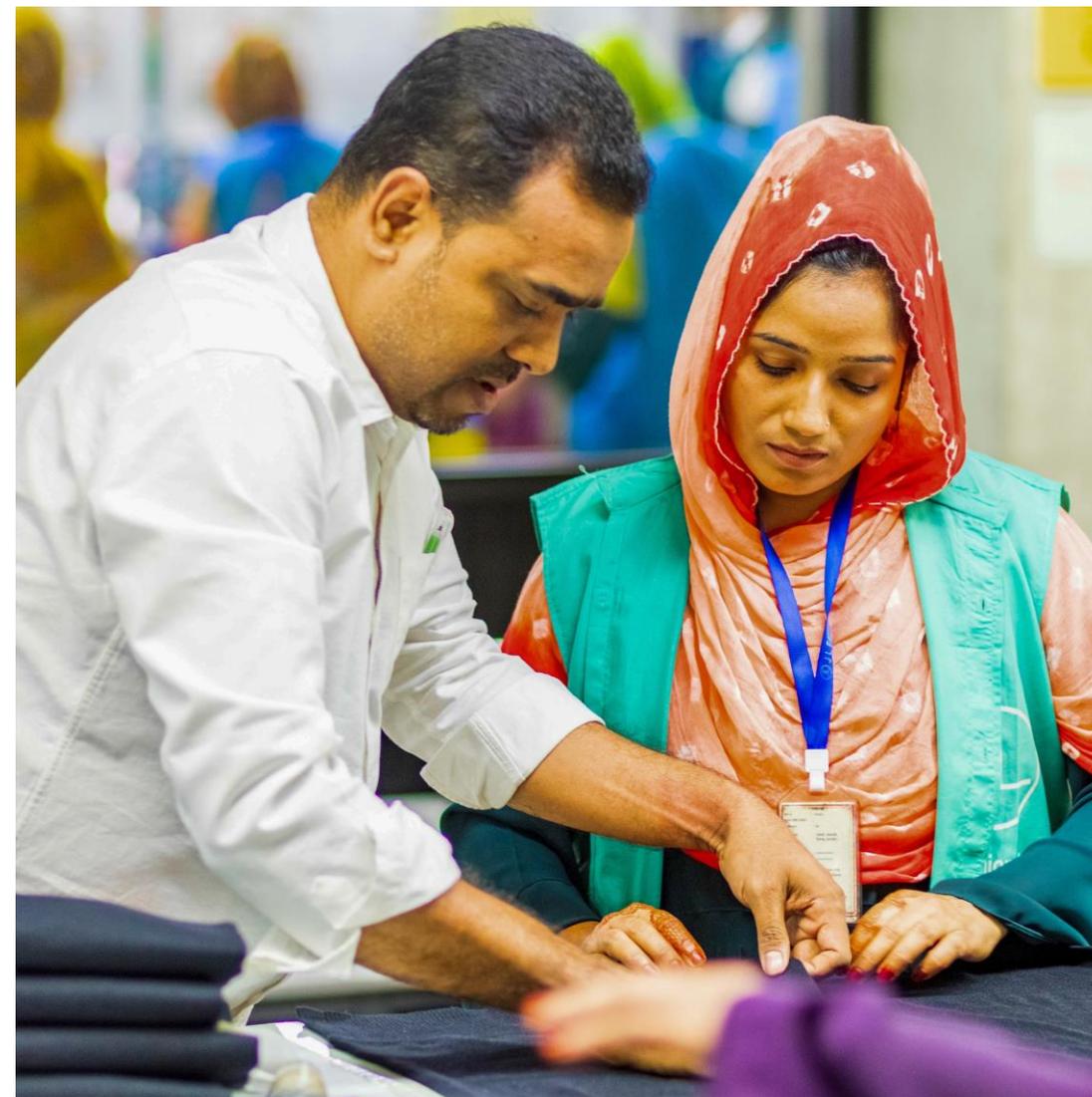
initiatives like Accord, as well as taking our own action in the area of supplier control and promoting modern production standards. As LPP, we have earmarked over PLN 40m by 2022 and there is more to come. Today, all the plants in Bangladesh that cooperate with us are covered by Accord. In a decade, thanks to joint ventures, we have managed to eliminate as much as 91% of the identified potential hazards in the factories and maintain the plants to the required standards. It is clearly visible how far our partners in this country have come and how much has been done to create a modern and safe production infrastructure. Recent images speak louder than pure figures. Today's plants are different from those of 10 years ago – they are not only brought up to health and safety standards health and safety standards, but also equipped with advanced technologies to support production, which is becoming their competitive advantage.

The country's economy is becoming an indispensable beneficiary of the processes taking place, but the starting point and goal in itself is still the need to take care of the employee. This is extremely difficult, given both the cultural and economic differences and our limited influence on the individual plant's situation. While in terms of safety, suppliers from Bangladesh have already learned the necessary lesson, they are at the beginning of the road in the social area. This is not to say that nothing has happened in the last decade – ongoing inspections show a change in the local garment industry's approach to employment, among other as regards formalities. The evolution of the sector in this area has only just begun, but both during our audits and in discussions with partners in Bangladesh, we see a growing awareness and budding openness to implementing systemic solutions. In my view, solutions that take into account scale and local factors prove to be the most effective

mechanism for regulating the sector. Apart from that, we have been improving the methods of analysing suppliers. Since last year, we have been a member of amfori – an organisation that audits the social conditions in global supply chains and works to improve them. It provides us with reliable information about the performance of a particular factory. This, in turn, allows us to select contractors who meet our standards in terms of employee care. At the stage of further cooperation, we appreciate partners investing in the development of their plants, which translates into both the length of the contract and an increasingly broader scope of cooperation. By becoming the main source of financing for many of them, we gain greater leverage over their development situation, the implementation of modern production standards and employee welfare-oriented programmes. I am confident that the economic transformation that Bangladesh has experienced over the last 10 years and the technological progress it triggered will unleash further waves of change, this time with regard to social issues. I see in this a certain analogy with the 1990s in Poland, when as a country we were still trying to make it, but foreign capital breathed life into our economy – triggered investment, attracted technologies. This, in turn, made it possible in the long run to build a business culture from scratch and shape the employee market, in which we – as LPP – also participated.

At the end of the day – it is not only Bangladesh that has changed. The reflection that comes to mind is that the last decade has been the most difficult one in the over 30 years of the company's existence. We do not know what the next few years will bring, but our story shows that we are able to grow and learn constructive lessons from the past. There is much work ahead of us to further transform the supply chain.

Marek Piechocki
President of the management board LPP



A NEW CHAPTER IN THE HISTORY OF THE FASHION INDUSTRY

The events at Rana Plaza in 2013 highlighted the need for change in the functioning of the fashion industry. It was a turning point in the approach to our cooperation with suppliers. Committed to taking joint responsibility for the situation in the factories, together with 176 other global brands we signed the Accord (Accord on Fire and Building Safety in Bangladesh).

Its original aim was to improve working conditions and safety in the garment industry in Bangladesh. As it turned out over the following 10 years – it gave rise to a transformation that involved contracting companies and workers' representative organisations. Today, we can observe the tangible effects of these changes.

2013 was a turning point in the approach to our cooperation with suppliers.

In addition to improving working conditions and safety, Accord marked the beginning of the transformation of the garment industry.

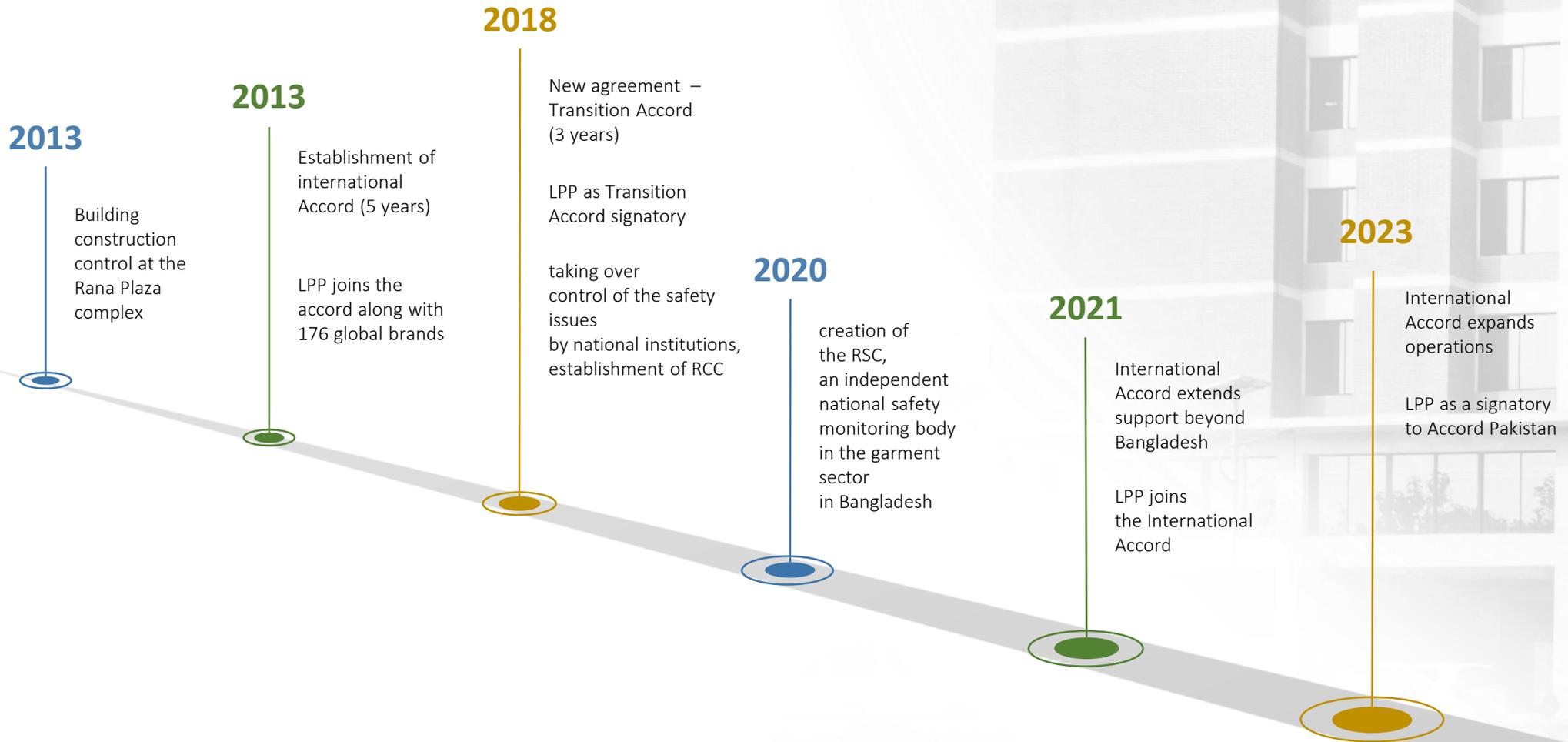
A photograph of a textile factory. In the foreground, a woman wearing a pink hijab and a face mask is walking through the aisles, holding a long white pole. The factory is filled with rows of spinning machines, each with numerous spindles holding bright pink yarn. The machines are arranged in long, parallel lines, creating a sense of depth. The floor is light-colored, and the overall atmosphere is one of a busy industrial environment.

LPP x ACCORD

**10 YEARS OF COOPERATION ON PRODUCTION CONTROL
IN BANGLADESH**

LPP

NEW SAFETY STANDARDS IN FACTORIES



NEW SAFETY STANDARDS IN FACTORIES

1600 
FACTORIES
and
2.4 M
EMPLOYEES

in Bangladesh covered
by Accord


2M+
PEOPLE
trained in OHS
and labour rights


100%
OF LPP
SUPPLIERS
covered by Accord


84%
FACTORIES
LPP suppliers covered by
training on OHS
and labour rights

LPP increases its engagement with suppliers. 10 years ago, the company placed orders with around 100 suppliers from Bangladesh, today they amount to almost 270. Each of them is covered by Accord safety checks.

For 30% of the factories sewing for LPP, the Polish company is the main recipient of orders. As the main source of funding for the factory, LPP gains more influence on its development – it recommends the use of specific technological solutions, quality standards and production safety.

TANGIBLE EFFECTS OF REMEDIAL ACTIONS

PROGRESS IN THE IMPLEMENTATION OF THE REMEDIAL ACTIONS IN FACTORIES SEWING FOR LPP AGAINST THE MEAN OF ALL ACCORD COMPANIES

2022			
	ACCORD	LPP	NUMBER OF FACTORIES
Fire protection systems	89%	87%	266
Electrical installations	96%	96%	
Building structures	87%	80%	
2020			
	ACCORD	LPP	NUMBER OF FACTORIES
Fire protection systems	90%	91%	183
Electrical installations	96%	98%	
Building structures	90%	92%	
2018			
	ACCORD	LPP	NUMBER OF FACTORIES
Fire protection systems	97%	99%	114
Electrical installations	88%	89%	
Building structures	81%	84%	

The location of production in Bangladesh by Accord-affiliated companies is bringing **more and more factories under scrutiny for safety and working conditions**. Number of LPP suppliers in the country increases along with company's involvement and influence in supply chain control. This results in a **better adaptation of production infrastructure** that supports the development and further modernisation of the sector.

When factories fail to meet the standards required by Accord, they do not have the capacity to continue production for affiliated companies, and their owners are obliged to carry out a remedial programme. During the programme, factories have access to free consultation from Accord engineers. This is followed by a verification of the changes made. If successful, the factory is allowed to continue cooperation.

If the factories are unable to complete the remedial programmes, they may decide to relocate, i.e. move the factory to other secure buildings. In the case of LPP 4 factories have been subject to such a procedure.

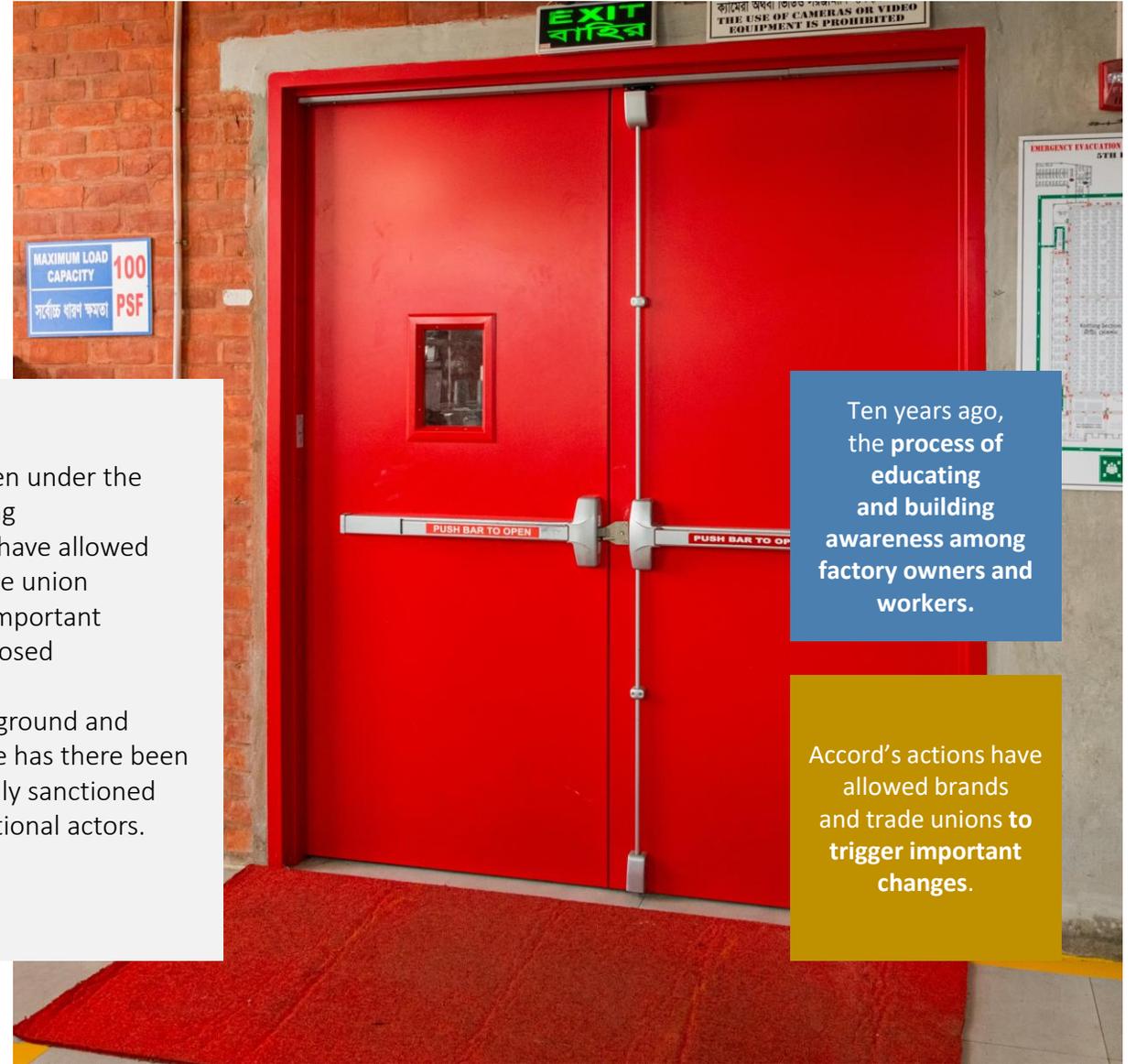
RAISING SAFETY AWARENESS

Ten years ago, with the beginning of efforts to change working conditions in factories and the implementation of remedial programmes, a process of education and awareness-building began on the part of local institutions and factory owners as regards creating a safe production infrastructure from scratch.

The activities undertaken under the Accord, especially during the 2013-2018 period, have allowed foreign brands and trade union federations to initiate important changes in a hitherto closed environment. Given the cultural background and legislation, never before has there been an opportunity for legally sanctioned interference by international actors.

Ten years ago, the process of educating and building awareness among factory owners and workers.

Accord's actions have allowed brands and trade unions to trigger important changes.





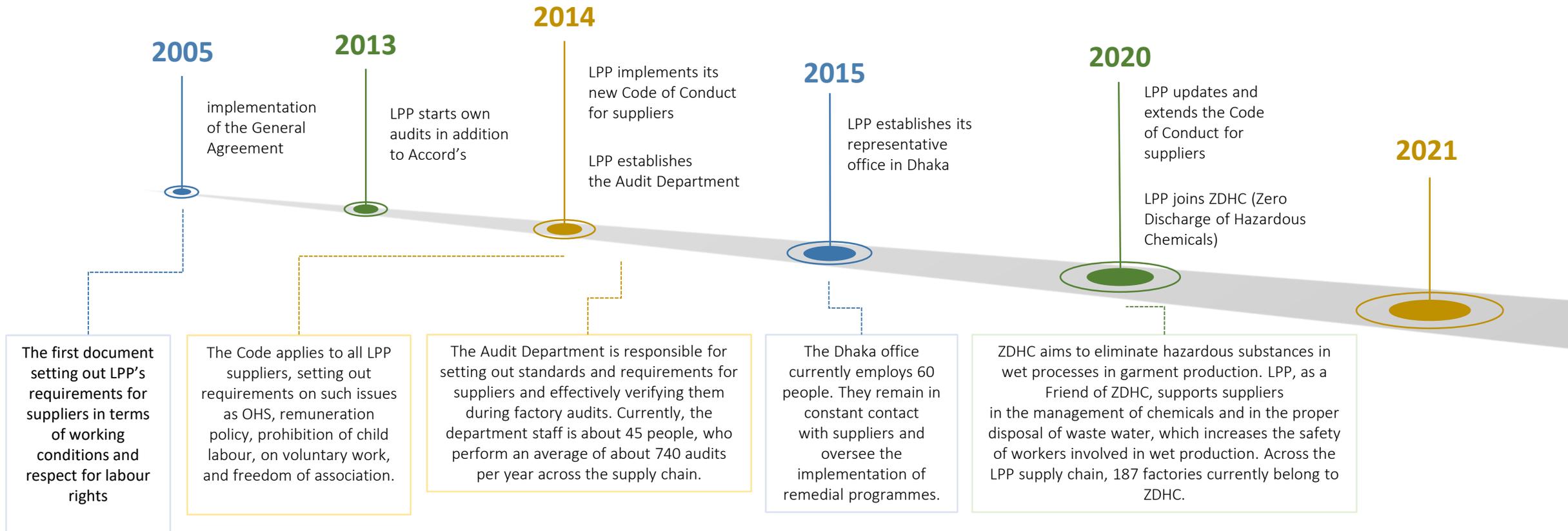
LPP's OWN ACTIONS

FOR IMPROVEMENT IN WORKING CONDITIONS
IN BANGLADESH

LPP

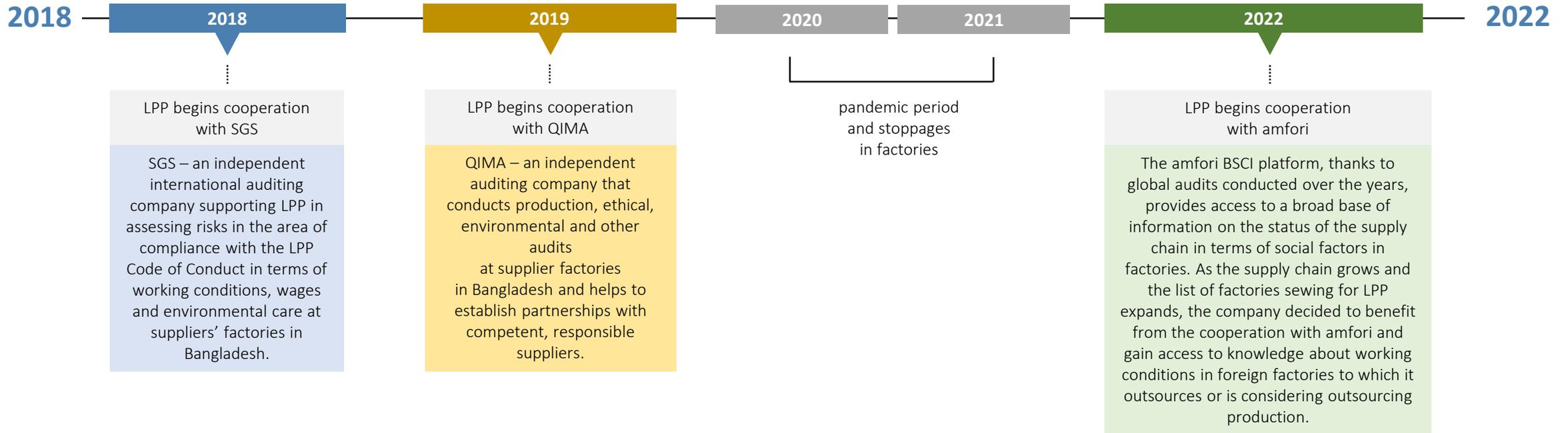
MULTI-LEVEL CONTROL OF THE LPP SUPPLY CHAIN

In addition to the Accord audits, LPP also carries out its own audits to increase their frequency. Activities are carried out in a twofold manner – by the internal LPP Audit Department in Gdańsk and by the LPP representative office in Dhaka. Its employees are responsible for coordinating and overseeing production in the Bangladeshi factories and monitoring working conditions and compliance with labour rights.



FROM ACCORD TO AMFORI CONTROLS IN THE SUPPLY CHAIN

Recent years have seen a visible turning point in the transformation of the garment industry. In addition to health and safety, social issues are becoming key. Garment companies are also gaining tools to maintain transparency in the supply chain. LPP is keen to see real results of its efforts to improve working conditions in factories; therefore, in addition to Accord inspections and engaging its own auditors, the company also carries out social and environmental audits, entrusting them to external, independent organisations.



AMFORI – A HOLISTIC APPROACH TO IMPROVING SOCIAL CONDITIONS

The basis of amfori's activities to support companies in monitoring the entire supply chain is the Code of Conduct. The amfori BSCI Code covers 13 areas subject to audit and assessment in the factories covered.

RESULTS OF SOCIAL AUDITS AMONG LPP SUPPLIERS

In **2022** alone, already **90%** of factories in Bangladesh fulfilling orders for LPP have been audited by amfori BSCI. **83%** received the highest marks (A or B):

100% of the factories received an A rating, demonstrating a complete absence of violations in terms of:

- respect of the ban on child labour,
- special protection for young workers,
- absence of forced labour

99% of the factories received an A rating, demonstrating a complete absence of violations in terms of:

- ensuring a legitimate, recognised and documented employment relationship,
- freedom of association for workers and collective bargaining.

AMFORI BSCI CODE OF CONDUCT

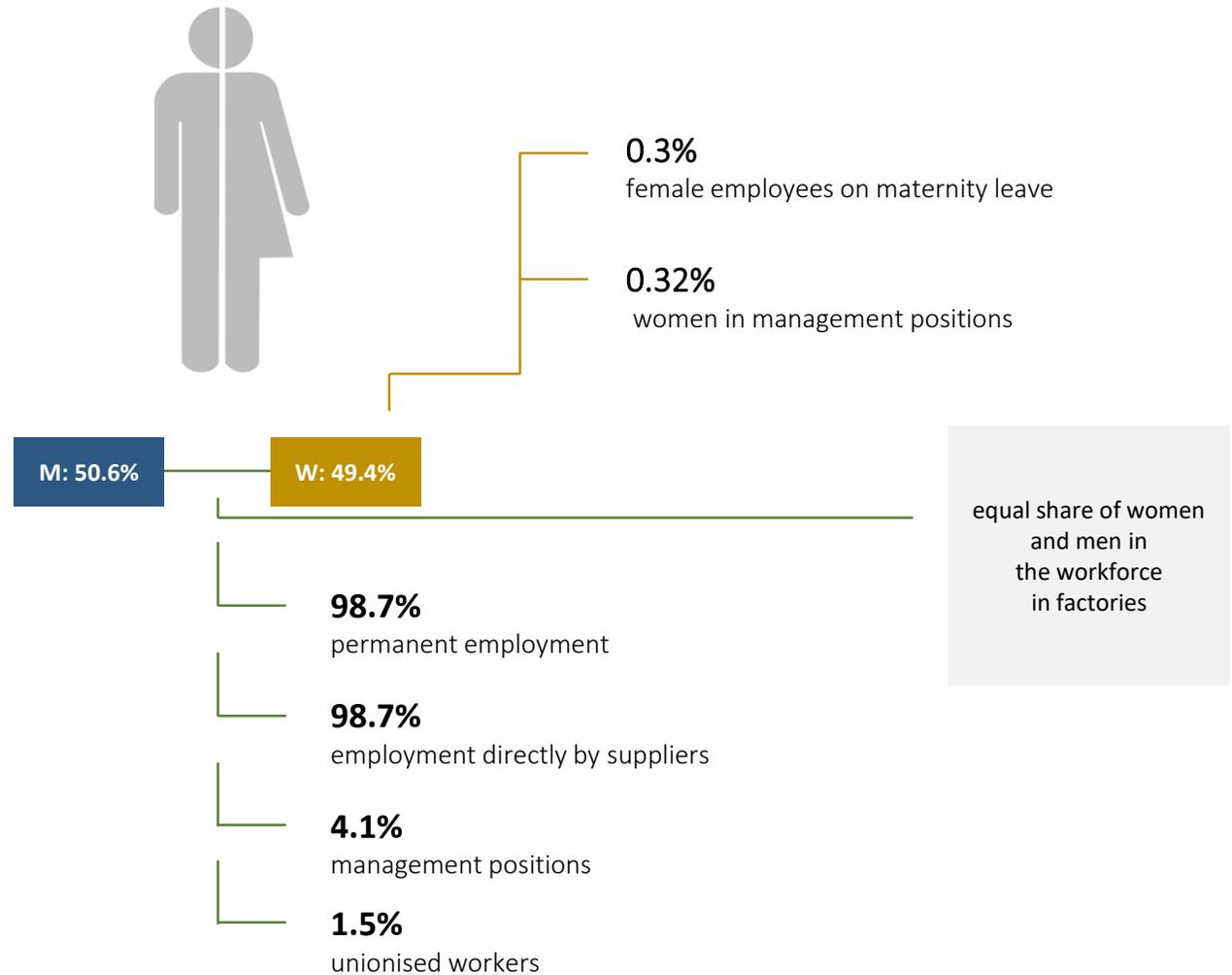
Prohibition of child labour	No discrimination	Occupational Health and Safety	Right to freedom of association and collective bargaining
Cascading management system	Special protection for young workers	Fair remuneration	No precarious employment
Normative working hours	No slave labour	Environmental protection	
Education on workers' rights and obligations	Ethical attitude in business		

FOCUS ON THE EMPLOYEE

With increasingly effective tools to control and monitor working conditions in the supply chain, LPP has a better insight into the situation of workers employed in supplier factories. Successive inspections over the years show a change in the local garment industry's approach to employment, as regards formal aspects, among others. At the same time, there is a growing awareness and openness to implementing systemic solutions.

OF THE LPP SUPPLIERS AUDITED BY AMFORI BSCI, 100% PROVIDE AT LEAST FAIR WAGES TO THEIR EMPLOYEES*.

*according to amfori BSCI principles



CONTROL ECOSYSTEM FOR THE SUPPLY CHAIN

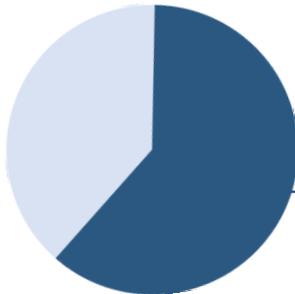
Accord's activities are funded by contributions from signatories, which cover, among other things, the costs of hiring independent auditors, factory inspections and training on OHS and labour rights. The amount of contributions depends on the number of suppliers and volume of orders placed in Bangladesh.



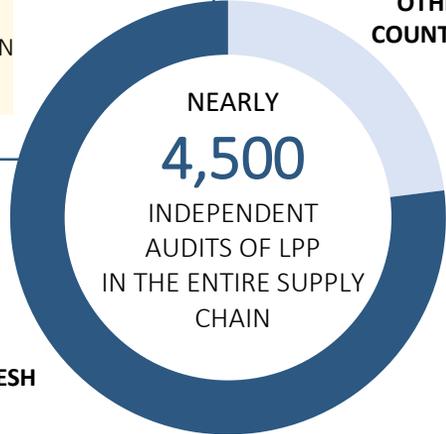
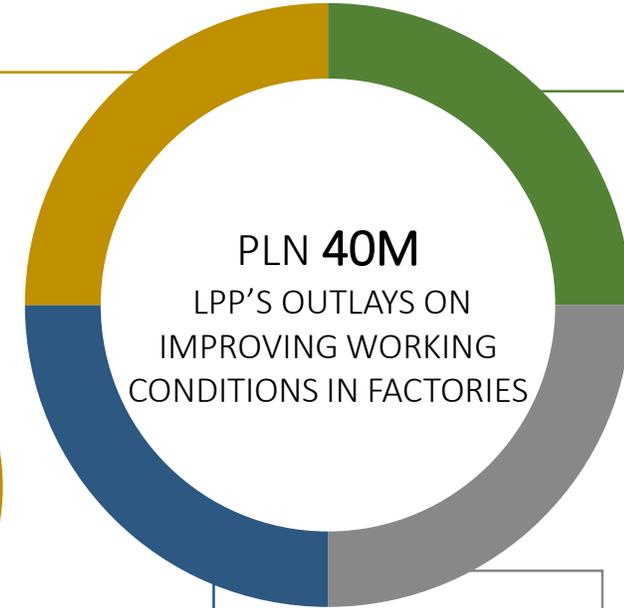
PLN 1.4M
CURRENT ANNUAL FINANCIAL CONTRIBUTION OF LPP IN ACCORD ACTIVITIES

OWN AUDITS IN BANGLADESH CONDUCTED BY:

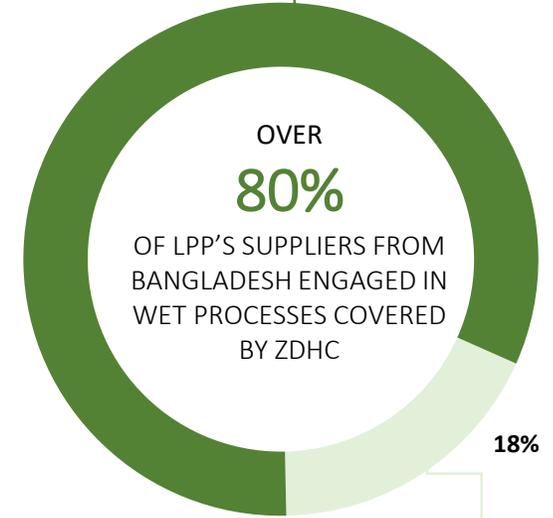
39%
AUDITORS IN DHAKA



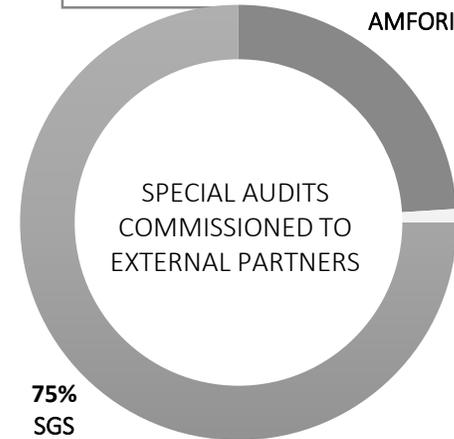
61%
AUDITORS FROM POLAND



OWN AUDITS OF LPP BROKEN DOWN BY BANGLADESH AND OTHER COUNTRIES



99 LPP suppliers from Bangladesh belong to ZDHC. 18 joined thanks to LPP.

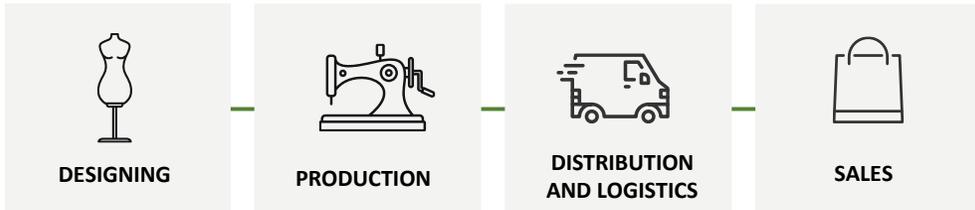


1%
QUIMA

EXTERNAL AUDITS BROKEN DOWN BY PARTNERS

PRODUCTION AS AN ELEMENT OF THE BUSINESS MODEL

The LPP business model is a global system of interconnected vessels, encompassing the design process, the sourcing of raw materials and production, logistics and sales in an omnichannel model (traditional and online stores). Each of these elements influences the functioning of the others. The key to their successful interaction is the sustainability of the entire business and maintaining the company's profitability. The financial stability of a company, especially in times of crisis, translates into the situation of the entire ecosystem.



SUPPLY CHAIN ECOSYSTEM

By operating in a common financial ecosystem with suppliers and other supply chain participants, we are dependent on each other. The level of remuneration of our suppliers is driven by both from the cost of production, which is a component of each individual product, and the volumes of orders we place. With the profits generated from the business, LPP is able to engage financially in initiatives such as Accord, invest in the monitoring of working conditions through amfori BSCI or support the chemical safety of production through ZDHC.





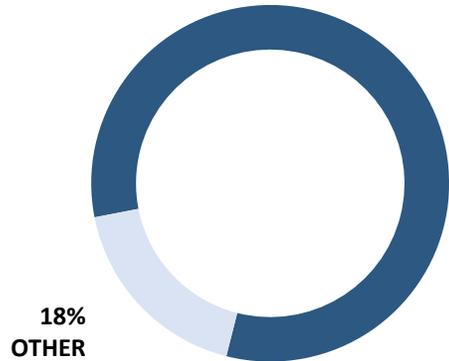
BANGLADESH TODAY

LPP

CLOTHING INDUSTRY AS DRIVING FORCE OF BANGLADESH ECONOMY

Clothing industry in Bangladesh employs about 4.4 m people and generates over 11% of the country GDP¹

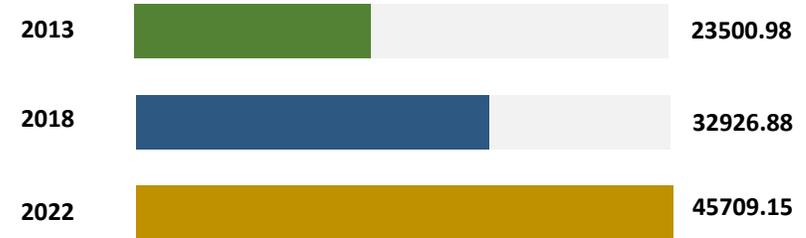
SHARE OF THE CLOTHING INDUSTRY IN BANGLADESHI EXPORTS²



82%
CLOTHING AND
TEXTILE INDUSTRY

18%
OTHER

INCREASE IN THE EXPORT VALUE OF CLOTHING FROM BANGLADESH (IN USD M)³



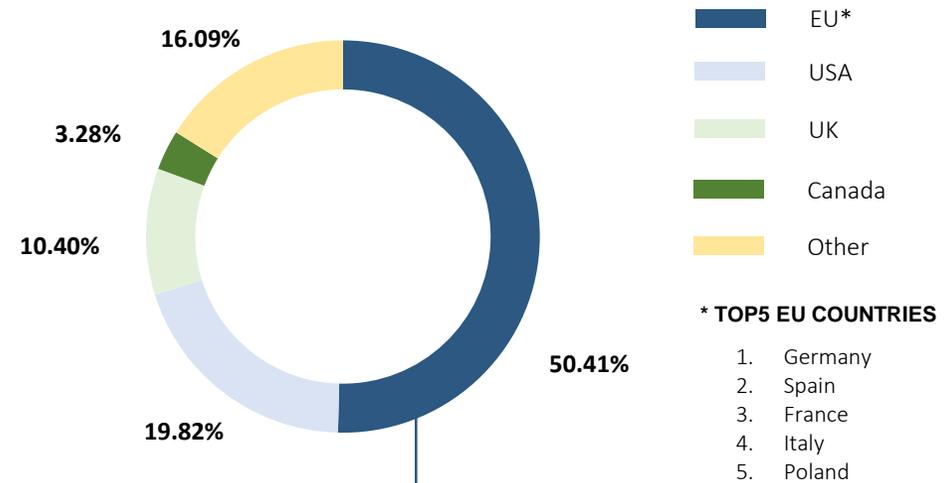
WHY DOES THE WORLD FASHION INDUSTRY SEW IN BANGLADESH?

One of the most important advantages determining the development of the textile industry in Bangladesh is the production facilities to handle high volumes of orders. This is backed by a developed infrastructure of factories specialised in the production of different categories of garments, the high availability of experienced manpower and, more recently, technological development and the equipping of factories with modern machinery to support efficient production. Good communication links with other countries and developing transport are also significant.

The garment industry influences development of other sectors of the Bangladeshi economy, such as the packaging industry, recycling of production offcuts and transport and logistics.

Chittagong port - the largest seaport in Bangladesh. It successfully competes with world-class ports. In 2017, it was ranked 71st in the world in terms of the number of cargo ships handled and is the busiest seaport on the coast of the Bay of Bengal and the second busiest in the entire region.

SHARE OF FOREIGN MARKETS IN THE VALUE OF BANGLADESHI EXPORT (2022)⁴

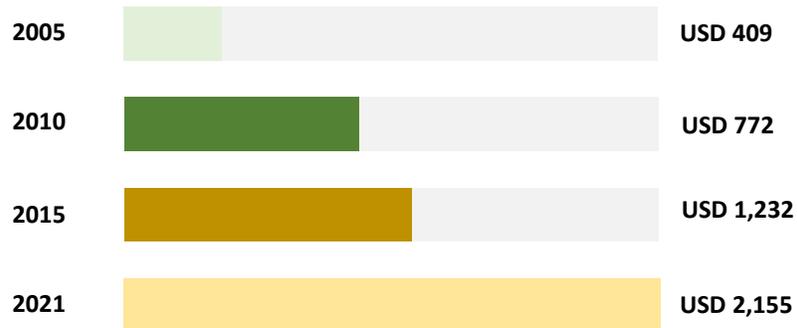


A significant share in the export of fashion brands from EU countries and their strong involvement in Accord's operations has had a significant impact on real change in the garment sector in Bangladesh

BANGLADESH ON THE ROAD TO ECONOMIC DEVELOPMENT

Bangladesh's economy is currently one of the fastest growing in the world, with an average growth of over 6% GDP⁵ over the past decade. The country's economic growth directly translates into higher living standards for the population and better social conditions in the country.

GROSS DOMESTIC INCOME PER RESIDENT OF BANGLADESH⁶



Currently, according to UN and UNCTAD standards, Bangladesh falls into the higher category of underdeveloped⁷ countries. If the current growth rate is maintained, it is projected, that Bangladesh will advance to the “developing” group of countries in 2026⁸.



BANGLADESH TODAY - DEVELOPMENT AND POSITIVE CHANGE

Bangladesh has changed. Thanks to the involvement of European business within Accord, the gradual raising of requirements and the active support of suppliers in bringing about positive change, today the entire industry in the country is benefiting.

35%
OF
FACTORIES

covered by Accord have made the most progress, becoming leaders of change and an example to the rest of the industry in Bangladesh.

Bangladesh's garment sector is growing in terms of technology. Suppliers are investing in equipping factories. In the sweater factories of our suppliers, the replacement of knitting machines has made it possible to move from a manual work system to an automatic one. The establishment of modern machinery supports the factories in efficient production.

80%
OF
FACTORIES

that meet the Accord criteria are among the best factories in the country.

With the involvement of companies and workers' organisations in Accord the development of the garment infrastructure in Bangladesh and the expansion of production facilities have taken place based on the highest health and safety standards.



LESSONS FOR THE FUTURE

THE SUPPLY CHAIN TRANSFORMATION PROCESS STARTED IN 2013, IS STILL ONGOING.



The positive effects of the last decade of change are already visible in the operation of the local garment industry.

Suppliers in Bangladesh have learned the necessary lessons on OHS.



1,600 factories out of **approximately 3,700** total factories in Bangladesh meet safety standards.

They are the leaders of change.



The time has come for more change - in the social and environmental areas. The key is openness to cooperation on the part of factory owners and a willingness to implement systemic solutions.



International partnerships and the cooperation of all parties and participants in the process are a prerequisite for the effective development of new solutions and the implementation of further beneficial changes.



Supporting the global dimension of transformation is the expansion of international cooperation within the International Accord. Pakistan has become the next country of action of the agreement.

INDEX OF SOURCES

EXTERNAL DATA FOOTNOTES FROM BANGLADESH TODAY SLIDES

Footnote 1: ifc.org

Footnotes 2-4: bgmea.com.bd

Footnote 5: gov.pl

Footnote 6: unctadstat.unctad.org

Footnote 7: obserwatorfinansowy.pl

Footnote 8: unctad.org

PHOTOS: Istiak karim/LPP





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