



LPP

LPP SUSTAINABILITY
REPORT FOR 2023

TOWARDS DECARBONISATION

RESERVED

CROPP

HOUSE

MOHITO

sinsay



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Letter from the President of the Management Board



Towards decarbonisation

[GRI 2-22]

In 2023 we continued our efforts to reduce the company's environmental impact and transition to a low-carbon economy. Our priority was decarbonisation. In order to increase the effectiveness of measures to reduce our carbon footprint, we decided to structure them and develop decarbonisation targets, which were scientifically reviewed and ultimately validated by the international Science Based Targets (SBTi) initiative. This ensures that we are taking action in line with the latest scientific findings on climate change. LPP is the first Polish clothing company whose SBTi commitments have been recognised as compliant with the provisions of the Paris Agreement.

We realise that reducing emissions depends on actions taken not only by our company, but also by other market participants. The biggest challenge is to reduce scope three emissions, which includes our entire value chain, related to the product life cycle. This is an area of primary importance for reducing greenhouse gas emissions in our value chain, so we are raising

the standards of cooperation and involving our partners and suppliers in the process.

We are implementing the principles of circular economy and managing textile waste, which allows us to successively reduce our carbon footprint and contribute to achieving decarbonisation targets. By investing in research into technology for textile waste processing, textile-to-textile innovation and promoting appropriate consumer attitudes, we are extending the life cycle of products and reducing the need to source new raw materials. All LPP's traditional stores in Poland accept clothing they no longer need from customers. We sort it, donate some to charitable organisations and recycle the rest. However, it does not stop there. An example of the strategic partnership is our cooperation with the start-up Use Waste, which resulted in the creation of a technology for reusing polyester waste as a raw material for new fibres. The success and novelty of the project was recognised, among other things, in the ESG Innovator competition, where it was awarded the Gold Award.





We also undertake other important initiatives, such as programs to optimize working conditions and professional training opportunities for our employees. Their well-being and development are the basis of our organisational culture. We also take care of the staff of our suppliers and partners. In 2023, our company became a member of several organisations that promote business standards that guarantee compliance with human rights worldwide. We have also launched a training program called "ESG Academy", intended for strategic suppliers of goods and services in Poland.

For the first time, we conducted a dual materiality analysis process in line with the European Sustainability Reporting Standards (ESRS) guidelines. The analysis covered the entire value chain and involved issues included in the requirements of the standard, supplemented by the results of dialogue with stakeholders, thanks to which we learned more about the scope of environmental impact and the associated risks and opportunities. On this basis, we have developed a list of important issues that should be addressed in the report and taken into account in the process of strategic management of ESG issues in the long term - this involves developing well-considered strategies and appropriate adjustment of the business model.

In this report, we have also referred to events that took place just before the publication of this sustainability report. On 15 March 2024, an attempt to undermine our

was made. On that day, Hindenburg Research published a report making false allegations against us in an attempt to convince our stakeholders that we are continuing the operations in Russia. I can assure you that the allegations included in the report are untrue and we have included detailed explanations later in our report. Despite these unpleasant events, we look to the future with optimism, focusing on implementing our sustainable transformation, which is both full of new challenges and opportunities.

I would like to thank all LPP employees for their commitment, ideas and actions that help us achieve ever better results. I am confident that our collective sustainability efforts will benefit the company, the environment, and the local communities in which we operate. I also hope that the initiatives we undertake will inspire others to implement projects to protect the environment and ensure social and economic well-being.

Marek Piechocki,
President of the Management Board





02

Profile and strategy of LPP Group



Brand full of values

About LPP

[GRI 2-1]

LPP is a Polish family business, one of the most dynamically developing in the industry in the Central European region. It has been successfully running its business for 30 years, both in Poland and abroad, based on a network of circa 2,300 stores located in nearly 30 countries, including such prestigious fashion capitals as London, Helsinki, or Milan. Total retail area of the LPP Group covers 1,9 million m².

The company manages 5 fashion brands: Sinsay, Reserved, Cropp, House and Mohito, whose offer is also available in the online channel. LPP plays an important role in creating jobs for over 33 thousand people in offices and sales structures in Poland, Europe, Asia and Africa. The company is listed on the Warsaw Stock Ex-

change as part of the WIG20 index and belongs to the prestigious MSCI Index Poland. In the financial year 2023, the LPP Group consisted of 36 companies – 9 in Poland and 27 abroad.

The company's head office is located in Gdansk, where the design departments of Sinsay, Reserved and Cropp operate. Collections of Mohito and House are being built in LPP's office in Cracow. We are pioneers in the field of Fashion Tech¹, we have our own analytical facilities, and our IT team is on par with the largest IT companies in Poland. We are also one of the largest logistics operators in the country, managing warehouses not only in Poland, but also in Romania and Slovakia.



¹Fashion Tech – modern technologies used in the fashion industry.



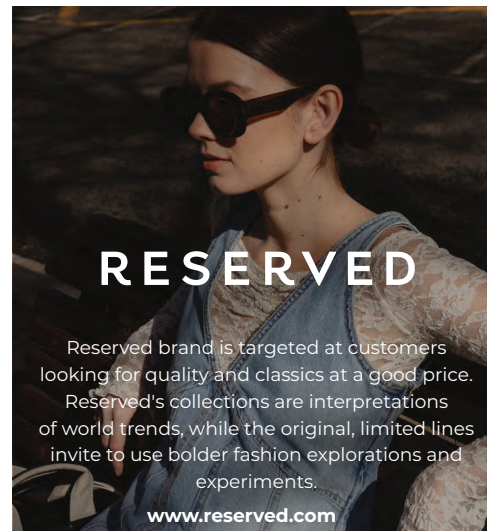
[GRI 2-6]

We offer clothing, accessories and footwear of five brands: Sinsay, Reserved, Cropp, House and Mohito. Each of our brands is dedicated for a different target group and has different nature.



Sinsay's collections are designed for customers who prefer a casual urban style. This brand's offer comprises clothing and accessories for the whole family, as well as home interior articles, pet accessories and a line of make-up and beauty products.

www.sinsay.com



RESERVED

Reserved brand is targeted at customers looking for quality and classics at a good price. Reserved's collections are interpretations of world trends, while the original, limited lines invite to use bolder fashion explorations and experiments.

www.reserved.com



HOUSE

House is a brand we address to customers interested in both street fashion and more diversified styles and fashion trends, combining modernity with classic elements.

www.housebrand.com



CROPP

Cropp is a streetwear brand inspired by the latest trends in street lifestyle, music, art and sport. It offers clothing, shoes and accessories mainly for young women and men. It features bold patterns, strong colours and original design.

www.cropp.com



MOHITO

Mohito is a brand for dynamic and modern women who appreciate timeless elegance. Its designers carefully follow global fashion and create original designs that combine the latest trends with comfort and functionality.

www.mohito.com



Vision, mission and values

Vision, mission and values define our ambitions and set the direction we follow.

OUR MISSION:

We help our clients express their emotions and fulfil their dreams through their appearance.

OUR VISION:

We work with passion, thereby becoming the best clothing company in the world.

OUR VALUES:

Our business is based on sustainable values that allow us to grow steadily and meet the needs of our stakeholders.



F



FIRE-FUELED

energy and an inner fire that gives us the impetus to act.

A



AMBITION-DRIVEN

ambition that drives continuous improvement.

S



SOCIALLY-RESPONSIBLE

responsibility for what we do and for our environment.

T



TEAM-ORIENTED

the team is our greatest strength.

These values form the acronym FAST, which emphasises the agility of the company in the face of continuous developments in business environment and the ability of fast response to trends.



Business model

The business model we have adopted consists of four steps:



step 1

DESIGN

Our designers follow fashion fairs in fashion capitals worldwide and, on a daily basis, follow street fashion and social media. On such basis, they develop original collections which creatively match trends for a given season (colours, patterns, models) with customers' needs.

Our designs are developed in design offices located in Gdansk, Cracow and Warsaw, as well as in the Barcelona office. A design team consisting of over 300 persons creates collections for our five brands, striving to meet expectations of a diverse customer community.




step 2

PRODUCTION



We do not own manufacturing plants and we outsource production of designed collections to more than 1,500 external suppliers. We cooperate with carefully selected production plants in Asia and Europe that make individual models.

We care for sustainability of the supply chain. Our suppliers undergo audits and training related to observing human rights and employee rights. We pay attention to the environmental impact of suppliers. In Asia, we operate through representative offices.



step 3

SHIPMENT AND LOGISTICS



We have a well-developed distribution network that enables us to deliver products to customers all over the world. A comprehensive logistics system ensures efficient service of online orders and fast delivery of products to customers. LPP Logistics is the logistics operator managing the LPP Group's supply and distribution network of distribution centers and Fulfillment Centers with the total area of nearly 500,000 m². It operates on three continents and offers a full range of logistics services - from sea, rail and road freight, through the operation of its own customs agency, to advanced warehouse logistics using modern technologies. At present, LPP Logistics manages eight warehouse facilities, including four Distribution Centers (in Pruszcz Gdański, Gdansk, Brześć Kujawski and near Bucharest) and four Fulfillment Centers (two in Poland - in Pruszcz Gdański and in Podkarpackie, and two abroad - near Bucharest and Bratislava).



step 4

SALES

We apply the omnichannel strategy enabling rapid adaptation to changing customer preferences and behaviour. Our collections are available in nearly 30 markets. Our collections are also available for purchase online.

[Own indicator] Number of stores

[Own indicator] Floorspace

In 2023, the number of stores increased by 16% to 2,275, compared to 1,962 in 2022, with the highest number of new stores created for Sinsay and Cropp brands. In the years 2022-2023 floorspace of LPP brand stores increased by 19%, from 1,673,360 square meters to 1,993,664 square meters. The highest increase in floorspace of over 36% was recorded in Sinsay stores.

Subsidiaries create store networks of particular brands in the regions where they operate and are supplied with goods by LPP Logistics. In some locations in the Middle East, sales were outsourced to franchisees, mainly due to the specific legal systems of these countries and their experience and knowledge of the local market. We jointly determine the pricing policy while the delivery of goods is performed on the same basis as in our own stores, taking into account climate and cultural features.





LPP Group's value creation model

ASSETS

Natural capital	Financial capital	Human and intellectual capital	Social and relational capital	Manufactured capital
Raw materials used to produce fabrics and the use of natural resources, such as energy and water.	Equity and liabilities.	Contribution of employees and suppliers into the creation, development and production of LPP brands' collections, their distribution and sales.	The inspiration and growth we owe to our relationships with investors, business and community partners, customers and other stakeholders.	Products, distribution and sales network.

RESULTS IN THE 2023 FINANCIAL YEAR

<ul style="list-style-type: none"> » 131,399 GJ of energy used. » As of 01.2023, most offices and distribution centers in Pruszcz Gdański and Brześć Kujawski are powered by wind energy from Figene. » 63.8% tCO₂e reduction in own operations (scope 1 and 2, compared to the 2021 base year). » Energy consumption reduced by approx. 18% y/y in stores thanks to implementation of a telemetry system. 	<ul style="list-style-type: none"> » PLN 4,717m: equity. » PLN 9,085.1m: amount for long-term and short-term provisions and liabilities. 	<ul style="list-style-type: none"> » 33,556 employees in the LPP Group. » 1,560 production suppliers on three continents. » 108 suppliers in the non-production chain. 	<ul style="list-style-type: none"> » Partnerships for sustainability goals: Zero Discharge of Hazardous Chemicals (ZDHC), Polish Plastics Pact, Canopy, Cotton made in Africa, International Accord, amfori BSCI, UN Global Compact. » Partnership with the Development Initiation Foundation Up Foundation. » Supporting sector-specific initiatives of the Union of Polish Retail and Services Employers (ZPPHiU) and Employers of Pomerania. » The scale of the LPP Foundation's activities and partnerships. 	<ul style="list-style-type: none"> » Increased use of cotton labelled Cotton made in Africa – 8,869 tons in 2023 vs. 2,661 tons in 2022. » 1,993.7 ths m² total floorspace of all stores.
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STAKEHOLDER VALUE

<ul style="list-style-type: none"> » Reduction of negative environmental impact of the industry. » Wider choice of products that are more environmentally-friendly to facilitate more responsible choices. 	<ul style="list-style-type: none"> » Financial results appreciated by investors. » Ability to adequately remunerate employees. » Strengthening of the economy through, among other things, taxes and cooperation with suppliers from the region. 	<ul style="list-style-type: none"> » Convenient working conditions for thousands of LPP employees. » Opportunities for employees to develop professionally and improve their skills. 	<ul style="list-style-type: none"> » Help offered to suppliers with managing their environmental impacts and increasing their competitive advantage. » Help offered to suppliers with ensuring adequate working standards and human rights protection. » Assistance for local communities and the society at large. 	<ul style="list-style-type: none"> » More innovation and better access to advanced technologies in the fashion industry. » Availability of products and convenience of safe shopping for customers.
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Structure and form of ownership



Our company operates as the LPP Group composed of the dominant company, LPP SA established in Poland, 8 domestic subsidiaries and 27 foreign subsidiaries. Most of the foreign subsidiaries are engaged in sales of products of our brands outside Poland. Polish subsidiaries, on the other hand, are engaged in store operation services in Poland (LPP Retail Sp. z o.o.), sale of promotional clothing (LPP Printable Sp.

z o.o.), logistics services (LPP Logistics Sp. z o.o.), development works related to the logistics centers (Veviera Investments Sp. z.o.o.), management of IT projects for the LPP Group (Silky Coders Sp. z o.o. and Dock IT Sp. z o.o.) and activities in the scope of rental of real property in Poland, where our brand stores are located (DP&SL Sp. z o.o., IL&DL Sp. z o.o.).

In April 2023, LPP Logistics established two subsidiaries (LPP Logistics Romania and LPP Logistics Slovakia). The strengthening of the structure of the overseas supply and distribution network is a response to the increased importance of this region in the LPP Group's development, as well as to the need to optimise the logistics processes carried out by LPP Logistics in these markets.

In 2023 Q3, there were following changes in the LPP Group's structure: the foreign subsidiary, Sinsay Portugal, Unipessoal LDA, was established and the Russian subsidiary, LLC Re Development was closed as a result of the termination of its liquidation process, related to the sale of Re Tra-

ding to an external investor.

LPP is a Polish family company, listed on the Main Market of the Warsaw Stock Exchange since 2001. Its shares are included in domestic indices such as the WIG, WIG20, WIG30, WIG140, WIG-clothes, WIGESGi, WIGPoland, WIG20TR, WIG30TRi and foreign indices: MSCI Poland Index, CECE Index, STOXX Europe 600, FTSE Russell Index. In addition, the company has been classified in the index of family companies lunched on the WSE in 2021.

The controlling interest (31.2%) is owned by the Semper Simul (Always Together) Foundation, which corresponds to 60.8% of votes at the General Shareholders' Meeting (GM).

The table below presents shareholders holding (directly or indirectly) at least 5% of the total number of votes at the GM as at the date of publishing this report. In 2023, there was a change in the ownership structure of significant shareholdings of LPP: The Sky Foundation disposed of shares in the Company, consequently, its exposure fell below the threshold of 5% of the total number of votes at the GM.

Shareholder	Shareholding	Number of votes at the GM
Semper Simul Foundation*	31.2%	1,978,889
Other shareholders	68.8%	1,276,301
Total	100%	3,255,190

*The Semper Simul Foundation - a foundation closely associated with Mr Marek Piechocki (Article 3(1)(26)(d) MAR).



For more information, see [Investor relations](#)



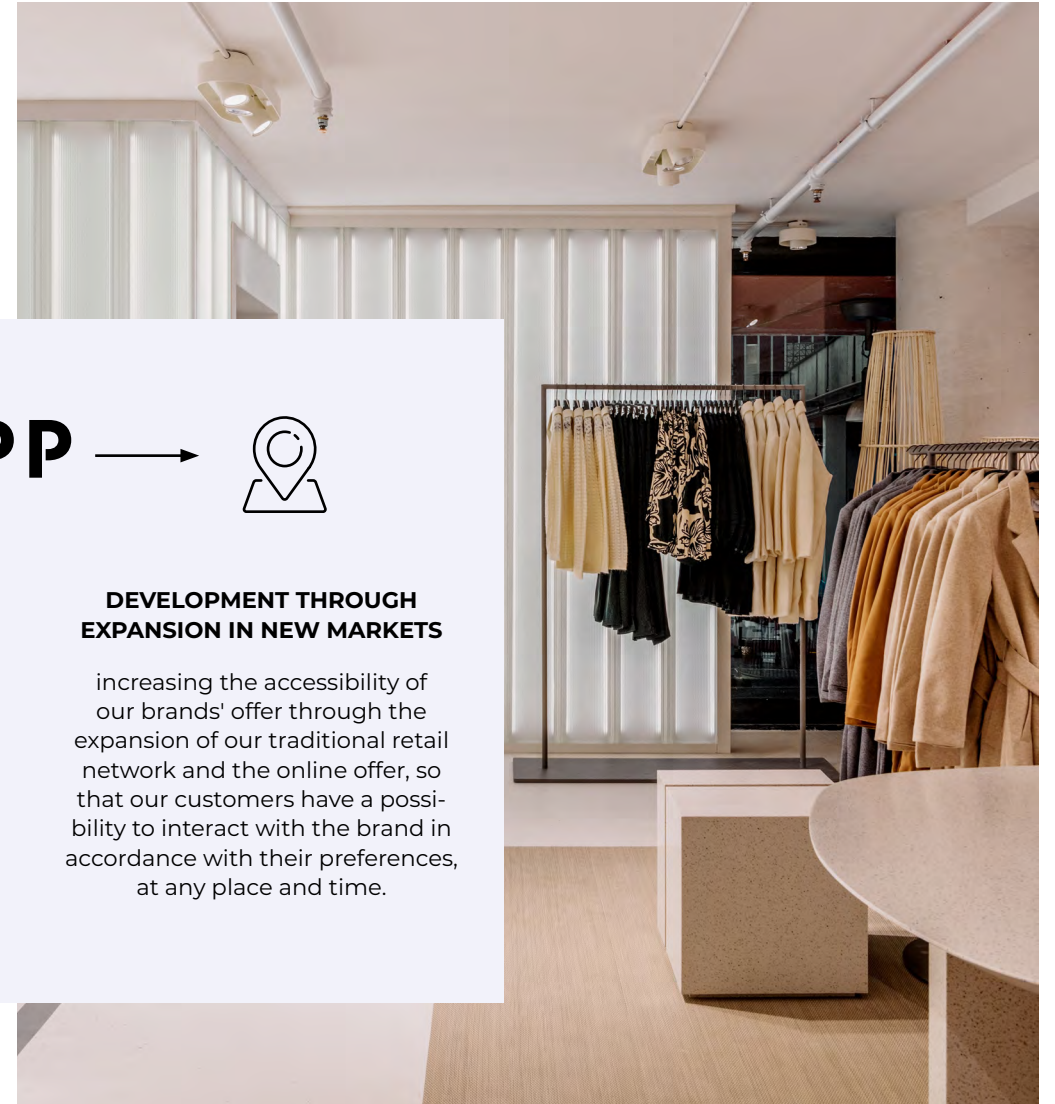
Business strategy

[Own indicator] Description of the business model and omnichannel development

The geopolitical and economic problems of recent years resulted in a radical change of our strategy and focus from Eastern Europe markets to Central and Southern Europe and the development of plans to enter Western markets. However, the pillars of our strategy have not changed:

I. Omnichannel organisation

LPP is an omnichannel organisation where traditional and online sale are fully integrated. We are committed to providing our customers with the best possible experience, regardless of whether they choose to purchase our products in traditional stores or online. Therefore, we concurrently develop both these channels, taking care of a consistent presentation of our offer. Our priorities are:





WHAT HAPPENED IN 2023?

- » We continued our **expansion in the markets of Southern and Western Europe** - in 2023 we opened three new Reserved stores in London, as well as the first Reserved store in Milan. The first Sinsay brand traditional stores were also established in Italy and Greece.
- » **We have strengthened the company's position as an independent logistics operator** in Southern and Central Europe - in April 2023 LPP Logistics established two subsidiaries (LPP Logistics Romania and LPP Logistics Slovakia).



- » At the end of 2023, we finalized construction of a **new Distribution Center near Bucharest**. The 65,000 m² warehouse enables the efficient handling of deliveries to LPP brand stores operating in Romania, as well as in the neighbouring countries of South-Eastern Europe, i.e. Bulgaria, Hungary, Croatia, North Macedonia, Serbia and Greece.
- » Meanwhile, in September 2023, **we closed the Fulfillment Center in Stryków**, handing over a facility with the warehouse space of 46,600 m² located in SEGRO Logistics Park Stryków.
- » In 2023, we have increased the number of stores by 313, up by 16%. Our plans for the next months and years include the dynamic growth of Sinsay brand, and further development of the application and the loyalty programme. Moreover, we want to continue the development of Reserved brand in the United Kingdom and Italy, introduce the Mohito brand to Milan and open more Sinsay brand stores in Greece. We intend to use the logistics facilities in Romania to continue our dynamic online growth in the SEE (Southern and Eastern Europe) region and to open an online shop in Bosnia and Herzegovina. In 2023, we also opened a Reserved design office in Barcelona. In 2024, we are planning to open a purchasing office of Reserved in Istanbul.





2. Digitisation of the organisation

We implement modern technologies, the so-called Fashion Tech, throughout the entire value chain, comprising product, logistics and sales. We have our own analytical facilities that allow us to identify trends and customer expectations. This enables us to respond flexibly and quickly to changes in purchasing preferences and to design collections tailored to the current needs of our customers. We use modern technology to:

- continuously refine our collections according to our customers' expectations;
- expand our range of sales and after-sales services in line with global retail trends;
- increase the flexibility of our distribution network;
- fully integrate the traditional and online channels in line with the omnichannel strategy.

WHAT HAPPENED IN 2023?

» We continued the **development of m-commerce**² - in Poland, Reserved and Sinsay applications generated ca 50% of the total online sales revenue of these brands in 2023 Q1. A dynamic growth was recorded in terms of the number of users and the apps share in online sales in younger markets. In Romania, the apps generated over 30% of online sales in 2023 Q1.

» In November 2023, **we launched a mobile app for Mohito brand** which, in its first few weeks of operation, has already gained recognition among customers, ranking high in user ratings in its category. The new app will strengthen Mohito's sales potential in the online channel and accelerate the development of this brand in foreign markets. It was developed and implemented in-house, by the Mohito and Silky Coders teams operating within the LPP Group.

» LPP Logistics has developed its proprietary **Control Tower** platform, which controls the flow of goods in the supply chain, improves the circulation of documents and enables the optimisation of logistics processes and quick response to changing market conditions (more on the platform in subsection [Solutions used in stores, offices and warehouses](#)).

» In 2024 we plan to implement a project to improve the packaging and shipment of goods to stores (new Allocation Application).

» We intend to further develop the Reserved, Sinsay and Mohito applications and launch mobile apps for other brands – Cropp and House.



3. Sustainable development

We are continuously involved in social initiatives and take measures to reduce our carbon footprint. The adopted sustainable development strategy is founded on a responsible approach to fashion, in which we think not only about designing, manufacturing, distribution and utilisation of our collections but also the so-called clothes' second life, when they are no longer used by customers.



Read more in chapter [Environmental and climate impact](#)

²m-commerce - the area of e-commerce, in which mobile devices play an important role.



Sustainable development strateg

[GRI 3-3]

LPP'S SUSTAINABILITY STRATEGY "FOR PEOPLE FOR OUR PLANET" IS BASED ON FOUR PILLARS. THEY ARE:



DESIGNING AND MANUFACTURING

we design products with a longer life cycle to reduce the quantity of textile waste and we carry out more sustainable production, guided by the principle of minimising environmental impact.



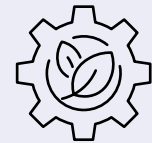
CHEMICAL SAFETY IN MANUFACTURING

refers to commitments and activities relating to managing the impacts of chemicals used in production processes on the environment, human health and the entire supply chain.



PLASTICS UNDER CONTROL

means our commitment to eliminate plastic packaging that is not reusable, recyclable or compostable from both our production processes and the products we offer.



SUSTAINABLE DEVELOPMENT IN THE BUILDINGS OF HEADQUARTERS AND SALES NETWORK

refers to the measures we take to minimize the environmental impact of our infrastructure, simultaneously caring for buildings' energy efficiency, employee comfort and introducing innovative solutions in the scope of sustainable construction.



WHAT HAPPENED IN 2023?

- » In July 2023, we became the first Polish clothing company whose decarbonisation targets were scientifically verified and validated by the international **Science Based Targets initiative (SBTi)**³. The independent validation obtained by LPP states that the assumptions adopted by the Company are consistent with the provisions of the Paris Agreement⁴ in the pursuit of limiting the global warming increase to 1.5°C. (Read more in subchapter [Impact on climate and the environment](#)).
- » Since 2022 we have been developing the polyester recycling technology with the Polish start-up, **Use Waste**. In 2023 our works led to the development of an original concept and obtaining a raw material that will be used for the production of polyester yarn of undeteriorated quality. (Read more in subchapter [Circularity](#)).
- » Since 2023, we are installing **telemetry systems** in all newly opened salons, and in 2024 these systems will be installed throughout the network, **currently in about 75% of stores** (more on this in the subsection [Solutions used in stores, offices and warehouses](#)).
- » We have developed guidelines for packaging design along with recommended solutions that our designers and buyers



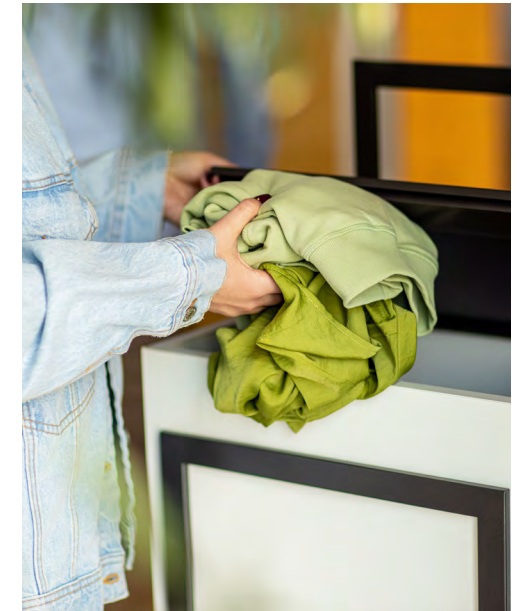
have received (more on in the subsection [Circularity](#)).

- » We are changing our packaging policy - we are replacing single-use plastic with cardboard, recycled paper, or recycled, reusable or recyclable plastics. We put emphasis on the multiple use of cardboard boxes. 100% of the cardboard boxes

we use are FSC certified and recycled. (more on in the subsection [Circularity](#)).

- » We have undergone a **BREEAM** certification process for buildings (the newly emerging SILK building belonging to the LPP Fashion Lab campus in Gdansk and the Distribution Center in Brześć Kujawski) (more on this in the subsection [Solutions used in stores, offices and warehouses](#)).
- » As part of the collection of clothes, which is carried out in all stores in Poland, at the end of 2023, the LPP Group's stores located abroad were also to be covered. Taking into account the delays of the implementing acts relating to the extended producer responsibility in each country, including the provisions of separate collection regulations contained in the European Union Directive of July 2023, we have decided to amend the timetable for the implementation of the programme (more on in the subsection [Circularity](#)).
- » We promoted reuse and recycling throughout the entire clothes life cycle, and we have also made changes to reduce the amount of waste generated in the packaging process, repackaging, and shipping of products (more on in the subsection [Circularity](#)).

- » We have joined the signatories **Pakistan Accord Agreement**, which works to improve safety and working conditions in garment factories (more on this topic in the subsection [Memberships and Industry Awards](#)).
- » We have started cooperation with **BRAC**, the largest international non-governmental organization in Bangladesh, which creates systemic solutions in the labour market (more on this in the subsection [Memberships and Industry Awards](#)).



³SBTi is a global organization established in 2015 as a partnership of international organizations working for sustainable development and environmental protection

⁴Carbon Disclosure Project (CDP), United Nations Global Compact (UNGC), World Resources Institute (WRI) and WWF.



Value chain

[GRI 2-6]

LPP Group's value chain comprises the activities, resources and relationships we use at all stages of production, distribution, sale and use of LPP brand products. We attach great importance to practices compliant with the principles of social responsibility and care for the environment at every stage of the value chain.

The value chain encompasses the activities, resources and relationships that an entity uses and relies on while creating its products or services - from concept to implementation, consumption and decommissioning.

<p>UPSTREAM</p> <p><i>Entities at a higher level (upstream) than the entity (e.g. suppliers) deliver products or services that are used to develop the entity's products or services.</i></p> <ul style="list-style-type: none"> - Tier 1 - Creation of the finished product - Tier 2 - Production of materials - Tier 3 - Raw material processing - Tier 4 - Raw material sourcing 	<p>OWN OPERATIONS</p> <p><i>Significant activities, resources and relationships within the entity's own operations, such as human resources.</i></p> <ul style="list-style-type: none"> - Office centers, retail and distribution centers (stores in Poland and abroad, online stores, warehouse facilities in Poland and abroad) 	<p>DOWNSTREAM</p> <p><i>Entities at a lower level (downstream) of the value chain than the entity (e.g. distributors, customers) receive products or services from the entity.</i></p> <ul style="list-style-type: none"> - Use - End of product life cycle
TRANSPORT		
AFFECTED STAKEHOLDERS		
<p>Suppliers and sub-suppliers and their employees, certification bodies, local communities, NGOs, the environment (the so-called silent stakeholder).</p>	<p>Employees, social and business partners, investors, financial institutions.</p>	<p>Consumers and end users, social and business partners, NGOs, local communities.</p>

Geographical scope: LPP Group's own operations are mainly focused on Poland and include typical business and operational relationships with foreign suppliers and sub-suppliers, as well as customer service in Poland and abroad. As part of its sales networks, the LPP Group also conducts operations in Europe, Asia and Africa.



Approach to stakeholder engagement

[GRI 2-29] [GRI 3-3]



The basis of our stakeholder relations is the dialogue we undertake in various forms (surveys, meetings with experts, consumer feedback, etc.), with the results taken into account in our business decisions. We regularly inform stakeholders about the company's objectives and the decisions we make and we collect their feedback. This process helps us to understand better their needs and adapt strategies and actions to meet their expectations and work together

to achieve the best possible results. Each year, we identify the most important institutions and individuals in the entire value chain, analyse the stakeholder map and implement diverse forms of communication and engagement. We supplement the current exchange of information with an annual dialogue session with the participation of stakeholders conducted according to the principles of the AA1000 standard.

We invited representatives of the LPP Group's key external stakeholders: designers, business partners, representatives of industry organisations and NGOs, and ESG experts to the latest meeting in October 2023. We wanted to learn their opinions on the LPP Group's activities in the area of sustainable development, define key ESG themes and determine significant ESG impacts, opportunities and risks of the LPP Group. Accordingly, we conducted a comprehensive double materiality analysis and obtained valuable input for planning further strategic actions.

Moreover, in November 2023, we carried out a questionnaire survey which comprised two groups of respondents: employees (76 respondents) and stakeholders (60 respondents). In the survey, we focused on three thematic areas: perception of the LPP Group, LPP Group's impact on ESG issues and LPP Group's ESG activities. The scope of questions covered a number of significant issues such as the perception of LPP as a company, the future of the company,

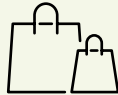


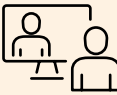

the impact on society, the environment, its own employees, employees in the value chain, as well as business practices and sustainability efforts. The results show that both employees and stakeholders perceive LPP as an international, growing and reliable company. The only category in which the responding employees have identified room for development is the formation of responsible consumer habits. Respondents highlighted that LPP provides good and safe working conditions. They also believe that the company takes sufficient action for the benefit of employees in the value chain, especially in the area related to prohibition forced and child labour.



STAKEHOLDER MAP

STAKEHOLDER GROUP

SELECTED COMMUNICATION CHANNELS

	 CUSTOMERS	 EMPLOYEES	 BUSINESS ENVIRONMENT	 SOCIAL ENVIRONMENT	 INVESTORS AND RELATED STAKEHOLDERS
	<ul style="list-style-type: none"> » store customers » customers of online shops 	<ul style="list-style-type: none"> » employees of the headquarters » employees of distribution centers » employees of sales network 	<ul style="list-style-type: none"> » suppliers in Poland and abroad » lessors of stores in key locations » franchisees » banks » industry organisations » financial institutions » journalists 	<ul style="list-style-type: none"> » industry organisations » consumer organisations » social organisations supported by LPP » universities and schools cooperating with LPP » local authorities » influencers 	<ul style="list-style-type: none"> » investors » most interested analysts » from Poland and abroad – ca 130-180 participants in performance meetings » Stock Exchange » Association of Exchange Issuers » Polish Financial Supervision Authority
	<ul style="list-style-type: none"> » Internet services of brands » Customer Service Office » social media » newsletters » stores » media 	<ul style="list-style-type: none"> » mailing » dedicated groups on the Viva Engage platform (LPP News, LPP Team, HQ Cracow News, Silky Coders News) » at a workplace (screens, walls, information boards, reception area) » face-to-face meetings » Town Hall Meeting » special events » training and webinars » surveys and opinion polls » Microsoft Teams application » Activities application » SharePoint platform » HR Quick Peek application 	<ul style="list-style-type: none"> » mailing » regular performance conferences » electronic press office box » company website » dedicated channel on LinkedIn » webinars » face-to-face meetings » events and special publications » events for selected target groups, e.g. stakeholder panel » dedicated channels of communication for members of the Union of Polish Retail and Services Employers » surveys and opinion polls » Microsoft Teams application 	<ul style="list-style-type: none"> » mailing » social media » media » face-to-face meetings » events for selected target groups, e.g. stakeholder panel » activities carried out with the support of local authorities » activities carried out in the framework of cooperation with partners » surveys and opinion polls » Microsoft Teams application » Company website 	<ul style="list-style-type: none"> » bilingual company website » mailing » business media » regular investor conferences » electronic investor relations contact box » investor materials such as Factbook, Equity Story and Databook » annual and sustainability reports » Electronic System for the Transmission of Information (ESPI) to submit current and periodic reports in the performance of disclosure obligations » Electronic Information Base (EIB) - to provide reports on corporate governance application quarterly performance conferences with a live Q&A section » teleconferences » video comments » General Meeting of Shareholders (GM)



Membership of organisations and industry awards

In 2023, we continued our cooperation with internationally recognised organisations and initiatives and we have established new partnerships.

[GRI 2-28] [GRI 3-3]

Since 2013	Membership of International Accord , an organisation working on behalf of the fashion industry to improve working conditions in Bangladesh. Our company is the only Polish member of this organisation. Its aim is to continue and expand the cooperation of the signatories with the trade unions to ensure safety in garment factories.
Since 2016	Agreement with the Open Cages organisation and participation in the international Fur Free Retailer initiative . We have committed not to use natural fur again in the production of our brand clothing and accessories.
Since 2017	Membership of the Association of Family Businesses - Family Business Network Poland
Since 2018	Partnership in the FIR Grant Fund (Development Initiation Fund) - established to support the best interindustry initiatives bringing about real social and economic change at the local level or across the Pomerania Voivodeship. Membership of Pomeranian Employees - the largest and oldest employers' organisation in the Pomeranian Voivodeship, representing the interests of this group in relation to authorities and institutions supervising and controlling enterprises.
Since 2019	membership of the United Nations Global Compact - the world's largest UN initiative for corporate social responsibility and the promotion of sustainable development. Membership of the New Plastics Economy Global Commitment - an international circular economy agreement on plastic management.

Since 2020	Membership of the Union of Polish Retail and Services Employers (ZPPHiU) - an industry organisation set up in the face of the crisis caused by the COVID-19 pandemic (our company is a founding member). Joining the Zero Discharge of Hazardous Chemicals (ZDHC) Programme which works to reduce the negative global impacts of the clothing industry on the natural environment by formulating and implementing safety standards in the entire supply chain. Joining the Polish Plastics Pact , a multi-sectoral platform of collaboration between companies, industry organisations and NGOs bringing together the participants of the plastic packaging value chain.
Since 2021	Working with Canopy to promote business practices involving the sustainable use of forest resources worldwide. Collaboration with Cotton made in Africa , an initiative that has developed an internationally recognised standard for sustainable cotton cultivation in Africa.
Since 2022	Collaboration with amfori BSCI , which is one of the leading global initiators of action for sustainable production and trade, also in the clothing industry.
Since 2023	Joining the group of signatories of the Accord Pakistan , an organization that works to improve safety and working conditions in garment manufacturing plants. Our company is the only Polish signatory of the agreement covering over 500 factories. Joining the Climate Positive programme , run under the aegis of the United Nations by the UN Global Compact. The program is an example of a practice that implements actions that respond to the climate crisis, biodiversity loss or progressive environmental pollution. The program involves government entities, NGOs, and the private sector. Membership of EuroCham Myanmar , or the Euro-Myanmar Chamber of Commerce, focusing on monitoring of the situation of employees and developing solutions with its members to eliminate abuses and conduct business according to strict standards that guarantee human rights. Collaboration with BRAC , the largest international NGO in Bangladesh, which creates systemic labour market solutions. As part of the "Leadership and supervisory skills training" programme, female employees at the factories where LPP manufactures are trained in, among other things, team management skills and effective communication.



List of awards received by LPP in 2023



ENVIRONMENTAL AREA

- » **CSR Golden Leaf** - the award granted to LPP by the "Polityka" weekly for its overall environmental, social and corporate governance activities.
- » **CSR Green Leaf** - the distinction granted by the "Polityka" weekly for reducing climate impact.
- » **Gold award for LPP in the ESG Innovator competition organised by the Polish ESG Association** for the polyester textile recycling technology project, which will enable to reuse second-hand clothes as raw material for production of new fibres. Read more about the project ([More information: Second life of clothes](#)).



SOCIAL AND GOVERNANCE AREA

- » **Special Award for the Sustainability Report received in The Best Annual Report competition** organised by the Institute of Accountancy and Taxes.
- » **Distinction in the category of the best report on operations received in The Best Annual Report competition** organised by the Institute of Accountancy and Taxes.
- » **Second place in the Ranking of Responsible Companies** in the trade category and fifth place in the overall ranking.
- » **Distinction** for the best project in the 15th edition of the Polish Logistics Association Awards for the **Control Tower original platform** for global supply chain management.



- » **Distinction** in the sustainability reports category of the 2023 **Sustainability Reports competition** organised by the Responsible Business Forum and Deloitte Polska.
- » **A silver award in the Effie Awards competition for LPP and the Płodni agency** in the PR & Employer Branding category for their campaign "You say: work? We say: Sinsay!".
- » **Investor Relations Leader** - first place in the survey of investor relations in WIG30 companies conducted by Parkiet and the Chamber of Brokerage Houses.
- » **2. place in the ranking of the Golden Hundred of Pomerania organised by Polska Press** - prepared on the basis of sales revenues generated in 2022.
- » **Special award of the PAIH (Polish Investment and Trade Agency) President** in the ESG Innovator

- competition for coherent ESG activities, defining standards in the clothing industry, as well as inspiring others through engagement in environmental protection, local community support and ethical corporate governance.
- » **MTA (Mobile Trends Awards) Grand Prize for the Sinsay app** - the title for the best project of the year awarded in the Mobile Trends Awards competition.
- » **Investor without borders** - the award granted to LPP by the Polskie Towarzystwo Wspierania Przedsiębiorczości S.A. for its bold and effective foreign expansion strategy.
- » **ESG Eagles** - the award granted to LPP by the "Rzeczpospolita" daily for competent coping with crisis situations, technological, logistical and sales transformation.



LPP's participation in projects and industry events

[GRI 3-3]

We support educational initiatives and participate in industry conferences, panel discussions and publications. We share our knowledge and experience as well as seek to inspire others to take action for sustainable social and economic development. Our company participated in diverse activities, such as:

- » **ING Circular Textiles Event** - a debate on the future and challenges in the clothing industry, with particular emphasis on new regulations, among others, extending the scope of manufacturers' responsibility.
- » **Circular Textiles Days** - a fair in Hertogenbosch, the Netherlands, where more than 70 companies from 10 different countries shared their knowledge and innovative solutions in the field of closing loop.
- » **Study visit to the Netherlands** - at the invitation of the Dutch Embassy, we attended meetings with companies operating in the circular model, such as Mud Jeans and United Repair Centre. Moreover, we met with representatives of the New Order of Fashion Lab, an organisation supporting the transformation of the fashion and textile industry to a circular one.
- » **Sustainable Fashion Roundtable Initiative** - a platform for collaboration in the area of sustainable development that brings together various companies involved in the fashion industry. As part of an initiative led by the UN Global Compact Network Poland, representatives of fashion companies, NGOs are working together to find solutions aimed at reducing the impact of the fashion industry on the environment and the community.
- » **Expert panel within Circular Week 2023** - a meeting organised by the Netherlands Embassy in Warsaw, where we discussed the directions of changes in the textile and fashion sector, in particular, the circularity. The meeting was attended by representatives of major clothing companies from Poland and abroad, NGOs and journalists.
- » **TOGETAIR International Climate Summit** - a debate and publications on the value chain in operating models and business strategies in relation to the circular economy and sustainable packaging and circular fashion.
- » **PRECOP 28** - a debate and publications on the circular economy. The conference presented issues discussed at the UN Climate Change Conference 2023 (COP 28), the most important global forum developing a common policy to combat climate change.
- » **Open Eyes Economy Summit** - a debate and publications on innovation in fashion, especially related to circularity. During the meeting, we discussed the details of LPP's collaboration with the Use Waste start-up concerning the full recycling of used polyester fabrics based on the textile-to-textile idea and the challenges that the clothing industry has to overcome in connection with the transition from the linear to the circular model. In addition, the subject of social energy generation and forms of its use in the business area were discussed during the conference.
- » **ESG Congress - Polish Power of Business** - the debate on the circular economy and the use of natural resources, held at a conference in December bringing together representatives of business, academia, NGOs, as well as representatives of central and local government.
- » **European Textile and Fashion Sustainability Forum in Prague** - lecture on "Following the carbon footprint - from its calculation to SBTi targets".
- » **The 2023 CDP Europe Workshops: Transform the Norm in Warsaw** - participation in workshops.
- » **Innovation Forum Amsterdam** - a business conference dedicated to adapting the internal practices of clothing brands to EU regulations. Developing net-zero strategies, transforming supply chains, scaling circularity and making a positive impact on society.
- » **Global Fashion Summit Copenhagen** - a conference bringing together decision-makers from across the fashion ecosystem, where a series of discussions and meetings are held on the most important environmental, social and ethical issues facing the textile industry.



03

Organisational governance



Corporate governance

ORGANISATIONAL GOVERNANCE

[GRI 2-9]

LPP's corporate governance model supports effective management, supervision, and transparent communication between the company and the market as well as expresses respect for shareholders' rights. The implemented principles form an integral part of our daily operations, strengthen its transparency, and ensure a balance between the interests of all capital market participants. As the issuer of shares listed on the Main Market of GPW (Warsaw Stock Exchange) LPP SA undertakes to comply with the principles of [Best Practice for GPW Listed Companies](#) announced in 2021. These best practices primarily aim at enhancing the transparency of listed companies, improving the quality of communication with investors and strengthening the protection of shareholders' rights. The operations of LPP SA are regulated in particular by the Articles of Association, the Internal Rules and Regulations of the Management Board, the Supervisory Board and the General Meeting of Shareholders as well as



These documents are public and available on our website under the tab [Corporate governance](#).

the policies concerning the remuneration of the supervisory and management bodies, payment of dividend, fulfillment of tax obligations.

The authorities of the Company include: the Management Board, the Supervisory Board and the General Meeting of Shareholders (GM).

[GRI 2-10]

The procedure for the selection of members of the Management Board is set out in the [Articles of Association](#) and in the [Internal Rules of Regulations of the Management Board](#), the procedure for the election of the Supervisory Board is set out in the Articles of Association of the Company and in the [Internal Rules of Regulations of the Supervisory Board](#).

The appointment of the members of the Management Board, as well as the Supervisory Board, falls within the competence of the General Meeting of Shareholders which appoints and dismisses the members of the Management Board and the Supervisory Board for a period of the joint five-year term of office. The GM selects among the proposed candidates and based on the criteria defined by the shareholders. When proposing a candidate, the shareholder is obliged to justify the nomination, as well as to provide information on any relationship with the candidate in order to comply with the independence criterion. In accordance with the Code of Best Practice for GPW Listed Companies 2021, at least two members of the Supervisory Board should meet the independence criteria.

LPP is committed to ensuring the versatility and diversity of the company's bodies by selecting candidates with relevant experience necessary to serve in the Company's bodies. The main criteria for the assessment of candidates for members of the Management and Supervisory Boards are the candidate's education, knowledge of the industry and competence, which guarantees the efficient management of the Company and effective fulfillment of the role in the Company's governing bodies.

MANAGEMENT BOARD OF THE COMPANY

[GRI 2-9] [GRI 2-11] [GRI 2-12]

In accordance with the Articles of Association, the Management Board of LPP SA consists of two to six persons appointed

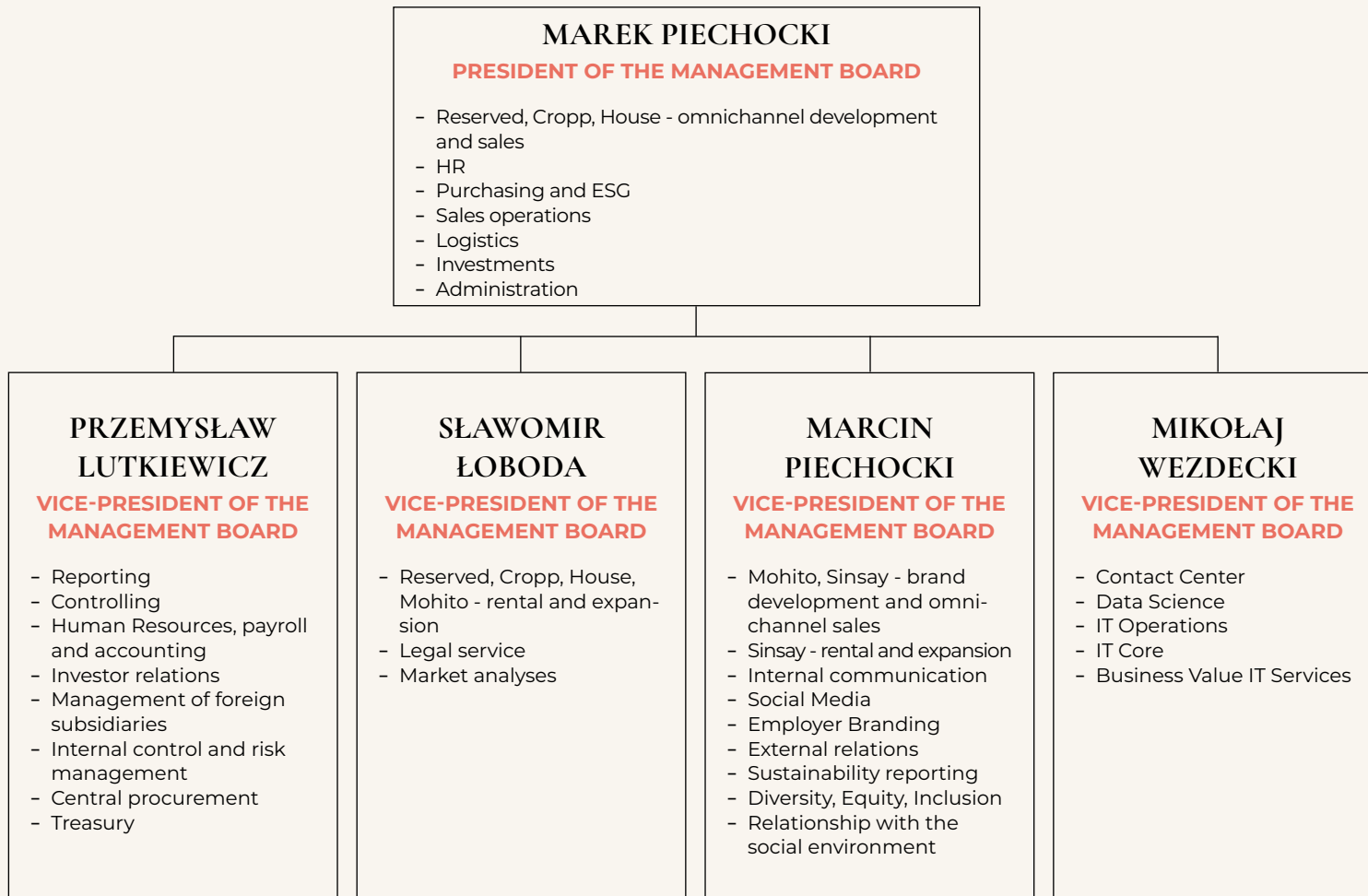
and dismissed by the General Meeting of Shareholders for a term of five years. The Management Board consists of the President and from one to five Vice-Presidents. The Management Board represents the Company and conducts all the Company's affairs not reserved by law or the Articles of Association.

[GRI 2-11]

The Management Board is chaired by the President of the Management Board appointed by the GM. The President of the Management Board is responsible for all aspects of the Company's operations - from the development of the LPP brands, to the management of the product offering, to the omnichannel sales. He supervises the Company's strategic actions and manages teams responsible for outsourcing production worldwide. Pursuing the Company's affairs, both the Management Board acting collectively and the Members of the Management Board acting independently take decisions within the limits of reasonable economic risk and after consideration of all information, analyses and opinions which, in the opinion of the Members of the Management Board, should, in a given case, be taken into account due to the interests of the Company.



Members of the Management Board, including their areas of responsibility



In 2023, the following changes took place in the composition of the LPP Management Board: on October 10, 2023, Jacek Kujawa resigned from his position of the Vice-President of the Management Board; on November 17, 2023, by resolution of the EGM⁵ Mikołaj Wezdecki was appointed to the Management Board.

» The powers and rules of operation of the Management Board are defined in: the Code of Commercial Companies Articles of Association of the Company and the Internal Rules of Regulations of the Management Board.

» Detailed information presenting the experience, competence and distribution of responsibility for the individual areas of activity of the members of the Management Board is published on our website under the tab Corporate governance

⁵EGM - Extraordinary General Meeting of Shareholders



SUPERVISORY BOARD

[GRI 2-18]

The Supervisory Board exercises permanent supervision over LPP's operations in all areas. This supervision involves performing corporate governance activities. The members of the Supervisory Board should take appropriate steps to receive regular and comprehensive information from the Management Board on all material matters relating to the Company's operations and on the risks associated with the operations conducted and the methods of management of these risks.

The Supervisory Board's powers and duties include the preparation and presentation of an annual written report for the previous financial year to the General Meeting, including an assessment of the Company's situation, taking into account the evaluation of the internal control systems, risk management, compliance and the internal audit function. Moreover, once a year, the Supervisory Board prepares and presents a report on the activities of the Supervisory Board to the GM.

The Supervisory Board continuously monitors the financial reporting process, ensuring the compliance with applicable standards and legal regulations. Once a year, it prepares and presents to the GM an assessment of the fulfillment of disclosure obligations by the Company regarding the application of the principles of corporate governance laid down in the principles of the Best Practice for GPW Listed Compa-



nies 2021 as well as the regulations concerning the current and periodic information provided by issuers of securities. Also, once a year, the Supervisory Board prepares and presents to the GM an assessment of the implementation of ESG-related activities and the company's charitable and sponsorship policy. It considers and expresses its opinions on matters subject of resolutions of the GM, and assesses the Management Board's reports on the operations of the Company and the Company's financial statements for the previous financial year in terms of their compliance with the books, documents and facts. It may also express

opinions on all matters relating to the Company's operations, including the submission of proposals and requests to the Management Board.

[GRI 2-9]

In 2023, the following changes took place in the composition of the Supervisory Board: on May 31, 2023, Magdalena Sekuła and Wojciech Olejniczak resigned. Jagoda Piechocka was appointed as a member of the Supervisory Board on June 2, 2023 and Alicja Milinska - on June 30, 2023.

» The rules of operation of the Supervisory Board are set out in the Code of Commercial Companies, Articles of Association of the Company, Internal Rules of Regulations of the Supervisory Board.

» Detailed information presenting the experience and competence of the Supervisory Board is published on the website under the tab Corporate governance.



Composition of the Supervisory Board of LPP as at January 31, 2024: Miłosz Wiśniewski (Chairman of the Supervisory Board), Alicja Milińska (Member of the Supervisory Board), Jagoda Piechocka (Member of the Supervisory Board), Piotr Piechocki (Member of the Supervisory Board), Grzegorz Maria Słupski (Member of the Supervisory Board).

As part of the Supervisory Board structure, functions an Audit Committee whose tasks include monitoring of, among others, financial reporting, internal control systems, risk management and the independence of the statutory auditor and the entity authorised to audit financial statements. The Audit Committee consists of: Grzegorz Maria Słupski (Chairman of the Audit Committee), Piotr Piechocki (member of the Audit Committee), Miłosz Wiśniewski (member of the Audit Committee).

In 2023, the composition of the Audit Committee was subject to the following changes: until May 31, 2023, the Committee comprised four members, including three independent members, and from 18th September 2023, the composition decreased to three members, including two independent members.

[GRI 2-15]

Bearing in mind the potential conflicts of interest when performing transactions with shareholders and other persons whose interests affect the Company's operations, the Management Board acts with particular diligence, ensuring that the tran-

sactions performed are carried out adequately to market conditions. Members of the Management Board are obliged to inform the Management Board and the Supervisory Board of any conflict of interest associated with their function or the possibility of such a conflict arising. A member of the Management Board should refrain from taking part in discussions and from voting on a resolution on a matter in which a conflict of interest has arisen.

Similarly, each Member of the Supervisory Board should be driven in his or her conduct by the interests of the Company and independence of opinion and judgement. In the event of the occurrence or potential occurrence of a conflict of interest, a Supervisory Board Member should inform the Supervisory Board, refrain from taking part in the discussion and from voting on the resolution on the matter in which the conflict of interest has arisen. A member of the Supervisory Board shall, in the performance of his or her duties, exercise the diligence inherent in the professional nature of his or her activities as well as loyalty to the Company.

[GRI 2-19]

The principles of remuneration of the Management Board and the Supervisory Board of LPP SA are regulated by [the Remuneration Policy of the Supervisory and Management Bodies of LPP SA](#), adopted by the GM on June 30, 2023. Members of the Management Board are entitled to a fixed

remuneration which does not depend on performance or performance evaluation. Variable benefits in the form of entitlements to acquire company shares are based on the Incentive Scheme. Members of the Management Board may also be granted an annual bonus, the amount of which is dependent on performance. The decision to award a bonus, including determining its terms and conditions, is made by the Supervisory Board. The bonus can be granted in cash or in kind. The proportions of the fixed part and the variable part of the remuneration of the members of the Management Board may vary in accordance with their performance.

Members of the Supervisory Board receive a lump sum remuneration.

[GRI 2-20]

The purpose of the Remuneration Policy is to implement the business strategy, long-term interests and stability of the Company, including the achievement of the economic performance targets, the Company's actual long-term financial position and the long-term growth of shareholder value as well as the stability of the company's operations, among others, by linking, based on the terms of the Incentive Scheme, the variable share-based portion of the remuneration of members of the Management Board to the results achieved.

The Remuneration Policy has been developed bearing in mind the following:

- requirements of the commonly applicable law, in particular the Act on Public Offering;
- economic assumptions and objectives of the Company's strategy;
- terms and conditions of employment and pay of employees of the Company other than members of the Management Board and the Supervisory Board;
- macroeconomic circumstances caused by the COVID-19 virus pandemic, as well as the aggression of the Russian Federation against Ukraine;
- existing internal regulations concerning remuneration principles in place in the Company and previous decisions of the General Meeting to the extent that they remain valid.

The Management Board is responsible for drafting, implementing and updating the "Remuneration Policy". The Supervisory Board, on the other hand, is responsible for issuing its opinion on the policy and its subsequent amendments, as well as for overseeing the implementation in the Company, review and evaluation of the operations and preparing the annual remuneration report. The "Remuneration Policy" and its subsequent amendments are adopted by the General Meeting which is also responsible for issuing its opinion on the remuneration report prepared by the Supervisory Board.



Ethics and due diligence

Ethics and whistleblowing

[GRI 2-23] [GRI 3-3]

We are committed to adhere to the ethical principles that form the basis of our operations. The most important principles include integrity, clearly communicate our values and ethical principles. They are enshrined, among others, in the transparency and respect in relationships - both internally and externally. We operate with respect for human rights, adhering to different cultures and systems of values. We take measures that mitigate our carbon footprint. We have the same requirement towards our employees, colleagues and contractors. They were recorded in the company's documents and are available on our website.

LPP Rules
Manual for employees



↓

LPP Diversity, equity and inclusion policy on diversity management, equal treatment and building a culture of inclusion
(read more about this in subsection Diversity, Equity and Inclusion)



↓



LPP Rules
for employees of retail stores

↓



LPP Code of Conduct
(read more in subsection Relationships with Suppliers)


↓

LPP Human rights policy
(read more in subsection Human and labour rights due diligence Report)



↓

LPP Rules of cooperation with business partners
(read more in subsection Relationships with Suppliers)



↓



[GRI 2-23] [GRI 2-24]

The fundamental document defining the desired behaviours and ethical standards is the Code of Ethics, i.e. **“LPP Rules. Manual for employees”**. This document applies to employees at all levels. Its aim is to ensure coherence in our policies and to make the daily work in LPP easier for everyone in practice. It reflects our commitment to maintaining high standards of conduct and building a corporate culture based on ethics and respect. It provides a consistent set of guidelines that drive the actions of our employees. The document defines standards of behaviour expected in the workplace and furthermore promotes integrity, cooperation, innovation and concern for the environment. It also standardises issues related to equal opportunities, respect for diversity, as well as care for the safety and health of employees.

Five key LPP rules:

- » we care for the development and good name of our company;
- » we always apply the principle of respect for others;
- » we comply with the rules of national and international law;
- » we strive for a positive impact of our actions on people, the economy and the environment;
- » we do not accept human rights violations in and outside the workplace.



The LPP Rules provide the basis for all other policies, contain detailed explanations and specifications concerning the standards and values that guide us.

To ensure high quality customer service, we have also developed a separate document tailored to the realities of work in stores, the **“LPP Rules for employees of retail stores”**. It defines standards of conduct for employees working in stores, which enhances the quality of customer service and facilitates the building of lasting relationships. The document provides guidelines for employees in the scope of effective communication with customers, while emphasising the importance of teamwork, transparency and care for a positive brand image. All new employees familiarise themselves with the LPP Rules during the onboarding process and commit to abiding by them. We regularly remind employees of these rules in our internal communications. In addition, all individuals who are promoted to leadership positions take part in the Management Academy – a series of management training sessions focusing on the values and ethical principles applicable in the company (read more in subsection [Employment](#)).

In 2023, we continued the e-learning training course “Counteracting harassment and discrimination in the workplace” which supported preventive actions against negative and undesirable behaviour and was compulsory for employees of stores of all LPP brands in Poland.

In 2023, we started the review of the ethical system in place at LPP, including updating and standardising ethical rules and whistleblowing channels across all Polish and foreign subsidiaries.

COMPLIANCE ACTIVITIES

[GRI 2-24]

In 2023, we appointed a Compliance Officer for the LPP Group. This is the most important step in the process of organising, supervising and controlling regulatory risks. The purpose of the Compliance Officer is to mitigate the risks associated with violation of laws, regulations and internal company practices. The Compliance Officer focuses on ensuring that the company's activities comply with the applicable ethical and social standards. The Compliance Officer is also responsible for training staff on legal issues and monitoring amendments to the regulations. As a person reporting directly to the Management Board, the Compliance Officer plays a key role in detecting potential regulatory risks, countering money laundering and terrorist financing, and ensuring compliance with the personal data protection regulations. Moreover, his tasks include overseeing brokerage and custody activities, monitoring of contracts and collateral systems, as well as reporting any breaches of the law to the competent authorities. As a person responsible for training employees and business partners, the Compliance Officer plays an important role in promoting the culture of compliance and ethics within the LPP Group.



[GRI 2-16]

Minimum once a year, the Chief Whistleblowing Coordinator submits a report to the Management Board of the Company informing on the cases of violations, including information on the number and type of reports and their status. At the same time, the Chief Whistleblowing Coordinator is required to present any information regarding the system of ethics whenever requested by the Management Board or the Supervisory Board.

REPORTING IRREGULARITIES

[GRI 2-26]

We provide a safe environment in which any report of behaviour and actions that violate or may violate our core values and principles is treated with respect and seriousness. LPP's head office and brand stores have ethics officers who accept reports of irregularities and offer assistance as well as clarify ethical dilemmas that may arise at work. From 2021, LPP has a "Whistleblowing policy" and a special electronic form available on our corporate website. The form provides employees and third parties (including future employees, co-workers, shareholders, contractors, as well as other entities affected by the Company's operations) with an opportunity to report anonymously irregularities relating to the Company's operations, both the violations of the law, corporate governance and the internal guidelines in force in the Company. Each application is automatically assigned an identification number and a password. This enables anonymous following of the

progress of the application and conducting further correspondence.

ETHICS COMMITTEE

In justified cases, the process of clarifying the reported irregularity is performed by the LPP Ethics Committee. Permanent members of this committee are members of the Management Board and LPP ethics officers. The Management Board is entitled to appoint other members to the Ethics Committee. Members of the Ethics Committee, as well as the ethics officers, are obliged to respect the decision of a whistleblower that his/her personal data should not be disclosed to third parties. This means that the committee does not disclose personal details of a whistleblower to anyone who is not a member of the committee.

ANTI-CORRUPTION MEASURES

We are particularly committed to preventing corruption. We are constantly monitoring changes in legislation so that we can adapt internal policies to the current requirements on an ongoing basis. We strictly control areas susceptible to corruption risks and develop appropriate audit procedures. One of the guiding principles of the entire process is zero tolerance towards corruption, i.e. responding strongly to all reports.

[GRI 205-2]

In support of our resolutions in this area, we conduct communication activities and training on anti-corruption policies and pro-

cedures for employees, the Management Board, suppliers and business partners. Employees learn the rules during the first induction meeting, and then commit to comply with the company's anti-corruption policies and procedures. In addition, they receive regular e-mail messages that highlight the desired ethical attitudes and remind them of important provisions of the policies regulating ethical and anti-corruption issues.

» Ethical and anti-corruption issues are regulated as part of our policies. You can read more about the provisions in them in the subsection [Ethics and whistleblowing](#).

Members of the Management Board are subject to the same procedures as all employees during employment, and members of the Supervisory Board are informed at the first meeting of the term of office about the procedure for reporting irregularities.

We inform our business partners and suppliers about the company's values through contracts, "General Terms and Conditions of Order", order forms and the "LPP Code of Conduct", which contain a reference to the policies and values of the LPP Group.

For more information on information and training activities for suppliers and business partners, see [Supplier relations](#).

» Detailed information on the number of employees, members of the highest governing bodies and LPP's business partners who are familiar with or trained in anti-corruption policies and procedures can be found in the [Table in the Data Compilation](#).

[GRI 205-3]

No cases of corruption were reported in the 2023 reporting year.

[GRI 2-27]

We are committed to ensuring that we abide the applicable law. Whenever a breach of the law occurs, if it does occur, the management analyses the cause and severity of the incident and takes appropriate action. The compliance with the rules and regulations is overseen by internal units appointed within each company, supported by external audit procedures.

In 2023, no cases of violation and non-compliance with the law were recorded.



Human and labour rights due diligence

[GRI 3-3]

The duty to comply with human and labour rights due diligence applies both to business relationships and to the entire corporate value chain. We counteract and mitigate the risks associated with the business and its impact on the environment. The implementation of the due diligence process is monitored by a dedicated team established in 2023 (read more in subsection [Managing Social and Environmental Impacts](#)).



Basis for activities on due diligence:

- » The OECD Due Diligence Guidance for Multinational Enterprises for Responsible Supply Chains in the Garment and Footwear Sector;
- » the provisions of the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work;
- » other information, including reports of international NGOs and scientific reports.

[GRI 2-23]

The **"LPP Human rights policy"** is recognised as an obligation and a guide for actions taken by LPP SA and its subsidiaries in terms of human rights protection understood in line with the UN Recommendations on business and human rights. It applies to all employees and co-workers of each Polish and foreign subsidiary belonging to the LPP Group.

It sets out principles to ensure that human rights are respected throughout the LPP Group value chain, counteracting the adverse impact of our activities, as well as minimizing the related risks. The policy also expresses our commitment to promoting the compliance with human rights among all stakeholders.

[GRI 2-24] [GRI 2-25] [GRI 3-3]

Remedial and corrective actions related to human and labour rights due diligence implemented in 2023:

- » conducting a survey concerning risks, remedial and corrective actions related to human and labour rights among suppliers in India, Pakistan and Bangladesh;
- » updating the risk assessment related to human and labour rights (more information is included further in subsection [Human and Labour Rights Due Diligence](#));
- » publication of the **LPP Code of Conduct** in Chinese, Bengali and Turkish versions. All language versions can be found on the LPP website in [section: Our Rules/Code of Conduct](#);

- » development of the programme and implementation of the ESG Academy, created based on the results of a survey among the suppliers of goods and services of the non-production chain in Poland (more information is included in descriptions of best practices in subsection [Supplier relations](#));
- » continued activities within international associations and initiatives, including the International Accord, Accord Pakistan, Cotton made in Africa, Zero Discharge of Hazardous Chemicals (more information about our cooperating organisations is included in subsection [Supplier relations](#));
- » in addition to the audits conducted through the International Accord and Accord



Pakistan, we regularly organise **social audits in factories** cooperating with us. To this end, we have been working with the SGS organisation since 2017 and in 2022 we started our collaboration with amfori BSCI (more information is included in subsection [Supplier relations](#));

- » since 2018, we have been organising an **Awareness Day** in Bangladesh, during which we educate suppliers on human rights, labour rights and occupational health and safety rules. In 2023, we expanded the programme to include more countries - India and Pakistan (more information is included further in subsection [Human and Labour Rights Due Diligence](#));
- » implementation of social activities through the LPP Foundation (more information on the activities of the Foundation is included in subsection [Social Engagement and the Activities of the LPP Foundation](#));
- » continued training activities related to diversity and inclusion in order to build a **friendly and discrimination-free workplace**. Three webinars were held as part of the DEI Academy at the head office: “Neurodiversity”, “ABC LGBT+” and “Intergenerational communication”. In January 2024, we launched the DE&I Academy for stores in Poland (more information is included in subsection [Diversity, Equity and Inclusion](#));

» significant violations or a failure to cooperate in eliminating them on the part of the LPP Group's business partners may lead to our decision to gradually reduce the number of orders or resign from cooperation with such a supplier. If the nature of the violations so requires, the resignation may be immediate. The implementation of the human and labour rights due diligence process is supported by training conducted by trainers, available on the internal training platform of LPP Education and EduStores.

UPDATE OF THE RISK MAP

[GRI 3-3]

In line with the OECD Guidelines for Multinational Enterprises, in December 2023 we performed the update of the map of the most significant **human and labour rights risks**, in the form of a workshop. The workshop was attended by directors, managers, experts and specialists representing the departments of: procurement and ESG, central procurement, HR, image communication and social relations, internal control and risk management, logistics, administration and information security. The main objective of this initiative was the assessment of the risks related to the company's staff, employees working in the value chain, communities affected by our impact as well as consumers and end users, taking into account people or stakeholders

from particularly exposed groups. Moreover, the stages of the due diligence process were presented, as well as the results of a survey in which risks, and possible remedial and corrective actions were consulted with representatives of the production chain in India, Pakistan and Bangladesh. The results of the survey were taken into account when updating the risk map.

GOOD PRACTICE

Awareness Day

We organise the so-called Awareness Day, the training addressed to our cooperating suppliers which is intended to promote awareness of human and labour rights among them. Such training courses are organised on an annual basis and last full two days. We organised the first training in 2018 in Bangladesh. Since then, around 100 representatives of the local factories have been trained. In 2023, we expanded the programme to include full-day online courses in other countries where our products are manufactured. In Pakistan, 72 representatives participated, and in India, 67 people representing current suppliers. Participation in the training was voluntary and the participants had the opportunity to ob-

tain certificates of participation. During the training, issues relevant from the “Code of Conduct” perspective are discussed (read more in subsection [Supplier relations](#)), such as the prohibition of child labour, forced labour, discrimination and harassment, protection of young workers, freedom of association, legal working hours, adequate wages and bonuses, occupational health and safety, conditions of employment and environmental protection. We prepare the training materials taking into account local legislation and the main industry risks occurring in the country concerned.



Risk management model

[GRI 3-3]

The risk management process in LPP encompasses comprehensive activities aimed to identify, assess, monitor and control the risks related to the company's operations. The risk management process at LPP SA involves the Management Board, Procurement and ESG Director with its department, the owners of areas and risks, the Head of Internal Control and Risk Management, as well as internal auditors, finance specialists and other employees of the organisation. The Management Board oversees the risk management process in the LPP Group. Its responsibilities also include the long-term framing of the LPP Group development, taking into account identified risks and opportunities. Coordination of the risk management process rests with the Head of Internal Audit and Risk Management whose department is controlled by the Supervisory Board.

In 2023, we updated the risk book. We conducted a workshop with representatives of individual areas, where we identified and assessed new risks and updated the assessment for existing risks. For all risks in the book, a risk owner has been assigned while for those rated TOP (as high or very high risk), a risk response has been defined. After reviewing the risk assessment and response, the Head of Internal Control and Risk Management reports the risk register to the Management Board.

LPP RISK BOOK

Along the introduction of the new procedure, we updated the Risk Book, which includes the risks and opportunities most relevant to LPP.

LIST OF KEY ESG RISKS INCLUDING THE MITIGATING ACTIVITIES TAKEN

MATERIAL ESG RISKS

RISK RESPONSE

E Risks - Environmental

Risk of disruption to production processes due to extreme weather events

The LPP Group has a temperature and weather analysis system coupled with processes planning deliveries to various markets. Additionally, if faster delivery of the assortment is necessary, it is possible to change the transport method from sea to air, and the portfolio of so-called suppliers near shore (not far distance from LPP distribution centers) is constantly being expanded.

Risk of limited availability and increase in prices of sustainably produced or recycled materials

In order to reduce the risk, the LPP Group takes actions aimed at increasing product prices or reducing the number of models using yarn from sustainable sources. LPP also focuses on increasing investments in activities aimed at developing the market for materials originating from sustainable production and recycling, including cooperation with the start-up that recycles polyester.

Risk of limited availability of raw materials for the production of materials and their increasing price as a consequence of ongoing climate change and loss of biodiversity

The LPP Group constantly monitors the prices of raw materials critical to the production of its collections and adjusts sales prices to raw material prices. Additionally, it constantly increases the range of sustainable raw material sources used, including Cotton made in Africa and Lenzing.

S Risks - Social

Risk of human rights and/or labour ethics violations in the supply chain and in other areas

The protection of human rights and fundamental freedoms of employees of the LPP Group and all employees in the LPP Group's supply chains is the basic obligation supported by the top management. Since 2019, the company has been a signatory to the UN Global Compact initiative.

In 2022, the Company developed the "LPP Human rights policy" in cooperation with key Polish experts in this area. The policy represents a commitment and a guideline for the activities of LPP SA and the LPP Group companies in respecting human rights, understood in accordance with the UN Guiding Principles on Business and Human Rights. It is also a reflection of the importance that the LPP Group attaches to respecting human rights in its operations, for both ethical and business reasons. This Policy applies in all companies of the LPP Group in Poland and abroad. LPP mitigates the risks of human rights violations by familiarising employees during onboarding process with the principles contained in corporate documents i.a. Code of Conduct, the LPP Rules, manuals and instructions in the area of health and safety at work as well as HR.



MATERIAL ESG RISKS

RISK RESPONSE

Risk of human rights and/or labour ethics violations in the supply chain and in other areas

In May 2022, the LPP Group defined the LPP Group Policy concerning managing diversity, equal treatment and building a culture of inclusion, referred to as the "LPP Diversity, equity and inclusion policy" (DE&I), which constitutes an obligation to observe human rights held by all persons working for LPP and a clear-cut declaration of objection against any occurrence of breach of human rights, including, inter alia, discrimination on any grounds whatsoever. The policy indicates the most important directions for the organisation in the area of diversity management.

In response to the concern for the well-being of human resources in the non-production area the LPP Group has introduced:

- DE&I Academy for sales network employees;
- ESG Academy for suppliers, including temporary employment agencies;
- started the Double Materiality analysis process;
- updates the ethical program of the LPP Group (anti-mobbing, code of ethics, anti-corruption).

Talent acquisition and retention risks

Having a highly qualified and committed staff guarantees companies the proper market offering, the adequate customer approach and market success. LPP as the largest Polish company in the clothing industry, it has a number of specialists having access to information collected within the organization LPP for years. On the one hand, it creates an opportunity for employees to expand networking and development. However, this same stock of knowledge makes LPP employees' an attractive candidate on the labor market for competitors. Maintenance key personnel are to be provided by a rational but also market-based remuneration policy, motivation system developed by the LPP Group, investing in employees through training, setting career paths and enabling promotion within LPP structures. Salaries are also reviewed regularly. Our image and care also play an important role in the fight for talents about internal and external employer branding (EB), therefore currently the EB team and the HR department are working on a new umbrella strategy for LPP. The key to retaining the best, apart from working conditions, is also ensuring an ethical and inclusive work environment, as well as the culture and quality of management managerial staff, whose continuous development is a priority for LPP. In answer to risk in the retail area, the LPP Group is introducing actions aimed at minimizing and simplifying processes in showrooms - limiting them to what is necessary minimum by sales departments. Due to the planned change in the minimum wage, they will change proportionally remuneration of showroom employees, functionaries and managers.

G Risks - Governance

Risk of failure to meet regulatory requirements related to sustainable development

The LPP Group is aware of the relevance of the regulations being introduced and the need to adapt its operations to them. The dynamics of the changes taking place in the ESG field have led to a strengthening of the team involved in work in this area, as well as an intensification of the work itself. In order to protect against the risk of non-compliance resulting from a lack of awareness of legislative changes, the LPP Group provides its entities with regulatory intelligence services through its head office and support centers in the regions where the LPP Group operates. LPP continuously monitors the legislative progress of the new regulations, cooperates with external consultancies and adapts its procedures and operational activities to the new requirements.

Risk related to dissemination of false information by third parties

As a result of actions taken by third parties deliberately targeting the reputation of the Company, a risk of a negative perception of the Company's image by stakeholders such as investors, lenders, business partners, customers, employees, regulators and the general public exists, which may result in loss of reputation and economic losses.

The impact of such an event may have an immediate effect such as a drop in the Company share price, and may also be visible in the long-term and be reflected in difficulties in obtaining financing, an outflow of customers and reluctance on the part of business partners to enter into cooperation. The Company is aware of the multidimensional nature of the effects following the publication of false information about the Company.

In order to manage the risk adequately and mitigate the impact in the event of its materialisation, the Company cooperates with specialised media market monitoring companies to acquire information about an imminent image crisis at the earliest possible stage of its occurrence.

In March 2024, the Company experienced an attack on its image as a result of a third party publishing a report containing a series of false, manipulated information about the Company referring to the sale of the LPP business in Russia. Confronted with this threat, the Company responded by issuing 3 current reports and took preventive measures:

- publication of statements on the Company's website on its position regarding the allegations, as well as sending a message to the Warsaw Stock Exchange;
- submission of notices to the public prosecutor's office on the suspicion of committing a crime to the detriment of LPP SA and its shareholders, listed investors, threatening the security of the financial market;
- publication of preliminary unaudited selected consolidated estimates for Q4 and for the full financial year 2023;
- organising a conference of the President of the Management Board of the Company and the CFO with investors and journalists;
- organizing a meeting of the Supervisory Board.



MATERIAL ESG RISKS

RISK RESPONSE

Cybersecurity risk

The LPP Group, striving to ensure an effective and appropriate level of information protection, has implemented and is constantly developing technical and organizational solutions, based on leading standards in the areas of security information and personal data protection. LPP ensures that these solutions are adequate to the scale, profile of the business and identified risks. LPP Group has specialized responsible organizational units for management and supervision of the information security area, including protection personal data (appointed CISO function with a team, Security Inspector Data). Designated departments strive to ensure the LPP Group and national compliance and community regulations, including GDPR⁶, as well as standards resulting from international standards, among others ISO 27001 or the PCI DSS standard. The LPP Group has implemented and continuously optimizes procedures in security areas information and personal data protection and security solutions IT. The effectiveness of the implemented processes, procedures and solutions is confirmed by organizing periodic tests and security audits in cooperation with specialized external companies. LPP has certificate of compliance with the PCI DSS standard confirming credibility and reliability of the Company as well as care for security, confidentiality and protection of information related to customer transactions made with payment cards.

The LPP Group implements planned initiatives in the area of security and continuously improves processes, procedures and tools.



⁶Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and in the case the free movement of such data and repealing Directive 95/46/EC (General Regulation on data protection)



Social and environmental impact management

[GRI 2-12] [GRI 2-13] [GRI 2-14] [GRI 2-25] [GRI 3-3]

An effective sustainability oversight and management system is in place within the LPP organisational structure, comprising key areas of the business operations. **The Supervisory Board** approves the company's development directions and strategy, whereas **the Management Board** supervises the implementation of the business strategy with a focus, among others, on sustainability. The **Chief Financial Officer (CFO)** is responsible for planning the financing of ESG (Environmental, Social, Governance) and sustainability projects. **Procurement and ESG Director** is responsible for setting targets and shaping and implementing the sustainable development strategy, as well as analysing and planning ESG risk management. He also leads the **ESG Committee** which takes decisions on the implementation of ESG-related activities after their approval by the Management Board.

The **Sustainable Development Manager** together with the **Sustainable Development Department** is responsible for imple-

menting the sustainability strategy, controlling and carrying out the tasks to ensure production safety. The department monitors the implementation of the strategy by the ESG Committee and supports LPP's environmental activities and initiatives, covering areas such as emission calculations, decarbonisation, energy and supply chain management. **The Sustainability Expert** is responsible for searching for development opportunities related to the changing business environment resulting from climate change, loss of biodiversity and advising on mitigating climate and nature-related risks. The expert closely cooperates with the Procurement and ESG Director.

Internal control and risk management department is responsible for the continuous identification and analysis of the company's risks and opportunities, working closely with the CFO. The priorities related to key ESG risks and opportunities, especially environmental and climate risks and opportunities, are determined in collaboration with the ESG Committee and the Procurement and ESG Director.

The Human and Labour Rights Due Diligence Process Implementation Team focuses on conducting the process of due diligence in these areas. Its tasks comprise identifying and assessing key risks, implementing and monitoring the effectiveness of remedial and corrective actions and communicating the actions taken to stakeholders.

Sustainable reporting and social relations team is involved in cooperation with social organisations, the development and implementation of diversity and inclusion policies, the social impact on the company's business environment and the preparation of annual sustainability reports.

Other organisational units of LPP SA, the LPP Group companies in Poland and abroad, as well as LPP brand managers carry out operational tasks in the framework of ESG and sustainability strategy implementation plans, taking into account the decisions of the LPP Management Board and the ESG Committee. They inde-

pendently carry out social activities locally and report them to LPP SA as part of their sustainability reporting.

ESG COMMITTEE

The ESG Committee is led by the Procurement and ESG Director. The Committee gathers brand management directors, as well as directors of key functional areas of the Company. The Committee performs the advisory function for the Management Board and conducts certain ESG and sustainability activities related to the activities of LPP SA and the LPP Group. The Committee also makes decisions on the implementation of ESG tasks upon their approval by the Management Board and supports the Company in maintaining its prominent position among the leaders of ESG and sustainable development practices. The Committee's work aims to strengthen the interdisciplinary approach to the management of ESG and sustainability issues at LPP and to strengthen the good cooperation practices of key organisational units of LPP in this area.



Additionally, at LPP operates the Human and Labour Rights Due Diligence Process Implementation Team. It was established in 2023 and consists of representatives of various areas within LPP. Its members are: the President of the LPP Foundation, the Diversity and Social Relations Expert from the Sustainable Reporting and Social Relations Team, the Social Issues Specialist from the Procurement and ESG Department and a representative of the HR Department. The responsibility of the unit is to carry out a human and labour rights due diligence process involving the identification and assessment of key risks, the implementation and monitoring of the effectiveness of appropriate remedial and corrective actions, and the communication of measures undertaken with stakeholders.

mentation and monitoring of the effectiveness of appropriate remedial and corrective actions, and the communication of measures undertaken with stakeholders.

[GRI 2-17]

We are constantly educating on ESG topics and upgrading the qualifications of persons responsible for sustainable development. We implement standards and procedures, create consistent solutions related to the environmental, social and corporate governance issues at a LPP Group-wide level, as we aim to meet customer and stakeholder expectations as well as current and future regulatory requirements.

The members of the Management Board are constantly expanding their ESG knowledge, undertaking a commitment to act in accordance with the principles of sustainable development. They regularly participate in trainings, including twice a year as part of the ESG Committee. The Supervisory Board is informed regularly on the progress and plans in the scope of ESG by the Procurement and ESG Director.





Relations with suppliers

[GRI 3-3]

Cooperation with suppliers - both production and non-production - is an integral aspect of our supply chain. Cooperation with production suppliers enables us to effectively manage the production process from design to final product. Partnership with non-production suppliers enables efficient supply chain management, e-commerce innovation and ensuring high-quality customer service.

A fundamental condition for working with suppliers is their compliance with the standards relating to safety, environmental protection and the provisions of the International Labour Organisation Convention and the Universal Declaration of Human Rights. We expect all suppliers to accept a commitment to ensure safe working conditions, environmental protection and respect for human rights.

[GRI 2-23] [GRI 2-24]

The **LPP Code of Conduct** underpins our relationships with suppliers and subcontractors. All factories and suppliers who wish to cooperate with LPP are obliged to accept and implement it. In accordance with the principles of this code, we expect our business partners to comply with the highest ethical standards and laws and to conduct business with integrity. The Code imposes the obligations regarding the protection of employees' rights, health and safety in the workplace respect for human rights and environmental protection. Suppliers and subcontractors are obliged to observe the principles of fair competition, eliminate corrupt practices and ensure the transparency of their activities.

The LPP Code of Conduct was last updated in January 2023. We have introduced new provisions on, among other things, countering forced prison labour and human trafficking and expanding the category of vulnerable workers to include homework-

ers⁷. The obligation of the supplier to cover fees linked to the employment of workers, including migrants and members of vulnerable groups, and a uniform remuneration rate for performing the same job regardless of gender.

[Own indicator]: Number of LPP Group audits in terms of Occupational health and safety, working conditions and respect for human rights

Our audit team and independent audit firms e.g. Qima and representatives of international organisations (e.g. International Accord and amfori BSCI) regularly monitor the compliance with the principles laid down in the Code. In 2023, we conducted a total of 998 human rights audits.

If gross violations are detected or if our business partners fail to cooperate in eliminating them, we take the decision to implement actions repairs. Corrective Action Plans (CAP) are the key to sustainability supply chain management. It is support for suppliers in their processes of improvement

and a ready plan to prevent non-compliance. These plans are prepared by internal or external auditors. Team monitors corrective action plans on a regular basis, contacts suppliers or manufacturer, giving advice, monitoring progress and verifying improvements to the goal ensuring greater compatibility with ours Code of Conduct and applicable regulations in a given country.

If corrective actions are not implemented by suppliers, we undertake decision to gradually reduce the number of orders and to discontinue cooperation or to immediately discontinue cooperation if this is necessary due to the nature of the violations.



We published three new language versions of the Code of Conduct in **Chinese, Turkish and Bengali** on our LPP website in section [Our Rules/Code of Conduct](#).

⁷Homeworkers are persons who carry out their professional duties at their place of residence, instead of an office or other place offered by the employer (home-based work).



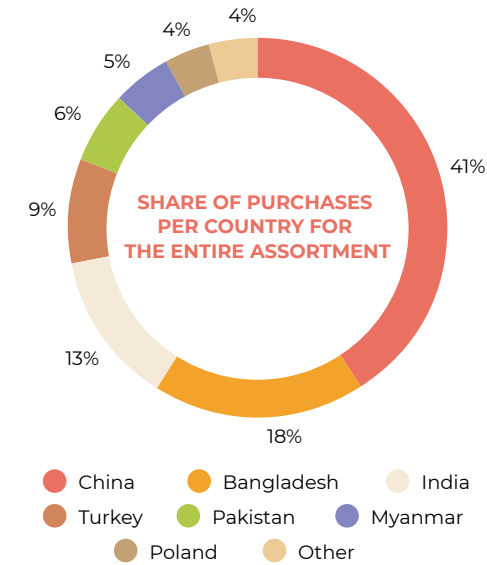
PRINCIPLES OF COOPERATION WITH COUNTERPARTIES

[GRI 2-24]

Taking care for ensuring transparency and clarity in commercial relations, we oblige our employees and collaborators to comply with the established principles for contacting external entities, presented in the "LPP Rules of cooperation with business partners". Every employee and collaborator of LPP SA must exercise due diligence in the selection of suppliers of goods and services. While working with them, LPP SA employees and collaborators should strive to be impartial and transparent and avoid situations that could influence their business decisions, including accepting gifts or other forms of gratification.

In 2023, we started a systematic training course on the Code of Conduct for employees, which has so far been attended by 538 people (buyers from all LPP retail brands and representatives from the Barcelona, Dhaka and Shanghai offices). The aim of the training is to raise workers' awareness of the working conditions in the factories they visit and to draw more attention to the business practices of the suppliers they cooperate with. The "Ethics in Business" course is also available on the internal training platform, specifically tailored to the needs of buyers which allows them to refresh and consolidate the ethical principles applicable in cooperation with suppliers.

[Own indicator] Percentage of foreign suppliers per country



We select production suppliers (in particular the finished goods factories) not only due to their ability to produce high-quality clothing; we also take into account their willingness to comply with strict safety, environmental and ethical labour standards. We believe in the effectiveness of systemic measures, therefore we establish partnerships with international organisations, governmental institutions, industry and sectoral associations and other companies.

[GRI 2-24] [GRI 3-3]



Cooperation with International Accord

The International Accord for Health and Safety in the Textile and Garment Industry is one of the key partnership initiatives we engage in in the context of human rights. It is an agreement working on behalf of the clothing industry to improve working conditions in Bangladesh and, from January 2023, also in Pakistan. LPP joined the initiative in 2013 as the first and only company from Poland to date. The International Accord aims to continue and expand the joint efforts of signatories and trade unions to ensure safety in factories. The Pakistan Accord on Health and Safety in the Textile and Garment Industry will be in force until the end of 2025. In this period, we will work together to create modern standards for the operation of factories and to ensure the protection of an increasing number of workers in clothing factories, fabrics and knitted fabrics factories, home textiles and accessories. Through these activities, we are able to carry out independent verification of subcontractors and undertake cooperation with factories that provide safe and decent working conditions to their employees.





Cooperation with Zero Discharge of Hazardous Chemicals

Since 2020, our company has been a member of the Zero Discharge of Hazardous Chemicals (ZDHC) Agreement which works to reduce the negative global impacts of the clothing industry on the natural environment by formulating and implementing standards of chemical safety and eliminating hazardous substances in the supply chain. The agreement was concluded in 2011 and its mission is to enable the textile, clothing and footwear industries to implement best practices for sustainable chemical safety in the entire supply chain. The ZDHC brings together more than 320 signatories across the industry, including suppliers of solutions and chemicals.

Adherence to ZDHC standards supports the environmentally safe management of chemicals in factories and the proper treatment of post-production water. ZDHC membership is one of the most important factors we consider when selecting factories for the purpose of outsourcing our production.

Percentage of clothing items produced in factories cooperating with LPP, covered by ZDHC "Roadmap to Zero" initiative

Bangladesh	94%
India	25%
Pakistan	92%
Turkey	53%



Collaboration with Cotton made in Africa

Since 2021 our company is one of the partners of Cotton made in Africa (CmiA), an internationally recognised standard for sustainably grown cotton from Africa. Since 2005, the activities undertaken by Aid by Trade Foundation - the initiator of Cotton made in Africa - have focused on environmental protection and improving the wor-

king and living conditions of farmers and textile plant workers, social protection of families and equal treatment of working women and men. In this way, the initiative contributes to improving social, economic and environmental conditions in the cotton production process in Africa. It cooperates with an extensive network of companies operating in cotton-growing countries, comprising participants in the textile value chain, as well as governmental and non-governmental organisations, to ensure the implementation of the standard and the proper processing of certified raw materials worldwide.





Cooperation with amfori BSCI

In 2022 we started our collaboration with amfori BSCI, which is one of the leading organisations acting for sustainable production and trade, also in the clothing industry. The membership gives us access to training, educational materials and tools to verify and monitor, above all, ethical and labour issues as well as environmental protection in the cooperating factories. Our goal is for 100% of the clothing and accessories factories we collaborate with to be included in the assessment system provided by amfori BSCI. In 2023, it comprised factories in China, Bangladesh, Myanmar, India, Pakistan, Turkey and Cambodia.

Percentage of LPP Group suppliers included in the amfori BSCI scheme

China	7%
Bangladesh	83%
Myanmar	33%
India	18%
Pakistan	85%
Turkey	30%
Cambodia	48%
In total,	31%

Cooperation with EuroCham Myanmar

In 2023, we joined the EuroCham Myanmar, the European-Myanmar Chamber of Commerce to monitor the situation of workers and develop solutions to eliminate abuses and promote the conduct of business according to the strictly defined standards that guarantee the compliance with human rights. Our collaboration focuses on social and environmental standards related to human rights and gender equality, decent wages, socio-economic resilience in the post-pandemic context and after the coup in 2021.

Cooperation with BRAC

Since 2023, we have also been collaborating with BRAC, the largest international NGO in Bangladesh, which creates systemic labour market solutions. Since 1972, it has helped more than 100 million people living in poverty and suffering from inequality by offering them opportunities for development and social change. At selected factories we work with, we are introducing a training programme developed by BRAC, "Leadership and supervisory skills training". It aims to train female factory workers in, among others, the scope of developing team management and effective commu-

nication skills. During meetings with the local management staff and HR teams, the important role of women in the textile and clothing sector and the benefits of providing them with access to senior positions is highlighted. The pilot project is underway and will be continued until autumn 2024 in three factories in Dhaka.



More information on the subject of collaboration and membership of industry organisations is included in subsection [Membership of Organisations and Industry Awards](#).





SUPPLIER RELATIONS IN THE NON-PRODUCTION CHAIN

Also, in the case of non-production suppliers, such as material and service providers, we put emphasis on sustainable practices and innovative solutions. We are committed to ensuring that they are actively involved in reducing their environmental impact while adhering to the highest quality standards. We also care about human rights. We have implemented the "General Terms and Conditions of Order Fulfilment", which constitute, among other things, the supplier's obligation to familiarise themselves and comply with LPP's ethical principles following from the "LPP Rules of cooperation with business partners" and the "LPP Human rights policy". We treat a breach of these obligations as a breach of contract. At the same time, we have introduced a clause into the templates of contracts for outsourcing and temporary work in the area of logistics management, obliging the contractor to familiarise themselves and comply with the document "LPP Human rights policy", under pain of termination of the contract. All current outsourcing and temporary work contracts have been extended to include this commitment.

[GRI 414-1] [GRI 3-3]

In 2023, 100% of our 21 new suppliers in the non-production chain were verified in terms of social criteria.

GOOD PRACTICE

Surveys of non-production suppliers in Poland

In 2023, we again surveyed suppliers to identify their policies and attitudes to issues such as ethics and counteracting corruption, environmental impact, responsible employer practices and respect for human rights. Respondents were also asked about social involvement, support to local communities and certifications held. To date, we have received responses from 74 companies we cooperate with. The results show the diverse levels of sophistication of our suppliers in terms of sustainability, while providing a starting point for further action and collaboration with the aim of more sustainable operations. The majority of respondents confirmed that their company had defined its approach to business ethics through the code of ethics/conduct or other internal regulations. Slightly less than a half of respondents have waste generation reduction targets and/or other targets that fit into the circular economy, while approximately a third have targets concerning ensuring decent, attractive working conditions, mitigating environmental impacts and reducing greenhouse gas emissions.



ESG Academy - training for suppliers in the value chain in Poland

In 2023, we launched a project called ESG Academy - a training programme addressed to strategic suppliers of goods and services in Poland. Topics of the six-month course include issues derived from the "LPP Group Code of Conduct" and the "LPP Human rights policy", best practices from Diversity, Equity & Inclusion, carbon footprint calculation, circular economy activities, health and safety compliance and ESG reporting. The results of the 2022 survey regarding activities undertaken in the ESG area were also used to develop the material. The course, which started in December 2023, will provide essential information on the EU directives coming into force and the asso-

ciated new challenges for businesses. It also offers the opportunity to build relationships between LPP and suppliers. Three meetings have been held in 2023 "Human rights in the value chain", "Code of conduct for business partners working with the LPP Group and human rights due diligence" and "Diversity, inclusion and ethics". The plans for 2024 include, among others: "Carbon footprint" and "Closed loop".





Environmental impact management

[GRI 3-3]

We are modifying the way we produce and use our collections. We measure greenhouse gas emissions along the entire value chain: from the sourcing of the material, production, transport to its use by customers. This way we know where we have the greatest impact on the environment and which areas need the most attention.

We develop circular economy solutions that ensure maximum use of raw materials and minimize the amount of textile waste and environmental footprint per piece of clothing produced. We strive to make our collections increasingly environmentally friendly, including through the introduction of certified and **preferred materials**^a. We are changing our packaging policy, from which we are eliminating single-use plastic by replacing it with cardboard, recycled paper or second-cycle, reusable or recyclable plastics. We control the production process and match the volume to demand. Thanks to this, we limit the amount



of clothing ordered from our suppliers and minimize the number of unsold items. We have been running a programme to increase the energy efficiency of our stores since

2020. Where we are able to do so, we use energy from renewable sources (RES). We provide BREEAM certification for all our newly constructed facilities.

Our approach to managing environmental issues is set out in the following documents:

- » Sustainable Development Strategy "For People for Our Planet" 2020-2025;
- » "LPP Code of Conduct", which includes guidelines on environmental factors in production processes in addition to social issues;
- » SBTi's approved 2023 decarbonisation targets - short- and medium-term decarbonisation plans for LPP operations and the supply chain.

^aPreferred materials means those with a lower carbon footprint compared to the conventional equivalent and those that are recycled - that is, those that reuse the raw material produced. Preferred materials provide greater benefits for the climate, nature and people through a holistic approach to the production process.



Procurement and ESG department	Investor relations department	Brand communication and social relations department	Other departments LPP SA, LPP companies in Poland and abroad
<ul style="list-style-type: none"> - analysis of environmental risks and opportunities; - coordination of the environmental objectives of the LPP strategy; - sustainability of brands and the value chain; - increasing the use of preferred materials; - evaluation of suppliers against environmental and social criteria such as energy efficiency and water consumption; - implementation of social projects in the value chain (e.g. training); - working with factories to eliminate harmful chemicals; - aggregating information on progress towards greenhouse gas reduction, waste reduction and other sustainable development goals; - preparing and managing the implementation of the decarbonisation strategy; - presentation of progress at the Management Board forum and support of the Management Board in decisions on future courses of action, as well as training in the field of business impact on the environment; - communicating information in the area of sustainable development to, inter alia, interested NGOs, rating agencies and the media, maintain contact with stakeholders; - organizing meetings for the LPP Group employees to spread awareness of initiatives and their collective implementation. 	<ul style="list-style-type: none"> - providing ESG data needed by financial market representatives, financial analysts and rating agencies interested in the impact of environmental factors on LPP strategy and performance. 	<ul style="list-style-type: none"> - coordination of the sustainability reporting process; - communicating sustainability messages internally and on social media; - education of LPP employees on sustainability initiatives and implementation of the ESG model. 	<ul style="list-style-type: none"> - achieving the specific targets assigned to them for reducing the impact of LPP Group's activities on the climate and the environment; - providing ESG data.

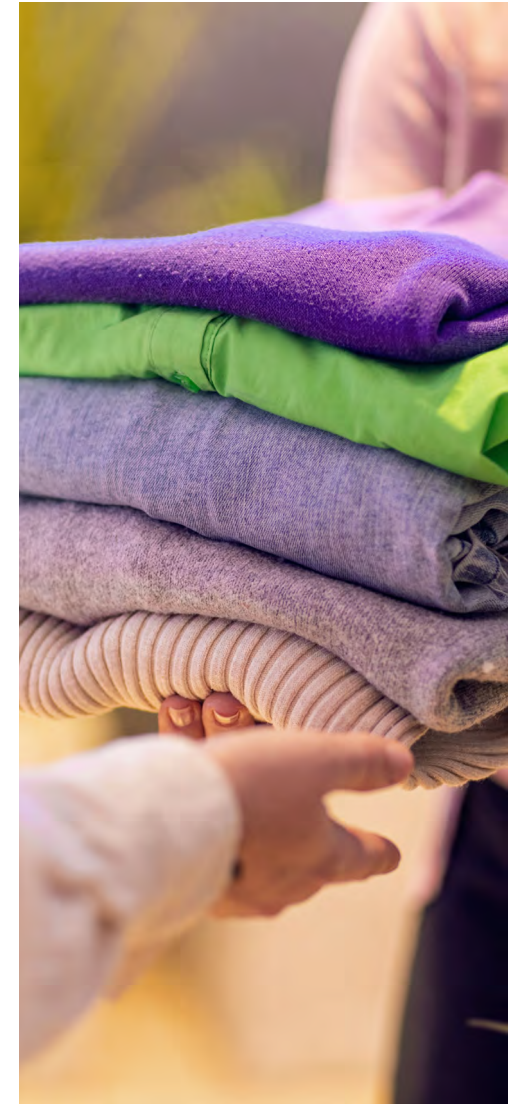
GOOD PRACTICE

Educational and training series "Make friends with ESG"

Not only do we make commitments and act in the area of ESG, but we also support the promotion of awareness among employees and the company's environment on key environmental, social and corporate governance issues. This is how the project "Make friends with ESG" was created, which brings the subject closer in an ac-

cessible way. In the first part of the series, our experts talked about decarbonization, greenhouse gas emissions and the SBTi initiative. The second episode was about the closed loop and our policy on cardboard and plastic packaging. We are also planning episodes on working with Cotton made in Africa, the use of renewable ener-

gy in offices and warehouses, and chemical safety in production processes. We are posting individual episodes of the series on our internal communication platform, as well as on LPP's social media channels.





Production of clothing from preferred materials

Responsible development of our product range is at the heart of our commitment to sustainability. Every stage of the design and production process is of great importance to us, we make conscious decisions to minimise the company's impact on the environment.

We follow the raw materials market closely. We are increasingly choosing **preferred materials** with a lower carbon footprint or recycled content, such as Cotton made in Africa, recycled polyester and certified cellulose fibres.

COTTON MADE IN AFRICA

Cotton is one of the basic raw materials used to create LPP collections - it accounts for ca 45% of all the raw materials we use. We are more and more frequently replacing conventional cotton with Cotton made in Africa. In 2023, its use in LPP collections increased by more than **300%**.

Cotton made in Africa is an initiative of the Aid by Trade Foundation which has been promoting the sustainable cultivation of cotton in sub-Saharan Africa since 2005. The mission of the initiative is the improvement of the living and working conditions of small farmers and the protection of nature. African cotton is grown by small farmers who apply crop rotation while their plantations are irrigated naturally with rainwater. Cotton made in Africa is now one of the leading international standards for sustainably grown cotton.

Table showing the main categories of raw materials and materials used in LPP in 2023

Raw material	% of raw materials in relation to the total
Cotton	46.27%
Polyester	31.84%
Cellulose fibres	5.60%
Other	16.29%
TOTAL	100%





USE OF PREFERRED MATERIALS - CERTIFICATES

In the selection of preferred materials, we rely on internationally recognised certifications that confirm that the materials we use in production are sourced in accordance with specific environmental and social criteria. We want to reduce our environmental impact, so wherever possible we choose materials with a lower carbon footprint and recycled materials, i.e. those that reuse the raw material produced.

- » **RCS (Recycled Claim Standard):** Standard for fabrics containing recycled fibre.
- » **GRS (Global Recycled Standard):** A standard for fabrics containing recycled fibre, such as polyester. It is based on environmental and social criteria.
- » **OSC (Organic Content Standard):** Organic materials standard.
- » **GOTS (Global Organic Textile Standard):** Standard for organic materials, e.g. cotton and linen. It sets extensive environmental and social criteria.
- » **RDS (Responsible Down Standard):** a standard that aims to source down that ensures humane treatment of animals.



Solutions for stores, offices and warehouses

[GRI 3-3]

LPP aims to fully implement innovative environmental solutions in its stores, offices and warehouses.

In LPP brand stores, the priority is to optimise energy consumption through the use of energy-efficient lighting and air-conditioning systems.

- » By the end of January 2024, we had installed telemetry systems in around 75% of the stores. From 2023, we are installing telemetry systems in all newly opened stores, and in 2024 these systems will be installed across the entire network.
- » In 2023, we continued the process of replacing light sources with energy-efficient LEDs. We have installed LED lighting in all of our newly opened brand stores, which not only uses 40% less electricity, but also generates less heat, thus reducing the electricity consumption of air-conditioning systems. **We currently use LED technology in around 75% of stores.**



- » We are fitting motion sensors in all new stores with escalators. This ensures that the escalator only switches on when someone uses it.
- » Thanks to the implementation of a **telemetry system**, the use of LED in all new stores, the reduction of cooling capacity and other operational measures in the stores, we have achieved year-on-year energy savings of **approximately 18%**.



We also apply the latest technologies that reduce the consumption of raw materials and reduce greenhouse gas emissions, while improving employee comfort **in offices and warehouses**. When designing new warehouse facilities and office spaces, we emphasise environmental certification and modern solutions:

- » we submit every new building under construction to **BREEAM**, a multi-criteria building certification system (Building Research Establishment Environmental Assessment Method);
- » we have introduced an integrated building automation system **BMS** (Building Management System), which controls the operating parameters of individual appliances and monitors and regulates the operation of lighting, heating and air-conditioning systems;
- » we installed **recuperation equipment** in the air handling units;
- » we use **intelligent lighting systems** with energy-efficient light sources that are automatically controlled by digital technology and adjust the **motion detectors** in corridors, bathrooms and warehouses so that the lighting only switches on when it is needed;

» since January 2023, most of our office buildings in Poland, as well as the LPP Distribution Center in Pruszcz Gdański and Brześć Kujawski, have been powered by **wind energy**;

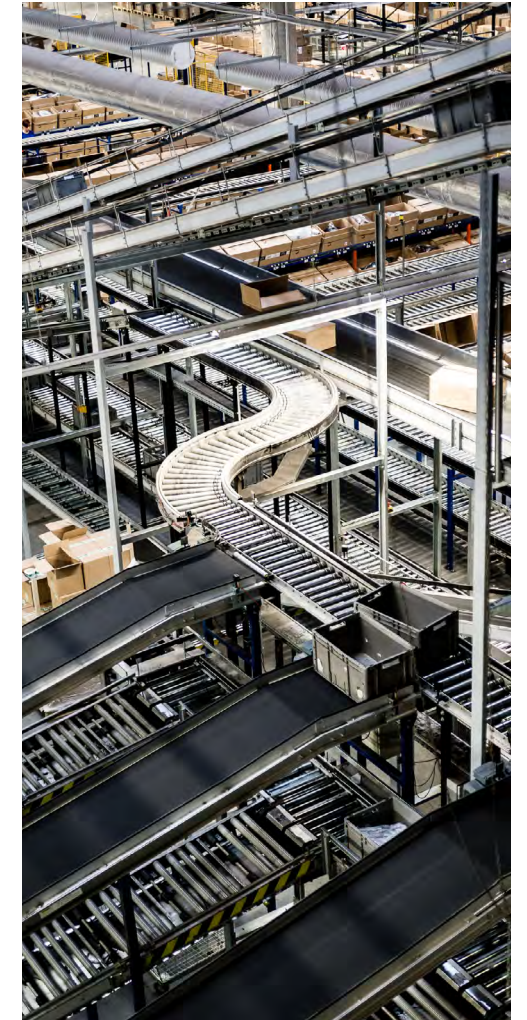
» we use solutions that allow **rainwater** to be used in sanitary facilities and for watering green spaces.

In addition, we have introduced the following solutions at the warehouse in Brześć Kujawski:

- » a rainwater retention tank with a pumping station and a canal carrying rainwater to the river;
- » four wind and solar stations for charging electric cars (10 stations);
- » renewable energy supply using 4,000 photovoltaic panels with a capacity of approximately 1.5 MW;
- » green areas where we have installed boxes for invertebrates, insects and birds;
- » recycling of materials - we use cardboard boxes for shipping in which the goods arrived from the manufacturer and we recover cardboard boxes from deliveries to stores - the **"second life"** project;
- » hundreds of skylights on the roof to make the most of daylight and thus reduce energy consumption.

During the construction phase of the SILK office building in Gdansk⁹:

- » we have installed systems that will **reduce water consumption** (the use of rainwater to flush toilets, the use of timed switches in wash basin taps, and the introduction of an innovative system for capturing condensate from air-conditioning systems, which will be used to water the lawns);
- » we have introduced energy-efficient lifts with, among other things, a standby function to reduce power consumption when stationary;
- » we have installed dynamic LED lighting that will maximise the use of natural light and adjust the intensity of the lighting according to the prevailing weather conditions;
- » we used **low-emission concrete**.



⁹The SILK building will be a new part of the office space at the company's headquarters in Gdansk. It has not yet been commissioned.



GOOD PRACTICE

Using the properties of cooling ceilings

In the VELVET building in Gdansk, we have introduced cooling ceiling technology, the advantages of which include the possibility of eliminating the use of freon, greater thermal comfort and lower noise level.

The principle behind these floors is to exploit the ability of the mass of concrete in the building to accumulate heat. This property of concrete allows for economical low-temperature heating and the use of cooling equipment with lower parameters than traditional air-conditioning systems, which contributes to the conservation of energy resources. Moreover, instead of the traditional cooling agent, i.e. freon, cooling ceilings use water, which eliminates the problem of microorganisms that appear in air conditioning ducts over time.

GOOD PRACTICE

The use of low-emission concrete

We designed the SILK building with the intention of creating a building that meets the requirements of sustainable construction, so we decided to implement more environmentally friendly solutions in the building. One element of this concept was the use of low-carbon concrete from the Vertua®

line for the construction, which will help to reduce the carbon footprint of the entire development. In total, more than 4,000 m³ of this product was used in the construction of the building, of which 3,600 m³ was used for façade elements and interior finishes made using architectural concrete technology. Vertua® concretes are not only low-emission, but also of excellent quality. These are products that allow investments to be realised in a more environmentally friendly way, while maintaining optimum technical performance. Every Vertua® product has a Type III Environmental Product Declaration (EPD), which uses the Life Cycle Assessment (LCA) calculation methodology. This is a document with external verification of compliance with the relevant standard (ISO 14040 and 14044) or other sector-specific guidelines.

Thanks to all the solutions we have introduced, we have reduced electricity and heat consumption in the office buildings. In 2022, electricity consumption was around 4.24 MWh, while in 2023 it fell to 3.60 MWh, a saving of 18% year-on-year. In terms of heat, around 12,800 GJ was consumed in 2022, while in 2023 the amount dropped to 10,400 GJ, a saving of 23% year-on-year.

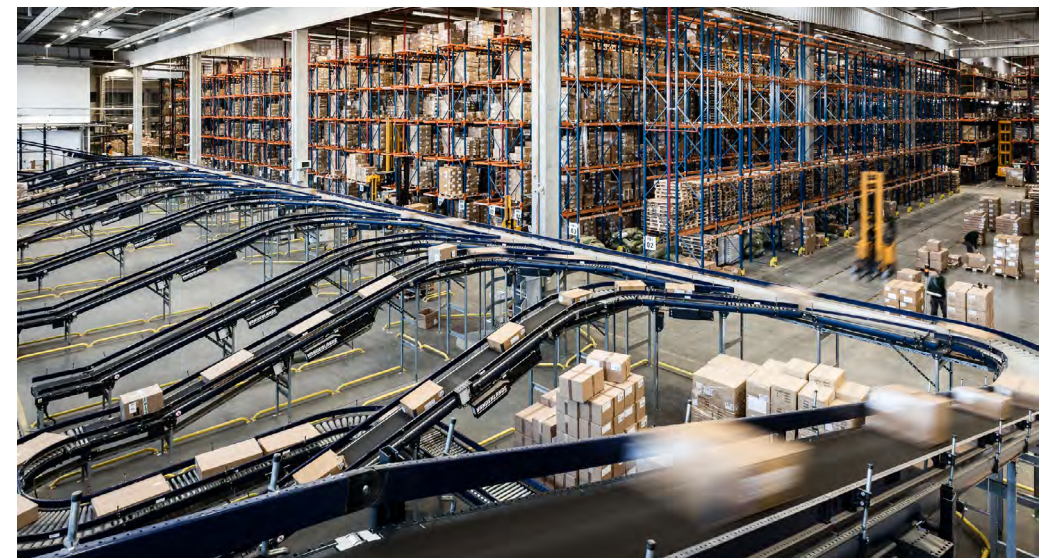
Transport

We are looking for the most environmentally friendly transport solutions. We want to minimise the environmental impact of our logistics operations.

In 2023, we have invested in solutions that are most beneficial to the environment and to our customers:

- » wherever possible, we have used the services of shipowners whose vessels are powered by alternative energy sources, such as LNG. In 2024, we are successively increasing the share of volume transported by LNG-powered units. Our goal is the 20% share of the volume transported by LNG-powered units;

- » we have worked with shipowners who contribute to the protection of animals living in the seas and oceans, such as cetaceans and whales, by reducing speeds in breeding areas and tightening procedures to eliminate the illegal trade in endangered species;
- » we reduced emissions by making 20% of deliveries to our stores in Warsaw with electric cars;
- » we have introduced **standardisation of shipping cartons**. As part of the Control Tower project, a platform for streamlining supply chain management, which we write more about below, we implemented a process to standardise and





strengthen cartons, which enabled us to reduce packaging waste, reuse packaging and optimise the packaging of goods. The standardisation of packaging sizes means in practice a better utilisation of courier companies' transport space and a reduction in the number of trips when transporting goods to customers. This indirectly reduces the carbon footprint. In 2023, we reused 2,517,819 cartons;

- » for deliveries in the e-commerce channel, we promote OOH (Out Of Home) deliveries, i.e. delivery to pick-up points and parcel lockers which are more convenient for our customers and contribute to reducing our carbon footprint. In 2023,

the share of OOH deliveries increased by 4.5 percentage points compared to 2022, i.e. from 35.2% to 39.7%;

- » depending on the shipping volume and the ability to handle different types of freight, we place e-commerce orders on delivery truck trailers without the use of pallets in order to increase the filling of each trailer and reduce the number of trips, which translates directly into reduced carbon footprint of each parcel transported.

GOOD PRACTICE

Control Tower tool

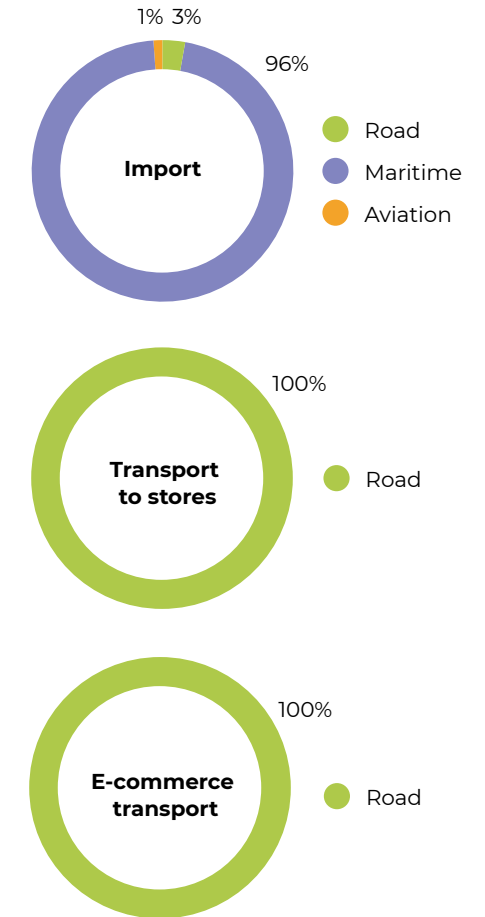
To meet the challenges of managing an international sourcing and distribution network, we implemented a proprietary **Control Tower** platform design. The platform allows control of the flow of goods along the import supply chain, streamlines the electronic workflow and provides real-time information to all participants in the process - from buyers to suppliers, distribution centers to shipping agents. It also makes it

possible to optimise logistics processes in terms of costs and operations and to react quickly to changing market conditions. The Control Tower platform received an award for the best project in the 15th edition of the Polish Logistics Association Awards.



PERCENTAGE SHARE OF INDIVIDUAL MODES OF TRANSPORT IN 2023

[Own indicator]





Closed-loop system

[GRI 3-3]

We are committed to a circular economy. This is not only a way of fulfilling our commitment to responsible production, but also an important part of our business strategy. We are promoting the idea of circular fashion and looking for innovative solutions that will contribute to reducing our environmental footprint.

We are making changes to reduce the amount of waste generated in the packaging, repackaging and shipping of products. As part of our commitments to participate in the Polish Plastics Pact and the Global Commitment initiative of the Ellen MacArthur Foundation and the United Nations Environment Programme, we are working to eliminate excess and problematic packaging. One way we do this is through packaging redesign, which improves local collection, sorting and reuse systems.

All envelopes in which goods ordered online are delivered to our customers are made of FSC-certified paper, and we seal the cartons we send out exclusively with paper tape with water-activated starch glue.

The cartons used internally, the envelopes and cartons for shipping online orders, the price tags in Reserved, Cropp, Mohito, House and the shopping bags offered to customers are FSC (Forest Stewardship Council) certified.

We are gradually reducing the generation of foil waste and the need for primary materials by using recycled plastics. From 2023 onwards, all goods ordered from suppliers arrive in bags made exclusively from recycled polyethylene (rLDPE).

In addition, the foil packs in Sinsay, Cropp and House shops consist of 80% recycled plastic and are recyclable.

CERTIFICATION OF HIGH-VOLUME PURCHASES

Goods purchased by LPP in significant quantities (e.g. paper bags, cartons used for transport and some office equipment) are subjected to a process of evaluation and confirmation of compliance with certain standards. All paper bags sold or distributed in our stores in Poland and abroad have



recycled paper in the composition. Depending on the manufacturer, its content varies from 30 to 100%. This also applies to the cardboard boxes used in Poland to transport our garments from distribution centers to stores and the office paper used in offices and stores.



PACKAGING GUIDELINES

In order to achieve the strategic goal of completely eliminating non-reusable, recyclable or compostable plastic from packaging by the end of 2025, we have developed packaging design guidelines with recommended solutions that have been provided to product preparation staff.

Our guidelines aim to eliminate environmentally harmful and non-recyclable materials. At the same time, we raise our suppliers' awareness regarding the importance of changing their approach to the environmental protection. In our recommendations, we prefer packaging made of FSC MIX-certified paper or cardboard or, in the absence of such certification, made of recycled paper or cardboard, as well as polyethylene (PE), low-density polyethylene (LDPE), high-density polyethylene (HDPE), polyethylene terephthalate (PET), polypropylene (PP), one-sided oriented polypropylene (OPP), and biaxially oriented polypropylene (BOPP). On the other hand, non-recommended materials include: polyvinyl chloride (PVC), polystyrene (PS/EPS), polycarbonate (PC), cellophane and laminates.

A SECOND LIFE FOR CARDBOARD BOXES




At various stages of our business, we use cardboard boxes, from production to distribution. We are therefore taking numerous measures to optimise packaging processes, reduce waste and introduce more efficient solutions related to the use of cardboard boxes.

Among other things, we have implemented a pilot project to reuse the cardboard boxes in which we ship clothing from the warehouses to the stores, which has reduced the number of new cardboard boxes ordered for shipping. We started the project in February with a number of test stores returning the cardboard boxes to the Fulfillment Center in Będzieszyn. Over time, we have increased the number of stores using this solution, and at the beginning of October the project covered all stores in Poland.

By using and reprocessing cardboard boxes efficiently, we can reduce the consumption of natural resources, cut costs associated with the purchase of new packaging and reduce the mass of waste generated in distribution centers as well. In 2023, almost 5.5 million cardboard boxes were used at the Distribution Center in Pruszcz Gdański, of which almost 2 million were recycled, representing a recovery rate of 35%. The Distribution Center in Brześć Kujawski, on the other hand, used over 2.1 million cartons, achieving a recovery rate of 26%. In total, we reused 33% of the boxes.



Reporting year 2023

	Distribution Center in Pruszcz Gdański	Distribution Center in Brześć Kujawski
 New cardboard boxes	3,549,132	1,570,431
 Recycled cardboard boxes	1,950,008	547,956
 Total cardboard boxes used	5,499,220	2,118,387
% recovery	35%	26%



THE SECOND LIFE OF CLOTHES

Second-hand clothing is a source of valuable raw materials. This is why we promote reuse, recycling and other sustainable practices, addressing the entire life cycle of clothing. Clothes that are still wearable can be donated to social causes, which we facilitate for our customers by organising second-hand clothing collections in all LPP stores in Poland. We believe that clothing that is no longer wearable, repairable or repurposed should be recycled, making it a valuable raw material for new clothes.

Only 2.1 million tonnes of clothing and textile products are collected every year in the countries of the European Union, and these are recirculated either as so-called after-market products for re-use or as raw material for further processing. The European Union Directive, announced in July 2023, which obliges Member States to establish extended producer responsibility, including provisions for separate collection and appropriate separation of textile waste, offers hope for a gradual increase in the amount of clothing returned to circulation from 2025 onwards. It is estimated that a target of 70% of this type of waste can be recycled textile-to-textile¹⁰. Currently available technologies allow only 1-2% of this demand to be met.

In the search for new technologies to reuse textile waste as a raw material for fibre, we have partnered with Polish start-up Use Waste in 2022. Its aim was to develop a technology for the chemical recycling of polyester fabrics, allowing any type of polyester fibre to be produced and used to make fabrics made exclusively from recycled raw materials.

The laboratory work lasted fifteen months and led to the development of a proprietary concept for the selective depolymerisation of polyester fabric made from dyed fibres and to the production of a raw material that will be used for the production of polyester yarn of unimpaired quality. The technology developed is distinguished by its low emissions of pollutants and CO₂. Ultimately, textile-to-textile recycling will allow us to close the textile cycle and at the same time reduce the use of virgin raw materials in the production of our collections.

[GRI 306-3] Waste generated (t)	2021	2022	2023
	LPP SA	LPP SA	LPP SA
Cardboard packaging	27,068	15,112	18,669
Foil packaging	3,986	2,373	3,345
Wooden packaging	82	2,563	305
Glass packaging	7	0	0
Total	31,143	20,048	22,319

[GRI 306-4] Waste diverted from disposal by type of waste (t)	2022		2023	
	LPP SA	LPP Group	LPP SA	LPP Group
Cardboard waste paper	13,167	16,096	8,994	39,589
Foil packaging	583	624	356	3,368
Wooden materials	181	181	161	3,907
Glass packaging	0	0	0	9
Total	13,931	16,901	9,511	46,873

[GRI 306-4] Waste diverted from disposal by type of recovery (t)	2023			
	LPP SA		LPP Group	
	onsite	offsite	onsite	offsite
Preparation for reuse	0	9,634	39	9,634
Recycling	0	9,511	1,135	36,667
Other types of recovery	0	0	0	694
Total	19,145		48,168	

¹⁰Textile-to-textile recycling involves breaking down the clothing into fibres, from which a full-fledged fabric is then created.



WHAT HAPPENS TO THE USED CLOTHES DONATED AT LPP STORES?

LPP is constantly looking for solutions that close the loop – to this end, it cooperates with **Use Waste** on solutions that meet the best challenges of circularity.



GOOD PRACTICE

"Look after your clothes" campaign

The "Look after your clothes" campaign aimed to promote effective clothing care methods to our customers. As part of the campaign, we provided customers with a website with practical advice www.dba-joubranie.pl, an emissions calculator and a chatbot that they could use to see how their daily activities not only affect the condition of the clothes they wear, but also the environment. In February 2023, we summarized the achieved results.

The chatbot created for the campaign provided more than 22,500 responses with advice on how to read the symbols on the labels and care for the clothes depending on the material they are made of. Thanks to the emissions calculator, more than 1,500 people have calculated their carbon footprint and found out how to reduce it.

By using multiple communication channels and non-standard forms of communication, the campaign reached a wide audience. It gained nearly 10,000,000 views on TikTok, and almost 1,500 people took part in the challenge announced on this platform. By working with influencers on Instagram, information about the campaign reached more than 580,000 recipients. This was augmented by more than 70 media publications that reached 52,000,000 people.



**look after
your clothes**

**read
check
care**



Climate and environmental impact

[GRI 3-3]

Greenhouse gas emissions at LPP

[GRI 3-3] [GRI 305-1] [GRI 305-2] [GRI 305-3]

	2021			2022			2023		
	Scope 1	Scope 2*	Scope 3	Scope 1	Scope 2*	Scope 3	Scope 1	Scope 2*	Scope 3
Greenhouse gas emissions [t CO ₂ e]	4,420.67	10,267.11	2,865,952.62	13,762.35	7,827.65	2,460,049.67	3,586.76	1,723.80	2,786,871.28

*Scope 2 calculated with market-based method

Greenhouse gas emission intensity

[GRI 305-4]

Greenhouse gas emissions intensity	2021	2022	2023
Emissions in the scope 1 and 2 in terms of revenue [t CO ₂ e/PLN 1m]	1.03	1.36	0.31
Emissions from all the scopes in terms of revenue [t CO ₂ e/PLN 1]	202.65	155.81	160.41

DECARBONISATION AND ACCESSION TO SBTi

Our path to decarbonisation began in 2017, when, in order to measure the climate impact of our operations, we first started calculating and reporting our carbon footprint, i.e. greenhouse gas emissions. We initially

focused on direct greenhouse gas emissions from the combustion of fuel in stationary sources, i.e. boilers. In 2018, we expanded the calculation to include emissions from the use of fuel, electricity and heat and business trips for LPP SA and international subsidiaries (offices and stores). We have gradually

improved the data collection methodology and extended the analysis. Starting from 2019, in our calculations we have included much more accurate energy consumption data sources from international subsidiaries, data on the number of kilometres travelled by various means of transport during business trips, as well as emissions generated during the transport of products from suppliers to distribution centers and subsequently to stores in Poland and abroad. We also took into account emissions from the manufacture of raw materials and the production stages of clothing and packaging materials. Furthermore, we also focused on the stage of using the clothing, the disposal

of packaging materials introduced to market and waste. We have selected 2019 as the base year for further reporting, namely, the emissions against which we measure progress in the consecutive years. In the following years, we expanded the calculations and analyses and finally, in 2021, we calculated the carbon footprint in all three scopes and categories for the first time, in accordance with the international GHG Protocol Corporate Accounting and Reporting Standard.

Holding this information, in 2022 we became the first Polish clothing company to join the global Science Based Targets (SBTi)



initiative supporting the private sector in its efforts to combat global warming. The initiative aims to support businesses in their transition to the zero-carbon economy by supporting them in the process of developing a decarbonisation strategy, in accordance with the assumptions of the Paris Agreement, taking the advantage of the latest achievements of the climate science.

By joining the SBTi, we have committed to developing science-based, ambitious but also realistic emission reduction targets in all three scopes, which are in line with the level of ambition of the Paris Agreement. These targets represented the first milestone in the LPP Group's emissions reduction strategy and the first step in the process of preparing a long-term decarbonisation strategy. In November 2022, we presented our targets to SBTi comprising the unconditional emission reduction in scopes one and two and two targets in scope three, covering the categories where emissions of our value chain are the highest and show the greatest potential for decarbonisation. In the targets set, we have committed to:

IN SCOPE 1 AND 2

- » a 42% reduction in Scope 1 and 2 greenhouse gas emissions by 2030, compared to a baseline year of 2021. This will be achieved by, among other things, decarbonising the power grid

and transition to RES, reducing energy consumption and modifying our vehicle fleet;

IN SCOPE 3

- » a 51.6% reduction by 2030 of emissions from the purchase of Scope 3 goods and services per unit of product purchased (compared to 2021). In order to fulfil the commitments adopted, the company will, among others, increase the share of certified raw materials needed for production, the acquisition of which is associated with less interference with the environment and engage more deeply with electricity suppliers for the needs of transition to renewable energy;
- » involve business partners responsible for 21% of Scope 3 emissions in setting their own reduction targets by 2027.

In 2023, SBTi scientifically reviewed and approved these targets. The obtained confirmation proves that our assumptions are compliant with the Paris Agreement and with the intention to stop global warming at a level of 1.5°C. The verification of the emission reduction plan ensures that our strategy is based on strong foundations, and we are heading in the good direction.

This is confirmed by the current results. Due to renewable energy, we have achieved the greenhouse gas reduction target

for scope 1 and 2. However, our decarbonisation targets have been defined until 2030, which highlights the importance of continued emission reduction, especially in the context of the development of our company.

Moreover, we have already fulfilled the objective of engaging business partners to determine their own reduction targets. Education and raising awareness of the need to measure and reduce emissions played a key role in achieving this objective.

RESPONSIBLE USE OF WATER RESOURCES

[GRI 3-3]

By using Jeanologia® technology, we reduce the adverse environmental impact of jeans production. Some of the orders go to factories that have been accredited by Jeanologia® and use patented technological solutions to reduce the use of water, chemicals and energy in the production process. The technology used by Jeanologia® is based, among other things, on the use of ozone and laser machines for the denim finishing process.

In addition, we participate in global partnership initiatives because we want to share experiences and actively collaborate with other players who are also striving to bring positive change to the fashion industry.

Since 2020, we have been a member of the Zero Discharge of Hazardous Chemicals (ZDHC) agreement, which works to eliminate harmful chemicals in the textile, clothing and footwear value chain. Bringing together manufacturers, apparel brands, solution and chemical suppliers and NGOs, the agreement is developing a set of standards, tools and guidelines to help companies manage and reduce the environmental and health impacts of hazardous chemicals. Adherence to ZDHC standards enables environmentally safe management of chemicals in factories and proper treatment of production water. Membership in ZDHC is one of the most important factors we take into account when selecting the factories to which we commission production.

» Read more in [Supplier relations](#).



Climate and Biodiversity Report



INTRODUCTION

According to the latest Global Risk Report 2024¹¹ prepared by the World Economic Forum, climate change and biodiversity loss are interdependent phenomena representing one of the most probable and imminent risks to be addressed both by business and by society.

The fashion industry is one of the sectors of significant climate and environmental impact, including through the use of natural resources, water and greenhouse gas emissions (both in its own operations and across the value chain). Moreover, this sector will be faced with the effects of climate physical risks which can be particularly severe in South Asia, being a key link in the value chain of the sector. In combination with rising consumer awareness and tightening European Union sustainability regulations, this will require companies to increase their commitment to transformation compliant with ESG criteria.

We are aware that in order to achieve the objective - i.e. to integrate sustainability into the LPP Group's decision-making and strategic planning processes - a transparent and reliable reporting structure must be developed. Therefore, we have prepared an integrated report outlining the progress we have made in adapting our strategy to the new climate and environmental risks and the main areas we will focus on in the nearest future.

ABOUT THE REPORT

We realize that the condition for effective implementation of changes is the coordination and integration of activities at the local and global levels. We are therefore pleased to present our first integrated report based on the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD), and the Taskforce on Nature-related Financial Disclosures (TNFD). In this way, we start the process of disclosing information on climate change prevention in accordance with the requirements of International Financial Reporting Standards (IFRS), specifically, IFRS S2 on climate-related disclosures based on TCFD recommendations.

CORPORATE GOVERNANCE

We are constantly adjusting structures and systems in the area of corporate governance, where both the supervisory function of the Management Board and the senior management is important and the substantive expertise of members of individual teams. We have developed appropriate reporting schemes and ensured that responsibility for environmental and climate change issues is appropriately shared across the value chain.

Members of the Management Board of the LPP Group and the management staff are individuals with the relevant experience

and expertise to ensure efficient decision-making, effective oversight and effective implementation of the sustainability strategy. Climate change and nature conservation issues fall within the area of responsibility of the Chief Financial Officer (CFO), who continuously educates himself on these topics, among others, by attending training courses at least quarterly.

The Management Board reviews and approves the the LPP Group's strategy and budget, as well as the publication of the Climate and Biodiversity Report and related disclosures. Moreover, it supervises the

planning of priority strategic projects, thereby shaping the LPP's approach to managing strategic risks and opportunities, including those related to climate change and biodiversity loss. Every six months, the management provides the Management Board with an update on strategic climate and environmental risks classified as "TOP risks".

The figure below shows the LPP units responsible for managing risks related to climate and nature and the scheme of cyclical reporting to the Supervisory Board.



¹¹Global Risks Report 2024 | World Economic Forum | World Economic Forum (weforum.org)



Center of responsibility	Description of responsibilities in the scope of climate and nature
Management Board of LPP	The Management Board's role is to supervise the implementation of the business strategy, including sustainable development as of its three pillars. Its responsibilities also include long-term shaping of the LPP Group's development strategy.
CFO (Chief Financial Officer)	A key area of responsibility for the CFO is financial planning, financial management and the arrangement of financing and the closely related assessment of risks, including climate and nature-related risks, that may affect the Company's business operations in the short, medium and long term. The CFO reports directly to the President of the Management Board.
Internal Control and Risk Management Manager	A key area of responsibility of the Internal Control and Risk Management Manager is the continuous identification and analysis of the risks and opportunities facing the organisation, carried out in close cooperation with the CFO. The responsibilities of this unit also include the prioritisation of key ESG risks and opportunities, including climate and nature-related factors, developed in collaboration with the ESG Committee and the managing Director for Procurement and ESG.
Procurement and ESG Director	The role of the Procurement and ESG Director is to shape and implement the sustainability strategy as well as to analyse and plan the ESG risk management process, including climate and nature risks, in collaboration with the CFO. The aim of the combination of these two functions is the effective management of the achievement of the KPIs set for its own operations and for the supply chain, which are mostly driven by environmental initiatives such as improving energy efficiency, improving logistics processes, use of energy from renewable sources, as well as the transformation towards a circular economy. The Procurement and ESG Director is required to report on a quarterly basis on the implementation status of the sustainability strategy to the CFO and twice a year to the Management Board of the Company. The Procurement and ESG Director chairs the ESG Committee.
ESG Committee	The ESG Committee is chaired by the Director for Procurement and ESG and comprises executive directors of brands and directors of key business areas of the company operations. The role of the ESG Committee is to fulfil an advisory role for the Management Board of LPP and an executive role regarding ESG and sustainability issues related to the operations of LPP and the LPP Group. The Committee also makes decisions on the implementation of actions in the ESG area upon their approval by the Management Board and supports the Management Board of LPP in maintaining its prominent position among the leaders of ESG and sustainable development practices. The Committee's work aims to strengthen the interdisciplinary approach to the management of ESG and sustainability issues at LPP and to consolidate the best cooperation practices of key organisational units of LPP in this area.

Sustainability Manager and Sustainability Department

The Sustainability Manager is the person directly responsible for implementing the sustainability strategy. The team also plays a supportive role in community activities and initiatives undertaken by LPP. It implements initiatives that are translated into objectives in strategic documents. These objectives form the basis for further work in the ESG Committee.

The Sustainability Department consists of auditors and specialists whose job it is to provide support to departments and business units implementing key elements of the strategy. This is known as the ESG Committee's (lateral) control of the implementation of the strategy. The team also plays a supportive role in community activities and initiatives undertaken by LPP. This also includes areas such as emissions calculations, decarbonisation at a Company and individual product level, as well as energy and supply chain management.

Sustainability Expert

The Expert's responsibilities include the search for development opportunities related to the changing business environment resulting from climate change, loss of biodiversity and advice on mitigating climate and nature-related risks. The person holding this position cooperates closely with the Procurement and ESG Director.

Human and Labour Rights Due Diligence Process Implementation Team

The team was established in 2023. It consists of the President of the LPP Foundation, the Diversity and Social Relations Expert from the Sustainable Reporting and Social Relations Team, the Social Issues Specialist from the Procurement and ESG Department and a representative of the HR Department. The responsibility of the unit is to carry out a human and labour rights due diligence process involving the identification and assessment of key risks, the implementation and monitoring of the effectiveness of appropriate remedial and corrective actions, and the communication of measures undertaken with stakeholders.

The Brand Communication and Community Relations Department and the Investor Relations Department, whose tasks include providing up-to-date and transparent communications and reporting on the

company's activities, including its impact on the environment and climate, are primarily responsible for maintaining dialogue with stakeholders and providing information to market participants.



Our approach to respecting human rights in the value chain

We understand that our actions and decisions can positively or negatively affect the well-being not only of our employees, but also of local communities across the LPP Group value chain. Our actions are guided by the "LPP human rights policy" adopted in 2022. The document sets out principles of counteracting any violation of human rights in connection with our activities, as well as minimising the related risks. The policy also expresses our commitment to promoting human rights among our stakeholders. Moreover, through the LPP Foundation, we carry out activities aimed at counteracting social exclusion, equalising opportunities and ensuring improved well-being for local communities and other beneficiaries.

STRATEGY

SUSTAINABLE DEVELOPMENT STRATEGY

Adopted in 2019 and integrated into the business strategy, the sustainable development **"For People For Our Planet"** for 2020-2025 covers both the company's own business activities and its value chain. It focuses on four areas:

- » more sustainable product, production and sales;
- » chemical safety in production;
- » plastics under control;
- » sustainable infrastructure - HQ buildings and sales network.

In each of these areas, we have identified measurable, long-term goals with the outlook up to 2025, oriented towards exerting a positive impact on the environment. The activities of our company comprise, among others, the use of natural resources, while the ability to acquire these resources depends on the condition of the environment and the effects of climate change. Mitigating the adverse impact of both our own operations and our supply chain is, on the one hand, the expression of our social responsibility but, on the other hand, it is also important for the continuity of our business in strategic terms.

Cotton made in Africa

In 2022, as the first Polish company, we joined a group of partners of Cotton made in Africa (CmiA), the internationally recognised standard for sustainable cotton cultivation in Africa. The activities undertaken by its originator, the Aid by Trade Foundation, are coherent with LPP's strategic goals assuming consistent increasing of the share of products made from the materials preferred in our offer, as well as implementing best practices and production standards that contribute to the sustainable development of the textile industry.

DOUBLE-MATERIALITY ANALYSIS

Based on the double-materiality analysis conducted in accordance with the requirements of the European Sustainability Reporting Standards (ESRS) for the LPP Group and approved by the Management Board in November 2023, climate change

was recognised as the material topic due to the impacts identified in the areas of climate change mitigation, adaptation and energy consumption. The high energy intensity of production and the intensity of transport use, characteristic of the clothing industry, generate significant CO₂ emissions at these stages of the value chain. The use of clothing and footwear by consumers is also a source of significant emissions, among other things, related to the energy consumed while caring for the clothes. The LPP Group takes significant actions in this area, striving to reduce its climate impact by implementing a decarbonisation targets and monitoring climate risks.

Biodiversity was identified as a topic of medium relevance, mainly due to the issue of land exploitation for the needs of cotton growing, identified in relation to the supply chain and the associated potential impact on the status of species occurring in the ecosystem. Moreover, the analysis covered, among others, the impact of transport on the biodiversity of marine resources. The LPP Group has recognised the topic of biodiversity as one that requires monitoring and deepening due to the awareness of the impact of the entire clothing industry, mainly in the context of sourcing raw materials.

SCENARIO ANALYSIS

For better understanding of the potential impact of climate change on our operations and strategy, we conducted an in-depth scenario analysis to identify key risks and opportunities in the relevant time horizons.

For the purpose of the analysis, we adopted two hypothetical scenarios compliant with the approach of the Intergovernmental Panel on Climate Change (IPCC) to be able to assess precisely the resilience of our business model. Due to that, we identified the potential impact of climate change on our operations in different regions of the world and at every stage of the value chain, starting with sourcing of materials and production, through distribution, sales to use and disposal by customers.

The LPP Group defines risk as any potential event that could have a negative impact on the achievement of business objectives or that could affect the standard course of business. On this basis, we categorise risks taking into account their potential impact, likelihood of occurrence and the readiness of the company to take appropriate action. Due to the fact that climate changes are long-term and occur on a large scale, we assessed risks and opportunities in three time horizons: short-term (up to 2025), medium-term (up to 2030) and long-term (trend analysis up to 2050). The process of identifying key risks consisted of a qualitative as well as quantitative assessment of the likelihood of incidence of a given phenomenon and the scale of its impact, using both financial and reputation criteria. We therefore attempted to develop a long list of environmental risks, which we subsequently critically assessed and prioritised according to the criteria mentioned above. Accordingly, it was possible to identify events



Assumptions of the climate scenarios analysed

	<2°C Globally coordinated regulation for decarbonisation in compliance with the Paris Agreement	4°C Lack of globally coordinated measures in the scope of climate policy
Probability and magnitude of transformation risks (in the medium and long term)	Higher	Lower
Implementation of EU emission reduction targets in the years 2030-2050	Implemented	Not implemented
Increase in energy prices	Significant	Progressive
Emission costs	Significant	Moderate
Increasing in efficiency of RES technologies	Faster than before	Slower than before
Consumer eco-awareness	Significant increase in eco-awareness and increased demand for low carbon products	

with a high probability of occurrence and a significant impact on our business.

Due to the local characteristics of biodiversity loss, TNFD recommends an approach different than the scenario analysis. To that end, “exploratory” scenarios are used to examine different situations that may arise in the future based on key drivers of uncertainty, such as the scale of degradation of ecosystem services. This is a methodology compliant with the LEAP (Locate, Evaluate, Assess and Prepare) approach promoted by TNFD, which aims to analyse environmental risks and opportunities and develop appropriate responses, where the first step is the identification of the company's impact and dependence on ecosystems.

Risk management

The management of climate and nature-related risks is fully integrated in terms of methodology and subordinated to the milestones of the LPP Group's Enterprise Risk Management (ERM) process. This means that climate and nature risks are analysed in terms of their impact on the implementation of the LPP Group's strategy in the same way as the other risk categories. Each identified risk is assessed based on standardised methodological assumptions and is included in the LPP Group Risk Register, which is reviewed on an annual basis. In January 2024, it was supplemented by identified nature-related risks. Such approach enables continuous monitoring and reporting of changes related to risks in

the framework of the Enterprise Risk Management Procedure adopted in 2022. This document defines the desired culture and stages of the risk management process, as well as its participants, their responsibilities and the tools used. Furthermore, it introduces the risk vocabulary to be used in the LPP Group for the needs of clear and unambiguous communication of risks and opportunities.



Stages of the LPP Group Risk Management Procedure

Identification and assessment	Creating a risk register covering the identified risks occurring in each area of the LPP Group's operations and performing an assessment of the risks identified in the LPP Group.
Determining risk appetite	Determination of risk appetite for key risks.
Identifying the response	Developing types of responses to risks and a plan for their implementation.
Monitoring	Defining the method, frequency and limits for monitoring key risks.
Communication	Defining rules for regular communication of risk levels, as well as ad-hoc communication in case of emergencies, such as the occurrence of a new key risk or a significant incident.



Climate and nature-related risks are identified on an ongoing basis in accordance with the Risk Management Procedure, responsible persons are appointed and assessment is performed on the basis of the criteria defined, taking into account the financial and reputation impact of the risk concerned. Moreover, a scenario approach in line with TCFD recommendations is applied to climate risks. The risk appetite and the method of response to risk occurrence is subsequently determined. The procedure also describes how to communicate the occurrence of risks - both in-house and outside the company. Climate and nature-related risks and opportunities are managed at an enterprise-wide level - at all levels and across all organisational units. Accordingly, the LPP Group is able to analyse them comprehensively and assess their impact on business continuity and the resilience of the strategy adopted.

RISKS AND OPPORTUNITIES

SENSITIVE LOCATIONS

Being aware of our impact on nature and our dependence on natural capital, we have started the process of monitoring of the status of ecosystems where we conduct our direct and indirect operations. Although we have not performed a com-

prehensive assessment of priority sensitive locations yet, using the tools and methodology recommended by TNFD, we collect and process data on the health, status and viability of the ecosystems affected by our operations and those on which our business depends.

Using the Integrated Biodiversity Assessment Tool (IBAT)¹² collecting and segregating global biodiversity databases, we conducted a detailed analysis of the relationship between the location of our warehouses and their potential impact on the neighbouring ecosystems. The analysis covered the area within a distance of 50 km from the location concerned, as recommended by IBAT. The expertise was carried out for all LPP Group warehouses - both distribution and logistics centers in Poland, Romania and Slovakia, using three key criteria.

Taking into account the nature of our industry, we are aware that a survey of direct operations is only the first step in understanding our full relationship with nature. In 2024, we started to analyse the risks present in our cotton supply chains in the territory of India. Cotton accounts for approximately 45% of all the raw materials used to produce our collections. To identify sensi-

Criteria concerning sensitive locations analysed by the LPP Group

Criterion	Description	Database	Indicator
Species diversity	Are threatened species present in the ecosystem concerned?	The IUCN Red List of Threatened Species ¹³	Number of threatened species entered in the Red List of Threatened Species that are likely to occur within a 50 km distance of the site
Legal protection	Is the ecosystem protected by law due to its biological importance?	The World Database on Protected Areas (WDPA) ¹⁴	Number of protected areas within a 50 km distance of the site
Relevance of the ecosystem	Is the ecosystem classified as key biodiversity area, i.e. an area contributing significantly to the global maintenance of biodiversity?	Key Biodiversity Areas (KBA) ¹⁵	Number of areas classified as Key Biodiversity Areas (KBAs) within a distance of 50 km of the site concerned

ve locations at the farm and plantation level, we combined spatial data for the state of Gujarat, the most important cotton-producing region in India, with spatial data on species diversity and ecosystem relevance using the IBAT tool.

The analysis has shown the presence of thirty-six threatened species within a 50 km distance of Gujarat, including six classified as critically endangered. The main reason for the risk of extinction for all the species analysed is the excessive exploitation of

ecosystems, leading to the loss of natural habitats, exacerbated due to the development of human inhabited areas, road construction and commercial crops, including cotton cultivation.

One key biodiversity area has also been identified within a 50 km distance of Gujarat, where the main risk is associated with illegal pumping of water by local farmers to grow crops such as cumin and cotton. This phenomenon has a detrimental impact on numerous species of water birds nesting in the area.

¹²Integrated Biodiversity Assessment Tool (IBAT) (ibat-alliance.org)

¹³<https://www.iucnredlist.org/>

¹⁴<https://www.protectedplanet.net/en>

¹⁵<https://www.keybiodiversityareas.org/>



Taking into account all the factors analysed, the LPP Group recognises the risks for biodiversity associated with the sourcing of cotton from the state of Gujarat, which it intends to monitor and address in its strategic plans.

RELATIONSHIPS AND IMPACT ON NATURE

In 2024, we conducted the first assessment of our operations in order to determine the degree of impact on and dependence on natural capital, the degree of dependence on natural capital and the associated risks and opportunities. In accordance with the

TNFD recommendations, the analysis was performed using the ENCORE tool¹⁶ taking into account the supply chain, focusing on the production of natural and synthetic fibres. Due to the limitations of the analysis, such as the averaged assessment for entire sectors, the results were supplemented by the local context and interpreted in relation to the LPP Group's operations. Definitions of impacts and dependencies are presented in the Glossary of Terms in the Annex. The results of the analysis are presented below.

Direct operations of the LPP Group - Clothing production and trade

IMPACT ON NATURE		NATURE DEPENDENCE	
Type of impact	Level of impact	Type of dependency	Level of dependency
Water use	●	Bioremediation	○
Non-GHG air pollutants	●	Dilution by the atmosphere and ecosystems	●
Water pollutants	○	Filtration	●
Soil pollutants	○	Mass stabilization and erosion control	○
Solid waste	●		

Operations in the LPP Group supply chain - Production of natural and synthetic fibres

IMPACT ON NATURE		NATURE DEPENDENCE	
Type of impact	Level of impact	Type of dependency	Level of dependency
Water use	●	Bioremediation	●
Non-GHG air pollutants	●	Dilution by the atmosphere and ecosystems	●
Water pollutants	●	Filtration	●
Soil pollutants	●	Protection from flood and storm	●
Solid waste	●	Mass stabilization and erosion control	●
Use of land ecosystems	●	Fibres and other materials	●
		Groundwater	●
		Surface water	●
		Maintaining water flow	●
		Water quality	●

○ Very low ● Low ● Medium ● High ● Very high

The analysis showed that our direct operations demonstrate a low degree of dependence and impact on natural capital and in most cases can take place even with the total disruption of the ecosystem services analysed. As part of direct operations, a medium impact on the ecosystem was identified due to the production of solid waste, mainly resulting from the failure to recycle all the waste generated by the daily use of the LPP Group employees. In the fibre production process, the impact was assessed as high. This is associated with the production of semi-finished products which, if not reused or recycled, constitute production waste.

Although the company's overall level of dependence on natural capital and the impact of the production process on this capital is assessed as moderate, it is associated with an intensive use of water, both groundwater and surface water, which on the one hand significantly affects local ecosystems and on the other hand makes production dependent on the amount of water resources the company can use. The use of water is particularly important in the manufacture of natural fibres such as cotton. Although it is a relatively drought-tolerant plant and in many regions its cultivation can be irrigated mainly with rainwater, about half

¹⁶ENCORE (encorenature.org)



of the production area requires additional irrigation and the fibre production process itself is highly water-intensive. In addition, almost all dyes and chemicals are applied to textiles in a water bath, and at the preparatory stages such as peeling, cleaning, bleaching and mercerization water is also often used.

RISKS AND OPPORTUNITIES

In the report, we present an integrated approach to climate and nature risk disclosure. In accordance with the TCFD recommendations, in 2022 we carried out a detailed scenario analysis related to both physical and transformation risks, taking into account all risk subcategories. In 2024, the identified environmental risks were supplemented by issues relating to nature.

	Risk	Scenario	Sourcing of raw materials	Production	Distribution	Sales and customer satisfaction	
PHYSICAL	CHRONIC	Risk of limited availability of manufacturers subcontractors as a consequence of the climate change and biodiversity loss	<2°C	●	●		
			4°C	●	●		
		Risk of limited availability of raw materials for the production of materials and their rising price as a consequence of climate change and loss of biodiversity	<2°C	●			
			4°C	●			
	ACUTE	Risk of production disruptions capacity caused by extreme weather phenomena and the lack of natural protective barrier	<2°C		●		
			4°C		●		
	Risk of process disruptions logistical problems caused by extreme weather phenomena	<2°C			●		
		4°C			●		
TRANSFORMATIONAL	MARKET RISK	Risk of limited availability and increase in material prices from sustainable production or recycling	<2°C	●			
			4°C	●			
		Risk of an increase in management costs warehouses and supply chain costs In view of the increase in electricity prices	<2°C		●	●	
			4°C		●	●	
	REGULATORY RISKS	Risk of limited availability and increased costs maritime logistics and timely delivery	<2°C			●	
			4°C			●	
		Risk of increased maturity and increased accuracy non-financial reporting on climate, environment and and communities	<2°C	●	●	●	●
			4°C	●	●	●	●
	TECHNO-LOGICAL RISK	Risk of not adapting to the pace of change in technologies to address consumer needs or regulatory requirements for pro-environmental activities	<2°C		●	●	●
			4°C		●	●	●
REPUTATIONAL RISK	Risk of bad image and social pressure due to insufficient, negative or inappropriately received messages related to environmental activities	<2°C				●	
		4°C				●	

Risk assessment: ● Low ● Medium ● High ● Very high



The physical risks associated with climate change and biodiversity loss can already be experienced today. They comprise both sudden events such as floods and fires and long-term changes such as heat stress, drought and sea level rise. The impact of physical risks on the LPP Group is strongly oriented towards the supply chain and global sourcing regions.

We have identified the nature-related risks that can affect the company's operations even at the first stage of the supply chain, i.e. when sourcing the raw materials required for production. The countries from which LPP sources its natural fibres already face the problem of excessive water intake in the agricultural and industrial sectors. This problem is likely to grow, as industrial water consumption is often detrimental to the interests of local communities. It is further intensified by climate change causing the rapid melting of Himalayan glaciers, which are one of the main sources of water in the region. The related serious risk of local restrictions and public opposition could adversely affect the availability and price of material originating from India, China, Pakistan, Uzbekistan, Turkmenistan or Kazakhstan. In the short to medium term, these circumstances may increase the risk of flooding, which is also growing due to the absence or insufficient natural defence and is further increased by changes to natural river beds and the clearing of coastal vegetation. In the medium to long term, however, the risk of reduced access to water and prolonged periods of drought is increasing.

Moreover, climate change triggers extreme weather events such as intensive rainfall and increasingly violent monsoons, which may result in a sharp decline in supply. The occurrence of any of the scenarios discussed above will deteriorate the availability of the raw material and therefore increase its price.

The risks and opportunities associated with the transition depend on the nature and pace of decarbonisation of the global economy. This is affected by market, technological, political and legal changes, as well as the attitudes of key stakeholders, including customers and investors. Growing market interest in sustainably produced materials may be related to a deterioration in their availability and a rise in prices, especially in the medium term and in a 4°C scenario. At the stage of distribution and sales, of particular importance for the LPP Group are the already visible fluctuations in the availability of cargo space in maritime transport, which may increase direct costs, uncertainty regarding timely delivery and the risk of inability to sell part of the collection in due time. These changes are also associated with the inclusion of maritime transport in the European Union's regulatory package related to the so-called "Green Deal", in particular the "Fit for 55" package. Progressive legislative changes pose risks that are likely to evolve - both in the short and medium term.

The market in which the LPP Group operates is likely to change, like consumer preferences



ences or the cost of materials. This process may shape both risks and new opportunities. Specialists from different countries are developing alternative production technologies and innovative materials that are likely to gain consumer recognition and provide a competitive advantage to the companies using them. However, this risk is limited to the group of more affluent consumers due to the high cost of new solutions.

The impact of climate change and biodiversity loss on the LPP Group's reputation and its relationship with key stakeholders is a significant issue. We are aware that the scale of operations and the market position of our company pose the risk that the fa-

shion industry may associate the problem of environmental degradation with our brand - both at national and regional level. The effective definition of climate and nature-related risks allows us to take measures that, in both scenarios analysed, help to ensure that the LPP Group is resilient in the context of key risks, as well as the possibility of improving its financial performance and image, in the event of improved economic growth rate.

The table below shows the risks considered by the LPP Group as key risks in the strategic perspective (2030), with the impact averaged over the two climate scenarios analysed.



Likelihood	Impact	Very low	Low	Medium	High	Very high
○ Very low	Financial					
● Low	Reputational					
● Medium						
● High						
● Very high						

Risk	Likelihood	Impact assessment	Impact description	Risk response
Risk of limited availability of producers and subcontractors as a consequence of continuing climate change and loss of biodiversity	● Low		Risk of limited availability of producers and subcontractors as a consequence of continuing climate change and loss of biodiversity Extreme weather events caused by climate change and the loss of biodiversity may result in the relocation of workers or entire production companies from regions most affected by sudden weather events (climate migration) and the problem of excessive water use, driven by the rapid rate of glacial melting in the Himalayas, which may rise costs of production and the product itself.	<ul style="list-style-type: none"> - Relocation of clothing production from countries with a higher risk of sudden weather events. - Increased pressure on development of production in the European countries with a lower risk of sudden weather events (e.g. Turkey, Morocco) and outside the central area. - Development and diversification of the supplier base.
Risk of limited availability of raw materials for the production of materials and their increasing price as a consequence of ongoing climate change and loss of biodiversity	● Medium		The financial exposure of the LPP Group is the highest as regards cotton, being the main natural raw material used in manufacturing the collections. The water stress driven by extreme weather conditions such as droughts or intense rainfall may adversely affect cotton crops, particularly in regions where most of the world's production is concentrated. In addition, the excessive use of water may result in protests of local communities, which may affect the availability and price of material from countries such as India, China, Pakistan, Uzbekistan, Turkmenistan, Kazakhstan. In the long-term perspective, this may result in the unavailability of the raw material and, consequently, price increases.	<ul style="list-style-type: none"> - Continuous price monitoring of raw materials critical for the production of the collection. - Transition to more sustainable sources of raw materials, e.g. Cotton made in Africa and Lenzing.
Risk of disruption to production processes due to extreme weather events and the lack of natural protective barriers	● Medium		Extreme weather events characteristic for some LPP collection production regions, such as floods, cyclones, etc., can disrupt the continuity of production processes generating loss of revenue. Risks also exist due to the lack of a natural protective barrier. Risks particularly relevant for natural fibre crops such as cotton and for production plants located in floodplains. The risks are augmented by changes in natural river courses and the clearing of coastal vegetation.	<ul style="list-style-type: none"> - Diversification of production markets, among others, by moving clothing production from countries with a higher risk of progressive climate change to lower-risk countries. - Distribution of a given product group across different markets.
Risk of disruption to logistics processes due to extreme weather events	● Medium		The sea route accounts for the majority of production transport for the LPP Group. Extreme weather events, such as sea level rise or cyclones, can destroy ports significant for the supply chain and cause transport delays. This may result in the unavailability of goods in a given period for the end customer and a negative impact on sales.	<ul style="list-style-type: none"> - Search for alternative options/possibilities for transport and delivery to ports. - Use of combined transport methods including, among others, road and sea transport. - Close cooperation with major hauliers, translating into better conditions for long-term contracts and priority for transport.



Risk	Likelihood	Impact assessment	Impact description	Risk response
Risk of limited availability and increase in prices of sustainably produced or recycled materials	●		Along the increased demand for sustainably produced materials, disruptions in their availability and price increases may occur. In order to maintain competitive prices, risks may affect the need to reduce margins and consequently the final profit from the sale of the collection.	<ul style="list-style-type: none"> - Investment in activities aimed at development of the market for sustainably sourced and recycled materials, including a collaboration with a start-up that recycles polyester.
Risk of increase in own costs due to warehouse management and supply chain costs in connection with an increase in electricity prices	●		Risks related to the rise of fixed costs, affecting the deterioration of the LPP Group's financial results.	<ul style="list-style-type: none"> - Continuous monitoring of the market and taking advantage of opportunities to purchase energy in advance. - Security through contracts - contracted price of RES energy (Figue) for 10 years with a possibility of extension for consecutive 3 years. - Testing and implementation of energy efficiency solutions - e.g. implementation of a telemetry system in stores, construction of heat pumps in the warehouse in Brześć Kujawski.
Risk of limited availability and increased costs of maritime logistics and timeliness of transport	●		Due to the inclusion of maritime transport in regulations such as "Fit for 55", a rise in costs may occur. Moreover, increased consumer pressure on implementing green transport solutions will drive increased investment in new technologies or changes in the supply chain.	<ul style="list-style-type: none"> - Close cooperation with major hauliers, translating into better conditions for long-term contracts. - Placing orders in advance, providing guarantees for the timeliness of deliveries.
Risk of increased requirements and increased accuracy of non-financial reporting regarding climate, nature and community issues	●	 	Meeting reporting requirements in the topics related to climate, biodiversity and social issues associated with Taxonomy and CSRD, among others, and implementing systems of data acquisition results in increased personnel and operating costs. Lack of transparent reporting may translate into low valuation of the Company and difficulties in raising capital and may also negatively affect the perception of LPP Group's operations by stakeholders.	<ul style="list-style-type: none"> - Strengthening of ESG structures and assigning ESG objectives related to Taxonomy and CSRD reporting.
Risk of failure to adapt to the pace of change in technology to address consumer needs or regulatory requirements in the scope of environmentally-friendly activities	●	 	Technological risk arising from changing technologies in the area of decarbonisation and alternative fibre production technologies. This will affect the suppliers of the LPP Group and the Company who may be required to invest more in this area. The risk is also related to the increase in stakeholder expectations with regard to the continuous growth in ambition of the LPP Group's environmentally-friendly activities.	<ul style="list-style-type: none"> - Permanent monitoring and cooperation with external advisers in the selection of the best technologies allowing the LPP Group to develop its environmentally-friendly activities.
Risk of negative image and public pressure due to insufficient, negative or misperceived messages related to pro-environmental activities	●	 	Inaccurate marketing messages about the LPP Group's sustainability activities (e.g. use of materials with a lower carbon footprint or recycled materials, activities in the scope of use of water and chemicals in production processes) can result in negative PR, consumer churn, reduced sales or, in extreme cases, direct attacks on LPP.	<ul style="list-style-type: none"> - Implementation of consumer education programmes, including the "Look after your clothes" campaign. - Conducting consistent sustainability communication across all LPP brands. - Participation in industry conferences related to sustainable development.



We have prepared the estimate of the financial and reputation impact of the risks presented in this section of the report with due diligence based on available knowledge and predictions related to future events and trends. The estimates presented are based on current expectations and assumptions about the potential impact of individual risks on future financial performance and level of stakeholder confidence and satisfaction. We have identified and we are implementing mitigating measures for all key defined risks. Their effect will be the

reduction of their impact on the company's performance and therefore on the residual level of risk in the future.

Although we focus on the risks when analysing the effects of climate change and biodiversity loss, we also do not forget the opportunities for further development identified by the scenario analysis and resulting from changes in the environment or consumer behaviour patterns. The key opportunities include:



Opportunity	Description	Description of impact
Opportunity in the scope of products and services	Opportunity of increased demand for products with lower or neutral environmental impact due to changing purchasing trends.	Consumers' growing awareness of the relevance of the issues of climate change and biodiversity loss makes them more and more willing to reach for more sustainable products and those brands that display a high level of awareness and innovative approach to these issues.
Opportunity of better access to funding	Opportunity to increase the availability and/or decrease the cost of raising funds for companies with defined climate targets and a high ESG rating.	Increased access to capital results in increased expenditure on transformation projects, particularly in the area of technology development related to production and logistics, improving efficiency and reducing the LPP Group's operating costs. An additional aspect may be the avoidance of unforeseen costs associated with mandatory regulatory actions in the area of biodiversity and ecosystems through the earlier application of analyses and initiatives.
Opportunity to increase resilience	Opportunity to improve efficiency and optimise logistics operations and lower carbon footprint (delivery directly from the factory to the distribution center) by increasing share in a market concerned (sales network development).	Due to increased demand in a given market, the LPP Group can invest in local distribution centers and divert transport there directly from suppliers. This will improve transport efficiency and reduce the negative environmental impact.
Opportunity of efficient management of raw materials	The opportunity to take advantage of diversification of directions from which raw materials and materials are sourced, including in less vulnerable regions and those with development potential.	Diversification of directions for sourcing raw materials and materials reduces the risk of dependence on specific suppliers and can have a positive impact on the image of the LPP Group as an organization exerting a positive impact on the growth of developing countries.



STRATEGY RESILIENCE

Independent of the scenario analysis, we analyse climate and nature-related risks and opportunities once a year across all sectors and markets of the LPP Group's activity. We also check whether the strategy we adopted is resilient to potential changes

in conditions, enabling to accurately set short-, medium- and long-term strategic goals. The analysis of the resilience of the LPP Group's business model and strategy was carried out based on qualitative criteria.

Time perspective	Occurrence of <2°C scenario	Occurrence of 4°C scenario
Short-term (2025)	High level of resilience.	High level of resilience.
Medium-term (2030)	High level of resilience dependent on taking appropriate adaptation and risk mitigation measures.	Relatively high level of resilience dependent on taking appropriate adaptation and risk mitigation measures. Observed increase in risks related to sourcing of raw materials, production and logistics.
Long-term (2050)	Average level of resilience related to the significant increase in risk in the areas of sourcing of raw materials, material production and adapting products to changes in customer preferences and needs.	Low level of resilience related to the rapid rise in risk in the areas of sourcing of raw materials, material production and adapting products to changes in customer preferences and needs.
Summary	In the short to medium term, the resilience of the LPP Group's strategy is mainly affected by transformation risks. In the longer term, the importance of physical risks is growing - mainly in the areas of raw material sourcing, production and logistics.	

IN ORDER TO STRENGTHEN RESILIENCE AND MITIGATE RISKS AND USE OPPORTUNITIES, WE FOCUS OUR EFFORTS ON THREE AREAS OF ACTION:



Strategy and ambitions to tackle climate change and biodiversity loss

In 2023, our emission reduction targets have been approved by Science Based Targets, and we are now focusing on the implementation of the decarbonisation plan and setting the path biodiversity loss strategy.



Development of tools and methodologies

We are constantly increasing our ambitions to develop methodologies for identifying, measuring and monitoring actions taken. In 2024, we conducted an analysis of the influences and dependencies on nature, which we intend to deepen in the coming years.



Integrated management of climate and nature risks

In 2022, we introduced the Enterprise Risk Management Procedure, which covers the risk of climate-related issues. In 2024, we supplemented it with risks related to nature and started integrated risk analysis process.

INDICATORS AND TARGETS

Indicators

Ultimately, the LPP Group will integrate climate change and nature conservation into all activities and decision-making processes, based on transparent indicators and targets. In line with the recommendations of the TCFD, TNFD and the requirements of IFRS S2, we publish a broader scope of operating indicators concerning the activities pursued for the needs of performance improvement, in-depth trend analysis and the correlation of this activity with the status of the climate and the environment.

The LPP Group emissions

We calculate the carbon footprint in accordance with international standards GHG Protocol Corporate Accounting and Reporting. Emissions related to direct and indirect activities of the LPP Group presents table in the [Data compilation](#) at the end of the report.



Priority raw materials

In line with the requirements of IFRS S2, in 2024, the LPP Group started the analysis of indicators concerning the use of priority raw materials, including but not limited to synthetic fibres, natural fibres, cellulose

products, materials of animal origin and any other raw materials used directly in the production of clothing, accessories or footwear products.

Use of priority raw materials

Priority raw material (name)	Environmental or social factors	Association with business risks and opportunities	Management strategy
CmiA	<ul style="list-style-type: none"> - Lower carbon footprint - Lower water consumption - Reduced pesticide use - Support of local communities including women 	Compliant with the achievement of SBTi objectives	Increasing volumes in planned collections



TARGETS

In 2023, the LPP Group's decarbonisation targets were scientifically reviewed and validated by the international Science Based Targets initiative. The commitments they contain include a plan to reduce greenhouse gas emissions by 2030 in the categories that contribute most to our carbon footprint. The certificate received by the company confirms its compliance with the provisions of the Paris Agreement and the strive to stop the increase in global warming at a level of 1.5°C.

In the decarbonisation plan presented to SBTi, the LPP Group committed to:

» **42% reduction in Scope 1 and 2 greenhouse gas emissions by 2030, compared to a baseline year of 2021.** This will be achieved through, among other things, further decarbonisation of the electricity grid and a shift towards RES, a reduction in energy consumption, as well as changes in the area of our own car fleet;

» **51.6% reduction by 2030 of emissions from the purchase of Scope 3 goods and services per unit of product purchased (compared to 2021).** In order to fulfil the commitments adopted, the Company will, among others, increase the share of certified raw materials needed for production, the acquisition of which is associated with less interference with the environment and engage

more deeply in cooperation with suppliers in the scope of transition to energy from RES;

» **engagement of business partners responsible for 21% of Scope 3 emissions in categories 4 and 8 in developing their own reduction targets by 2027.**

SBTi's revision of its decarbonisation targets is an important step in the sustainable development of the LPP Group. To ensure the company's continued growth, we are focusing on improving the efficiency of the process of implementing decarbonisation initiatives. We are also committed to continuously improving our knowledge on tackling biodiversity loss and performing detailed analyses of the interdependence of the LPP Group's business activities and the status of natural capital.



APPENDIX

Glossary

DEFINITIONS OF DEPENDENCE ON NATURE - FACTORS	
Factor	Description
Bioremediation	A natural process by which living organisms such as micro-organisms, plants, algae and some animals break down, reduce and/or neutralise pollutants.
Dilution by the atmosphere and ecosystems	Water, both fresh and salt, and the atmosphere can dilute gases, liquids and solid waste generated by human activities.
Filtration	The process of filtration, separation, collection and storage of pollutants carried out by various organisms - for example, algae, animals, microorganisms, vascular and non-vascular plants.
Mass stabilisation and erosion control	Mass stabilisation and erosion control is ensured by protecting vegetation cover and stabilising terrestrial, coastal and marine ecosystems, coastal wetlands and dunes. Vegetation on the slopes also prevents avalanches and landslides, while mangroves, seagrass and macroalgae provide the protection for shorelines and sediments from erosion.
Protection against floods and storms	Protection against floods and storms is provided by the sheltering, buffering and mitigating effect of natural and planted vegetation.
Fibres and other materials	Fibres and other materials from plants, algae and animals are directly used or processed for various purposes. These include wood, timber and fibres that are not further processed, materials used in production such as cellulose, cotton and dyes, as well as substances of plant, animal and algae origin used in feed and fertilisers.
Groundwater	Water stored underground in aquifers consisting of permeable rock, soil and sand. The water that feeds groundwater sources comes from precipitation, snow melt and water flow from natural freshwater resources.
Surface water	Surface water is supplied through freshwater resources from collected precipitation and inflow from natural sources.
Maintaining water flow	The water cycle, also known as the hydrological cycle, is the system that allows water to circulate through the atmosphere of the Earth, land and oceans. The hydrological cycle is responsible for replenishing groundwater sources (i.e. aquifers) and maintaining surface water flows.
Water quality	Water quality is ensured by maintaining adequate freshwater chemical condition, including rivers, streams, lakes and groundwater sources, as well as saline waters, in order to ensure favourable conditions for wildlife.

DEFINITIONS OF IMPACTS ON NATURE AND LOCAL ECOSYSTEMS - FACTORS	
Factor	Indicator
Use of water	Examples include the amount of groundwater, surface water used, etc.
Non-greenhouse gas air pollutants	Examples include fine particulate matter (PM2.5) and coarse particulate matter (PM10), volatile organic compounds (VOCs), mono-nitrogen oxides (NO and NO ₂ , commonly referred to as NO _x), sulphur dioxide (SO ₂), carbon monoxide (CO), etc.
Water pollution	Examples include the amount of wastewater (e.g. nitrates and phosphates) or other substances (e.g. heavy metals and chemicals) discharged into a water reservoir.
Soil contamination	Examples include the amount of waste discharged and retained in the soil over a given period.
Solid waste	Examples include the amount of waste according to the classification (i.e. non-hazardous, hazardous and radioactive), by specific material components (e.g. lead, plastic) or by disposal method (e.g. landfilling, incineration, recycling, specialised treatment).
Use of terrestrial ecosystems	Examples include: acreage of crops by type, acreage of forest plantations by type, acreage occupied by open pit by type, etc.



TCFD/TNFD Index

Area	TCFD recommendation	Page	TNFD recommendation	Page
Corporate governance	Description of the management board's oversight of climate-related risks and opportunities.	p. 61-62	Description of the management board's oversight of nature-related relationships, effects, risks and opportunities.	p. 61-62
	Description of management's role in assessing and managing climate-related risks and opportunities.	p. 61-62	Description of management's role in assessing and managing nature-related risks and opportunities.	p. 61-62
Strategy	Description of identified climate-related risks and opportunities in the short-, medium- and long-term perspective.	p. 67-71	Description of the nature-related dependencies, influences, risks and opportunities identified by the organisation in the short-, medium- and long-term perspective.	p. 66-71
	Description of the impact of climate-related risks and opportunities on business, strategy and financial planning.	p. 67-71	Description of the impact that nature-related risks and opportunities had and may have on the operations, strategy and financial planning of the organisation.	p. 67-71
	Description of the strategy's resilience to different climate-related scenarios, including a 2°C or lower scenario.	p. 72	Description of the resilience of the organisation's strategy to nature-related risks and opportunities, taking into account different scenarios.	p. 72
			Disclosure of the locations where assets and/or activities in the organisation's direct, upstream and/or downstream operations are located and/or funded, where applicable, located in priority areas.	p. 65-66
Risk and impact management	Description of the organisation's processes aimed at identifying and assessing climate-related risks.	p. 63	Description of the organisation's processes aimed at identification and assessment of dependencies, impacts, risks and opportunities related to nature in its direct operations. Description of the organisation's approach to identifying dependencies, impacts, risks and opportunities related to nature in its upstream and downstream value chains and funded activities and assets.	p. 65-72
	Description of the organisation's processes aimed at climate-related risk management.	p. 64	Description of the organisation's processes concerning managing dependencies, impacts, risks and opportunities related to nature and the actions taken in the context of these processes.	p. 69-71
	Describe how the processes for identifying, assessing and managing climate-related risks are integrated into the overall risk management of the organisation.	p. 64-65	Describe how the processes for identifying, assessing and managing nature-related risks are integrated into the overall risk management of the organisation.	p. 64-65
Indicators and targets	Disclose the indicators used to assess climate-related risks and opportunities in accordance with the risk management strategy and process.	p. 119-133	Description of how the organisation engages affected stakeholders in assessing and responding to nature-related dependencies, impacts, risks and opportunities.	p. 63, 147
	Disclose Scope 1, Scope 2 and, where applicable, Scope 3 greenhouse gas (GHG) emissions and associated climate risks.	p. 69-70, 109 - 110	Disclosure of the indicators used by the organisation to assess and manage material nature-related risks and opportunities in accordance with its risk management strategy and process.	
	Describe the objectives used by the organisation to manage climate-related risks and opportunities and its results in relation to them.	p. 73	Disclosure of indicators used by the organisation to assess and manage dependencies and impacts on nature. Description of the objectives used by the organisation to manage nature-related risks and opportunities and its results in relation to them.	p. 73



05

Social impact



Social impact management

SOCIAL IMPACT MANAGEMENT POLICIES AND DOCUMENTS

The policies and documents presented in the table below constitute the comprehensive statement of standards, guidelines and initiatives that provide for LPP's social impact management principles. Key documents include policies concerning the establishment of a responsible workplace, human rights at the LPP Group and the whole value chain. In addition, the list includes policies providing for charity actions and social initiatives, as well as policies setting out the principles of equality and diversity at workplace.



Responsible workplace	Human rights at the LPP Group and its supply chain	Focus on the customer	Social engagement
<ul style="list-style-type: none"> » "LPP Diversity, equity and inclusion policy" » "LPP Human rights policy" » "Work rules" and » "Anti-mobbing procedure" » "Telework rules" » "General recruitment rules" » "Remuneration rules" and "Social Benefit Fund Rules" » "LPP Rules of cooperation with business partners" » Code of Ethics "LPP Rules. Manual for employees" » Code of Ethics "LPP Rules for employees of retail stores" 	<ul style="list-style-type: none"> » "LPP Human rights policy" » "LPP's code of conduct" » Code of Ethics "LPP Rules for employees of retail stores" » "Anti-mobbing procedure" » Periodical reviews "LPP Group's human right protection policy" » Systematic analysis of human rights due diligence to update the map of risks 	<ul style="list-style-type: none"> » Code of Ethics "LPP Rules for employees of retail stores" » "LPP Quality Guidebook" » "Quality Assurance System" for production plants in Bangladesh » Quality inspections at production plants and distribution centers » Analysis of reasons for the return of apparel conducted by the Quality Assurance Department 	<ul style="list-style-type: none"> » LPP Foundation and its regular and ad-hoc actions » Local social involvement of foreign subsidiaries





Employment

The LPP Group's employment system is based on flexible working conditions. We take care of our employees and offer employment stability and numerous professional development opportunities. Our company's success is determined by our staff, including those employed on the basis of employment contract, civil-law agreements or contracts with temporary work agencies.

The LPP Group applies various employment models corresponding to the specific activity of a company and local conditions. Our major forms of employment include employment contracts, which prevail in LPP SA and distribution centers, and an outsourcing model¹⁷, which is mainly used in our distribution centers outside Poland. Some of our locations also employ people hired by temporary work agencies. With various forms of employment, we can flexibly

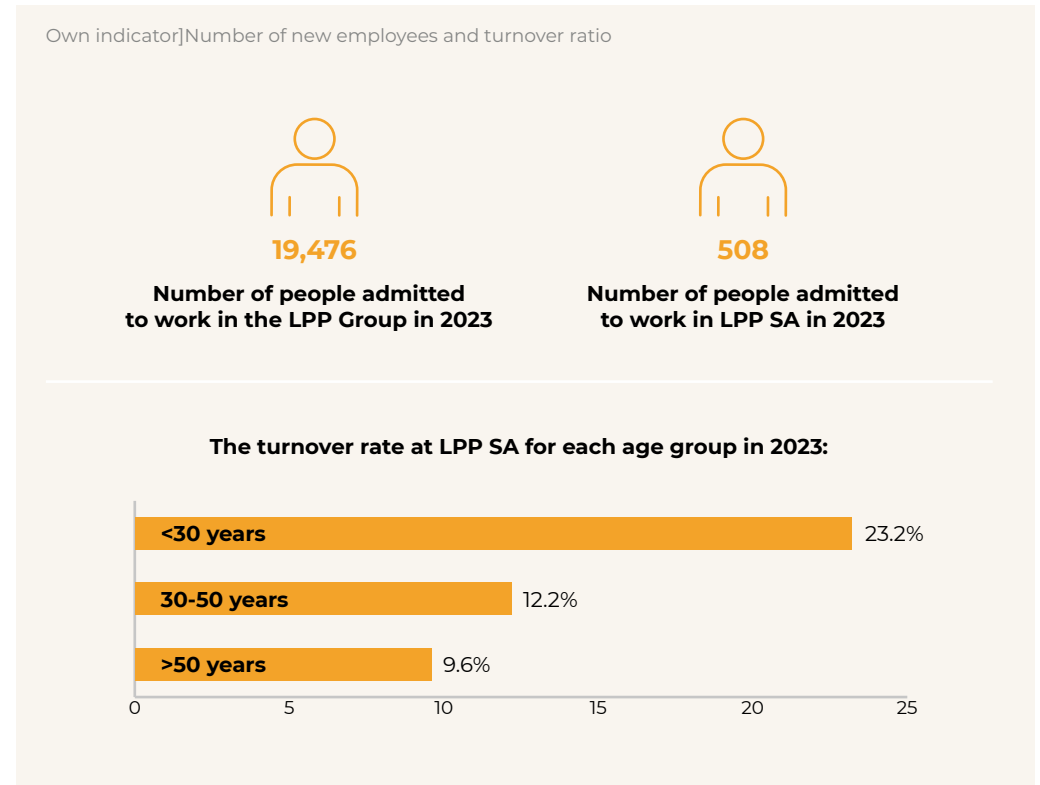
adjust our activities to business needs and local market conditions.

[GRI 2-7] [GRI 2-8]

In 2023, the LPP Group employed 33,556 people¹⁸ in Poland and abroad, i.e. by 12.1% more than in the previous year. At our offices, stores and warehouses we have a team of excellent experts, talented specialists and people that just start gaining their professional experience.

¹⁷Outsourcing means that the LPP Group orders certain business processes or services to third parties.

¹⁸This number does not include people that work for the LPP Group but are not its employees, as they are hired by temporary work agencies.





Transparent and predictable working conditions

Last year we implemented guidelines set out in the Directive of the European Parliament and of the Council¹⁹ concerning transparent and predictable working conditions. The Directive provides for working time, flexible forms of employment and employee protection against employers' abuses. It focuses on improving the predictability of working hours and providing employees with clear information about employment terms and conditions.

[GRI 2-30]

There are no labour unions or collective bargaining agreements in the LPP Group, yet we have employee representatives in all LPP Group companies in Poland.

BEST PRACTICE

Town Hall Meeting

Town Hall Meeting is a formula of meetings between employees and management staff to discuss issues concerning the company and encourage the dialogue and exchange of opinions. We met for the first time online in spring 2023 on the day the company's financial statements and sustainability report for 2022 were presented. The meeting was attended by 70% of invited people. In autumn we met again and the attendance rate was similar. We plan to hold similar meetings in 2024.

Recruitment and onboarding of new employees

During the recruitment and onboarding of new employees, we focus on the selection and onboarding of the best candidates. New employees receive regular feedback, which lets them quickly accustom to the new environment and operation of our company.

ENTRY MEETING

We pay attention to relations, atmosphere and working conditions that favour open communication and exchange of opinions, which is particularly important in the case of new employees. That is why we implemented the system of individual Entry Meetings with new employees, which are held 2-3 months after their recruitment by HR. Employees' opinions concerning their onboarding, integration with the team and company, as well as potential difficulties which are obtained during the meetings let us minimise employee rotation in teams and solve problems on an ongoing basis. By talking to our employees, we understand their needs and expectations better, which makes their adaptation to the new workplace easier. Entry Meetings were implemented as pilots at LPP SA and LPP Logistics.



START-UP MANAGEMENT 3.0

Start-up Management 3.0 is an innovative original onboarding programme aimed at training the management of LPP stores. It was developed by an interdisciplinary team made of HR representatives and store managers to onboard management staff and functions in the LPP's retail network, including both newly hired employees and employees promoted to higher positions.

We developed solutions based on new technologies adjusted to training needs of younger generations of employees. To learn their new obligations, programme users

can take advantage of online courses and gain practical experience during training held at our stores. That is how we make sure that the onboarding of new employee in Poland is a consistent process, because all of those employees are able to use the same tools and platform. In 2024 we plan to implement a similar process in foreign markets, as well.

¹⁹Directive of the European Parliament and of the Council (EU) 2019/1152 of 20 June 2019 on transparent and predictable working conditions in the European Union;



HR INFOPACK

In 2022 we developed an HR Infopack, which is to effectively familiarise leaders, i.e. people responsible for the management of human resources and business processes and the achievement of company goals, with HR processes. In 2023, the materials were updated. We try to make sure that new leaders are familiar, from the beginning, with HR processes they or their teams attend. The material is presented during direct meetings with HR and the issues discussed at the meeting include, without limitation, the role of a HR team, recruitment, feedback, conflict management, development and training, changes in the organisational structure, payroll and bonuses, remote work, and the termination of employment. The materials were implemented both at LPP SA and LPP Logistics to make sure that actions taken at both companies are consistent and effective.

SUMMER FASHION LAB

Summer Fashion Lab is a three-month holiday traineeship programme, where participants develop their skills in the selected area in cooperation with LPP experts. In 2023, we offered traineeship in Product Preparation, Visual Communication, Omnichannel/e-commerce and LPP Logistics. Trainees could not only observe each process directly, but present their ideas, as

well. The programme included, among others, the presentation of the company, a visit at our office, as well as trip to the Distribution Center in Pruszcz Gdański, workshops on communication styles and flat lay photography²⁰. We received 1,522 applications, held 577 recruitment meetings, and the programme was attended by 72 trainees, including 36 that commenced work with LPP after the traineeship.

BEST PRACTICE

Recruitment of temporary employees at LPP Logistics

Pursuant to applicable regulations, a temporary work agency can refer a temporary employee to one employer for no more than 18 months in total during 36 consecutive months. To ensure the continuity of employment to people that worked for LPP for 18 months and whose employment was recommended by their superiors, by the end of 2023 we decided to take over and hire 165 employees from the agency based on employment contracts with LPP Logistics. That meant the safety and stability of employment for employees.

LPP brand in the labour market

We take various employer branding actions²¹ in order to attract, employ and maintain the best specialists in the market at our company:

- » **Plenum x LPP** - a project in Plenum carried out in cooperation with Elektryków Street in Gdansk, which involves the local community in creative fashion, sewing and design workshops referring to work for LPP. Since 2022, 11 actions attended by over 200 participants have been held.
- » **Podcast entitled "LPP's ins and outs"** – conversations with LPP employees about their career paths, development and passions. We show development opportunities in our sector to potential job candidates and fashion enthusiasts and make them aware that career paths can be different and that people can develop at any age and with any work experience. To date, we have prepared 25 episodes, including 3 in 2023.



²⁰Flat lay photography are photos taken from the top and presenting objects laying on the homogenous surface.

²¹Employer branding is the process of establishing and developing a positive image of the employer among the present and potential employees.



» **Meetings “LPP’s ins and outs”** – this project has been conducted since 2018 in LPP’s headquarters to show the inside story of various jobs. At the meetings we present a specific job and invite participants to workshops. Many of 400 people that attended the meetings applied for work with LPP.



» **Responsible Fashion Awards** – a competition we have held since 2020 in cooperation with the International School of Costume and Fashion Design. The competition is addressed to designers of apparel that are interested in responsible apparel production, ethics and ecology. Every year even 100 people apply for the competition and we have already selected 40 finalists to date.

» **Fashion Starter** - a project organised every year in cooperation with the Academy of Fine Arts in Gdansk. The purpose of this project is to present the process of designing a product and conducting photography workshops for people interested in fashion. In 2023 we completed the third edition of the project, which has been attended by 60 people to date. Many of them received job offers from LPP.



» **Webinar “Get to the bottom of ...”** – this a cycle of online meetings which was started in 2023 and consists in the presentation of jobs offered by LPP. During the webinar we will suggest how to prepare to work (for example by taking relevant courses), prepare a CV or portfolio. We describe the character of various jobs offered by LPP to webinar participants and give hints how to commence a career in the apparel industry. So far 6 webinars have been attended by over 700 people.

» **SLOT** – a project commenced in 2023 to encourage employees to share their experience and present their interests. The first three editions of workshops were attended by 50 people.

We also establish cooperation with universities, including various forms of contact: online meetings, visits at LPP, speeches, work fairs at universities, graduation galas, and many others. In 2023, LPP cooperated with 16 universities and schools. In our social media, we regularly publish posts presenting individual jobs, our organisational culture and recruitment guides, as well as information about the development of our business, social commitment and sustainable development initiatives.

We also take part in projects promoting our company as an attractive employer in various types of industrial events. Through our patronage, we are able to present the role of our company in the

market and get involved even more by organising creative zones, offering traineeship and financial awards. And what is important, our employees act as lecturers. In 2023, LPP held the patronage, among others, of POWER ON.; Gdynia Design Days, Łódź Young Fashion, Cracow Fashion Week and Illustrator Festival Illustrator.

International employer branding actions

To standardise our recruitment materials and LPP brand image development processes in the labour market, we take employer branding actions together with our subsidiaries. For that purpose, we use social media, where we develop uniform communication concerning employment and development at our company, including all markets. We make sure that our employees of all organisational levels have the same knowledge about our company; we provide them with information and recruitment materials, and share our experience by organising, in various markets, regular training, workshops and meetings aimed at discussing our present initiatives and present ideas concerning support, awards for and education of employees, which contributes to a decrease in staff rotation.



Standardising HR standards and procedures

In 2023, LPP Logistics started standardising HR rules and processes applicable in our logistics centers, including those newly opened abroad. In the new Fulfillment Center in Slovakia and the Distribution Center in Romania, employees will work accordance with the mixed model: management and office staff will report directly to LPP Logistics (Slovakia or Romania) and basic processes will be outsourced. HR at both centers will be supervised by the HR Business Partner, reporting directly to the central HR structure of LPP Logistics. Through centralisation, we will be able to standardise our HR processes in Poland and abroad and flexibly adjust our activities to local market conditions.



“Intervention ladder” at LPP Retail: set of tools for managers

In 2023, we took a number of initiatives to meet challenges that are faced on a daily basis by managers of teams of all our brands in Poland and abroad. We developed a set of tools that can be used if employees do not comply with their manager’s expectations.

The system is called an “Intervention ladder”. It defines precisely what steps must be taken to prevent similar situations in future. We would like declarations set out in the “LPP rules for employees of stores” to be reflected in our actions. The system is made of five simple steps that enable

to solve difficult problems in an effective way. To prepare the management in Poland well, we will held an online course that will present the tools in practice. To date the “intervention ladder” has been presented to over 1,100 managers and almost 450 managers attended an additional “Action Plan” course, which focuses on step 4 of the ladder, i.e. the development of an individual action plan for an employee.

Implementation of the HR card in foreign markets and the results of LPP retail stores in Poland

For us the compliance with our HR policy rules and standards applicable to our stores is a priority. That is why in September 2023 we started implementing HR control card

at our subsidiaries. The implementation was completed in January 2024. At present, the card applies in all stores in Poland and will be used to monitor the standards and the HR knowledge of managers during the inspections conducted by regional employees in our stores. In the period from February 2023 to January 2024 we conducted 1,639 visits at stores by use of the HR control card. An average result was 84.65%.

Job Market

[GRI 404-2]

In May 2023 we started the project entitled Job Market and created an internal market of employees that are ready for relocation. This project lets us meet our recruitment

needs better by referring employees of various LPP brands to those places where they are most needed. Regional Sales Managers can report their demand for new employees and inform us about the availability of their team members. The process is coordinated centrally, and the recruiter must adjust the reports to LPP’s existing recruitment demand. So far, 62 employees changed their job, including 12 that were promoted.

Store managers point out that the greatest advantage of Job Market is an ability to cooperate with experienced staff from other locations. We will continue and test this initiative in foreign markets.



Employee well-being and development

Employee well-being and development is a priority which shapes the organisational culture and operation of the company. We invest in programmes and initiatives aimed at establishing the best working conditions and opportunities for continuous professional development.

EMPLOYEE DEVELOPMENT AND TRAINING

[GRI 404-2]

The system of training adjusted to needs and requirements of various business areas, from management through to sale and technical maintenance, forms an integral part of our employee education and qualification improvement strategy. We verify whether training brings expected results all the time by requesting opinions from participants and adjusting our programmes to changing needs of the labour market and our company.

[GRI 404-1]

In 2023, we offered a wide range of training and education programmes, including many areas and skills required for various jobs, to our employees.

	LPP SA	LPP Group
Total number of training hours	39,187	177,135
Average number of training hours per employee	13.1	6.0
Average number of training hours per employee for managerial position	22.8	7.0
Average number of training hours per employee for non-managerial position	11.9	5.8

For further information on the number of training hours, please refer to chapter [Data Compilation](#).

MERCHANT ACADEMY

The qualification improvement programme prepared specifically for LPP SA's product buyers in various locations (Gdansk, Cracow, Warsaw). It is addressed to people who have completed onboarding training and a negotiation course. It is made of three modules, including procurement and category management, planning and sourcing²², and procurement-related relationship and challenge management. We have organised 3 editions of the programme so far.

MANAGER ACADEMY

Manager training programmes, including five to seven modules (depending on the function) corresponding to key management qualifications and skills: planning, delegating, communication, motivating, conducting difficult negotiations, and the knowledge of labour law and finance for people not specialising in finance. In 2023, we organised 2 editions of the programme for managers and 4 for leaders. The next edition will be supplemented with the eighth module of ethical working environment.

²²Sourcing: the company's strategy aimed at effectively managing its business processes and functional areas.



BEST PRACTICE

Effective Team Tools and workshops

We implemented a set of tools for managers to be used for team management, project and integration purposes. Each tool is accompanied with the description of key team aspects and user manuals, instruction films and other supporting materials. The tools can be used to establish and integrate a team, define roles of individual team members, summarise work progress, mitigate tensions, and overcome crises. To help employees solve problems or achieve their goals, we organise team cooperation workshops by use of modern tools and with experienced trainers.

GENERATIVE AI SKILLING IN SILKY CODERS

In cooperation with our strategic partner Google Cloud, we offer our employees a series of free training in Generative AI, including both business and technical sessions, including those related to Vertex AI, i.e. a machine-learning platform, which is an interesting solution for the fashion industry. The training commenced in October 2023 and lasted until March 2024.

SILKY CODERS MANAGER ACADEMY

The project helps employees improve their management skills, including in particular the effective performance of manager duties and communication. It enables the exchange of experience between companies and adjusts to the dynamic and changing IT environment, where effective project management must be flexible and based on cooperation with various departments or teams. The first edition was held in December 2023 and covered all new managers.

LABOUR LAW TRAINING FOR MANAGERS AT LPP RETAIL

We make sure that the management of LPP Retail undergo regular training in applicable labour law regulations. We held a cycle of five training courses whose curriculum was developed on the basis of questionnaires filled in by managers in order to adjust the training to their needs. Each block of topics responded to 368 questions asked by the respondents. The training was attended by officers and managers of various levels and brands of the LPP Group. The meetings were held online and were highly appreciated: **they were attended by over 900 people**. Taking into consideration various learning styles and individual preferences, we prepared diversified educational tools, like webinars, sets of answers to the most frequent questions, and comprehensive presentations. Therefore, everyone can learn the material at their own pace and use it in practice.

ACTIONS FOR RETIRING EMPLOYEES

[GRI 404-2]

Retiring employees can receive extra financial support, i.e. **a farewell retirement allowance**. The amount of the benefit is dependent on the period of work with LPP. In addition, both retiring and dismissed employees can take advantage of **heLPP, which is LPP's employee support programme**, for 3 months of the end of their employment. In the programme, employees can take advantage of free consultation and aid in psychological, financial and legal issues. For more about the support programme, see below.

We take care of the well-being of our employees by establishing such working conditions and atmosphere where our employees feel appreciated, motivated to development and can achieve a balance between their professional and private life and health.

ENABLE REMOTE WORK

LPP central companies adjusted to changing working conditions, in particular in the context of the increasing popularity of remote work. We implemented a number of documents, including "Remote Work Rules", which provide for all aspects of remote working in a comprehensive way in accordance with applicable legal regulations. New documents, like "Remote Work Rules of LPP SA and LPP Logistics", ap-

plication forms, personal data protection procedures applicable to remote work, information on safe and healthy performance of remote work, and the assessment of related occupational risks, were developed as a result of many consultations between HR, HR and Payroll, Legal and Business Departments.

We also defined a lump-sum equivalent for electricity and Internet costs and developed an application handling process for all employees of LPP companies in Poland. Employees were informed in detail about the changes and all necessary information and application forms are available in the HR system.

WORK-LIFE BALANCE AT LPP

In 2023, we implemented the guidelines of the Work-Life Balance Directive, which establishes regulatory frames that enable employees to combine their professional and private life requirements to improve their general well-being and work satisfaction.



BEST PRACTICES

#LPPcares

On the World Depression Awareness Day, we prepared 4 episodes of our podcast on mental health conducted by Psychotherapist Joanna Frejus and Actress Aleksandra Hamkało. The podcasts were listened by around 500 people.

Webinars on health of women and men

During the webinars held in cooperation with Care Solutions, we discussed the prophylactics of breast, testicle and prostate cancer. The meetings were attended by over 200 people in total.

Promoting healthy lifestyle

We promote healthy lifestyle through initiatives of the **LPP Team** programme, which includes financing our employees' participation in running and bicycle races. We encourage our employees to take part in regular sports exercises organised in or around our headquarters. The exercises include various activities, like fitness room, yoga, stretching, and running. Through those initiatives we not only want to support our employees in maintaining their good health and physical condition, but integrate them in joint sports activities that favour the development of a strong community and positive atmosphere at work.

ACTIONS RELATED TO THE WELL-BEING OF EMPLOYEES OF OUR FOREIGN SUBSIDIARIES

Taking care of the well-being of employees of our foreign subsidiaries is an important element of our HR strategy. We take various initiatives that promote physical activity and healthy lifestyle, including:

- » sports events, like Belgrade Business Run in Serbia, Telekom Vivicitta Felmaraton in Hungary or Women's Run in Estonia;

- » competitions, like New Year's Challenge in Belorussia or Family Day in Romania;
- » the celebration of important holidays in various cultures, like Baba Marta Day in Bulgaria or Easter in Estonia and Finland;
- » health-related initiatives, like Health Month Challenge in Estonia and Finland, the implementation of the Multisport programme in Croatia or the Relaxation Day in Romania.



Non-financial benefits

[GRI 401-2]

Comprehensive extra benefits for employees form an important element of our employment strategy. Their purpose is to establish a motivating working environment, which favours professional development and performance of all employees. We aim at adjusting our offer of benefits to the specific character of each workplace in order to improve our employees' satisfaction. The benefits are independent of the employee's working time equivalent.

LPP SA

At LPP SA, we focus on the professional development of our employees and enable their satisfactory cooperation with various business departments based on employment contracts without trial period. Our employees' health and comfort are very important for us. That is why we offer **health care, sports card, access to fitness facilities** and restaurants in the offices, as well as life insurance under preferential terms and conditions. We also enable their development by **co-financing post-graduate studies** and **English courses** when an employee works for at least 3 months. LPP SA's employees have access to our e-learning platform with a rich offer of free courses

²³Company Social Benefits Fund

to enable them continuous professional improvement. We operate heLPP, which is the **Employee Support Programme**, which provides support to employees and their families in psychological, financial and legal areas (for more, see below). All year round we encourage our employees to take part in voluntary actions and join sports groups. We also finance their participation in competitions held by our sports section, i.e. LPP Team. In addition, we prepare jubilee and Christmas **discount vouchers and gifts** for employees.

LPP RETAIL

To employees of the LPP retail network, whatever their agreement, we offer employee discounts and both permanent and seasonal employment. To enable their professional development, we hold training both in our retail network and at our headquarters, as well as access to our free training platform. People with employment contracts may also take advantage of any

of 6 various paid life insurance packages, health care and a sports package. In addition, as in the case of other subsidiaries, we prepare jubilee and Christmas discount vouchers and gifts for employees.

LPP LOGISTICS

Employees of LPP Logistics obtain the same package of benefits like employees of LPP SA. This applies to employees of the temporary work agency, as well, who do not, however, receive benefits from the Internal Social Benefit Fund²³. In addition, in certain locations, there are also benefits adjusted to the specific character of the market, e.g. **partial financing of public transport** or meals. Those benefits result from individual requirements of the region, like for example the special economic zone where our facilities are located.

EXAMPLE BENEFITS AT LPP



- » gifts on the occasion of childbirth
- » co-financing of Multisport card
- » co-financing of health and life insurance
- » discount codes for LPP products
- » training budget
- » possibility to use the company bicycles
- » co-financing of sports groups
- » co-financing of corrective glasses or contact lenses

heLPP PROGRAMME

"heLPP" is a programme commenced in 2022 and addressed to employees and their loved ones. The purpose of the programme is to provide extra support in everyday life, mental health protection and work-life balance. **"heLPP" offers free confidential external consultancy** to employees of LPP SA, LPP Logistics, Silky Coders, Dock IT and is planned to be extended to LPP Retail. As part of the programme, our employees can obtain **support from experts, including psychologists, financial advisors and lawyers**, and consultations are provided anonymously and free of charge via chat, website or by phone. The programme also enables a contact with financial and legal experts to help our employees and their relatives solve their tax or family problems and plan their home budget.

Till January 2024, we registered 647 applications from people who wanted to take advantage of the support and since the start-up heLPP services have been offered 3,161 times in total.

In 2023 as part of heLPP we held 4 webinars, during which experts provided guidelines concerning emotion-handling, home budget keeping, stress counteracting and presented the role of a psychologist and psychotherapist in self-discovery. The webinars were attended by 1,221 people.



Diversity, equality and inclusion

[GRI 3-3]



Our company is a multinational, multilingual and multireligious community. Our community members differ in terms of skin colour, gender, age, psychosexual orientation and gender identity. They are in different life roles, have different communication styles, and live in different time zones. They have different values, culture, individual sensitivity, physical and mental health.

LPP does not tolerate any form of discrimination against gender, ethnical or national origin, religion, disability, age, psychosexual

orientation, gender identity or invisible features. We aim at providing the atmosphere of acceptance, where diversity is a value on its own as a factor favouring development and cooperation.

Since 2019 we have been a **signatory of the Diversity Charter**. In 2022 we have implemented the "LPP Diversity, equity and inclusion policy" (hereinafter referred to as the "DE&I Policy"²⁴).

» The DE&I Policy sets forth LPP's key development directions in the management of diversity and applies to all Polish and foreign subsidiaries. The DE&I Policy is an open document and is published on [our website](#).

By implementing the principles of the DE&I Policy, we appreciate diversity of our team and commit ourselves to create a friendly workplace that is free of discrimination and ensures equal treatment.

The DE&I Policy is our commitment to obey human rights and our clear declaration against any signs of the violation of those rights or discrimination. It lays down the most important directions of our company's development in the management of diversity. It applies to all Polish and foreign LPP Group companies, including their employees, members, stakeholders, business partners, and customers. It is consistent with other regulations being in force in the LPP Group, including, without limitation, the "LPP Rules" (Code of ethics) and the "LPP Human rights policy". All members of the LPP Group must obey this Policy.

²⁴DE&I (Diversity, equity, and inclusion)

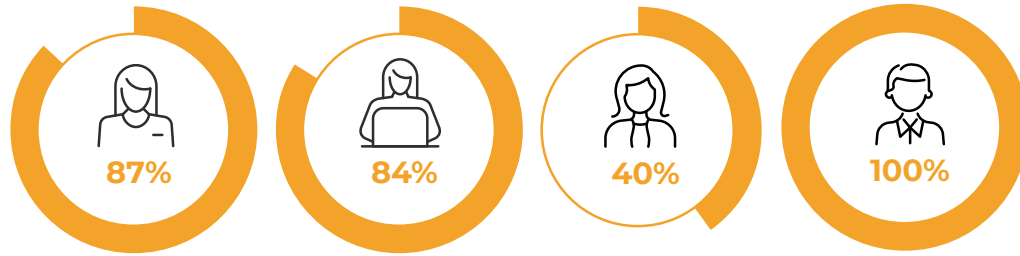


DE&I ACADEMY IN LPP RETAIL

In January 2024 we started the DE&I Academy for people working at LPP brand stores in Poland. This is an exceptional training form tailored to the needs of employees and based on the specific character of work in the store and challenges related to eve-

ryday work. The DE&I Academy will involve 6 e-learning courses with short videos on such issues like inclusive language, micro messages and unconscious bias, neurodiversity, and LGBT+.

[GRI 405-1]



of employees at LPP Group are **women**

of employees among managers at LPP Group are **women**

of the Supervisory Board are **women**

of the Management Board members are **men**

PREVENTING DISCRIMINATION

[GRI 406-1]

LPP does not tolerate any forms of discrimination and mobbing. All incidents can be safely and anonymously reported and the reporting persons will not be exposed to any negative professional consequences or retaliation. In 2023, 11 incidents were reported, i.e. 50% less than in the previous year (2022: 22 incidents). All reports were reviewed and, as in the previous year, none of the reported cases confirmed discrimination.

If discrimination is confirmed or there are any doubts, we implement corrective action plans. Our corrective actions are adjusted to a specific case and needs of the aggrieved people. They include a number of actions aimed at repairing the damages, as well as preventing similar incidents in future. Conclusions from the analysis of the incidents reported by employees and the description of corrective action plans, including results, are kept in the internal record of ethic-related incidents.

As at 31 January 2024, actions taken in relation to one of the incidents were pending.

» For additional information, see subsection [Ethics and reporting misconduct](#).

PARENTAL LEAVES

[GRI 401-3]

We would like those of our employees who bring up children to be able to reconcile their professional and family duties easily. That is why we offer various benefits and a flexible approach to parental leaves. In 2023, the policies of our company were adjusted to regulations of two directives, which entails substantial changes to our employees (for more information, see subsections [Employment](#) and [Employee well-being and development](#)).

In 2023, 1,187 of employees of the LPP Group in Poland took advantage of parental leave (1,128 women and 49 men).

WAGES

[GRI 3-3]

We are committed to transparent and fair remuneration rules. Each employee must be sure that they are treated fairly. Wages should be dependent on skills, experience and performance and not on gender or other personal features. We exclude di-

scrimination. We aim at eliminating all differences in wages of women and men performing the same job.

[GRI 405-2]

In the reported year, the female-to-male ratio for base salary and total compensation was 98% in both LPP SA and the entire LPP Group in Poland, both in managerial and other positions.

» For details regarding the ratio of women's pay to men's pay see the chapter [Data Compilation](#).





BEST PRACTICES IN REMUNERATION

[GRI 3-3]

Overview of wages at LPP SA and LPP Logistics

We regularly review wages to monitor and assess whether our remuneration rules comply with legal regulations and reflect our equal and fair treatment. This lets us adjust wages to changing market conditions and our employees' increasing expertise and experience. **We would like each employee to earn wages corresponding to their role, skills and contribution to the company's development.** As a result of the review, wages of around 60-70% of our employees are increased.

The purpose of the new remuneration policy for the Production Preparation Divisions (PPD) is to achieve the same level of wages for particular jobs where collections are created in order to substantially reduce the rotation, be able to hire people with top skills, and improve motivation in PPD teams.

In 2023, our remuneration budget increased by 10% for B2B agreements and 6.5% for employment contracts, on the average. The greatest growth (44%) was recorded at LPP Logistics.

Extra allowances at LPP Retail

In 2023 we standardised principles whose purpose is to simplify the operation of stores exposed to extreme difficulties connected with the recruitment and maintenance of staff due to seasonality or specific locations. Firstly, we adjusted an amount of our transport allowance, which covers the cost of transport to work for all employees in the same location, independently of the type of their agreement or their full-time or part-time arrangements. Another seasonal allowance is provided by stores which record a significant growth of sales in certain periods, like the summer season. Thirdly, we offer a border allowance, which is payable in stores located near the state border. We also offer a bonus for managers that temporarily manage two stores. All those allowances are available in relation to all LPP brands both in Poland and abroad.

The implementation of a new bonus system

In 2023, at our Distribution Center in Brześć Kujawski, we implemented a new bonus system based on key performance indicators (KPIs). Main assessment criteria include employees' attendance record and productivity. The previous bonus model based on discretionary criteria was verified and

adjusted to the specific character of our logistic activities. Now a bonus is awarded to employees solely on the basis of their involvement and performance, including both performance of an individual employee and of the whole team. What is important, the value of the KPI-based bonus exceeds the previous discretionary bonus.





Safe workplace

[GRI 3-3]

Our company strictly obeys OSH standards and procedures. When it comes to those issues, we do not accept compromises and makeshift solutions. We would like each employee, whatever their job and type of work, to be able to fulfil their professional duties in full health.

[GRI 403-1]

Although we have not a formal OSH management system in place, we meet all legal occupational safety requirements. Our activities are governed by our work rules, internal OSH procedures, orders, rules for the allocation for protective clothes, footwear and personal protective equipment, occupational risk assessments, and OSH instructions. We conduct regular audits at our stores, offices and logistic centers to make sure that they provide relevant and safe working conditions.

LPP Logistics has not the OSH management system in place, either. The company adapted its warehouse and office facilities and all workstations to legal requirements. When Fulfillment Centers in Będzieszyn



and Jasionka and the Distribution Center in Brześć Kujawski were launched, we started implementing measures being in force in all warehouses, including occupational risk assessment, OSH audits and procedures. The purpose is to analyse OSH levels both in the whole company and at individual locations on a regular basis.

OSH is supervised by the OSH team made of nine members (five people in LPP SA, three people in LPP Logistics and one employee of both LPP SA and Silky Coders), as well as two nationwide external companies.

[GRI 403-2] [GRI 403-9]

The LPP Group identifies OSH-related hazards in a comprehensive way at several stages. It uses various methods, like the analysis of working conditions, consultations with occupational physicians, and photographs of a working day for individual groups of jobs. Shortlists of basic risk factors form are also used as an important tool for the identification of hazards broken down into harmful, dangerous and onerous categories of jobs. The final stage of hazard identification involves an occupational risk assessment, which consists in a regular verification of hazards. The hazards identified by the company are then analysed and verified and relevant measures, like protective actions to minimise estimated risks, are suggested.

LPP Logistics also analyses warehouse processes, the documentation of machines, devices, production processes and chemical preparations to identify risk factors, which are then included in the occupational risk assessment. If the level of risk is unacceptable, relevant corrective measures



res are taken to reduce the risk. This procedure ensures safe working conditions to all of the LPP Group's employees.

[GRI 403-5]

Our employees take part in initial, on-the-job and periodical OSH training. In 2023, we made available our training platform to employees of all our companies, which improved our periodical training process addressed to specific groups of jobs. Our employees can also take part in OSH, first aid and fire protection training. From time to time, we conduct audits at our stores, offices and warehouse space to make sure that they provide relevant and safe working conditions.

OSH training is obligatory for all employees of all companies in accordance with legal regulations and the cost of the training is paid by the employer. The training can be held within or outside working hours, but employees are paid for time spent for training. Depending on the company, the training is conducted by internal experts or external companies. The effectiveness of OSH training is assessed by use of various methods to test both theoretical and practical knowledge of training participants. After the training, employees are subject to verification tests on OSH issues. In addition, they fill in questionnaires to express their opinion on the organisation of training and the usefulness of training materials. The effectiveness of training is also reflected in the analysis of accident statistics, which let us verify whether the training contributed to the improvement of safety at work.



[GRI 403-4]

On the basis of the analysis of accident statistics and questionnaires filled in by employees, we also assess their training needs. This lets us identify the most frequent problems and collect opinions on areas that need improvement. We also update our training priorities if new technologies, processes or regulations are implemented.

[GRI 403-2] [GRI 403-7]

Employees have the right to refuse to perform work in the case of hazard to life or health and the right to report irregularities. For that purpose they can use a **Service Desk system** to contact OSH Team representatives directly. All notices are recorded,

monitored and handled. Each employee may report an accident at work or a commuting accident or any irregularity observed within LPP's buildings by filling in a relevant form.

OSH COMMISSION

[GRI 403-4]

Pursuant to applicable legal labour regulations, we hold quarterly meetings of the **OSH Commission** to discuss, among others, working conditions, existing challenges and ideas of improvement in the OSH area.

The Commission is made of representatives of employees, the employer, an oc-

cupational physician, and OSH staff. Thus, the OSH Commission is represented by all competent specialists, who efficiently improve the level and culture of safety at work in our company.

OSH staff provide support and advice and carry out inspections of compliance with OSH regulations, procedures and instructions.



CONCERN FOR EMPLOYEE HEALTH AND SAFETY

[GRI 403-3] [GRI 403-6]

All employees are monitored by occupational physicians, which simplifies the identification of dangerous factors which are potentially harmful to their health. Employees of all subsidiaries are also able to buy **medical packages at preferential rates and we finance 55% of those packages.** We ensure equal working conditions in compliance with applicable legal regulations to both employees of the LPP Group and the temporary work agency. All employees performing jobs where personal protective equipment or protective clothes are necessary receive them in accordance with our standards. We also hold initial and periodic OSH training, including general briefing and on-the-job instructions. In accordance with our safety and accident prevention procedures, the company established a special team responsible for the investigation and examination of circumstances and causes of accidents at work.

Employees' health information is kept confidential and the company monitors access to accident documentation. It is kept in locked cabinets or in password-protected files to make sure that sensitive data are safe. The documentation is only made available to authorised staff responsible for the data management.

MOST FREQUENT DISEASES AND INJURIES

[GRI 403-9] [GRI 403-10]

At the headquarters where office work prevails, long-lasting work in front of the visual display unit and an increased level of stress can result in the pain of back, neck and wrists because of wrong posture and workstation ergonomics, as well as a headache, dry eye symptoms and other vision problems

Physical work can result in muscle and skeleton injuries and overloading and increase the risk of injuries and accidents. Injuries include dislocations, sprains, tears, cuts, bruises, fractures of limbs and head injuries. Most frequent hazards at LPP Retail include falls from a ladder, a slip on wet floor, and a stumble over cables or furniture. At LPP Logistics, employees can be caught by movable elements of machines or crushed, can fall down from shelves, and other potential hazards include accidents

at docks, incidents with means of transport and injuries resulting from interactions with mechanical devices. In addition, some employees are exposed to chemical substances and related burns or intoxication, noise, which can damage hearing, as well as dusts and allergens which can cause skin allergies and respiratory problems.

Serious accidents at the LPP Group occurred during trips by car and prior diseases that were not related to work.





At LPP we implement best practices related to occupational safety and health in order to provide optimum working conditions to our employees. We provide identical working conditions that comply with applicable legal regulations both to employees of the temporary work agency and LPP's staff. We design workstations based on the rules of ergonomics in order to minimise the risk of injuries resulting from repetitive movements and an inadequate arrangement of a workstation. We listen to our employees' needs to improve the standard and comfort of workstations.

BEST PRACTICES

[GRI 403-2] [GRI 403-7]

Healthy Heart of Silky Coders

In cooperation with the Luxmed Group, we organised the action entitled "Healthy Heart of Silky Coders", including, without limitation messages and consultations with physiotherapists, as well as daily twenty-minute warm-ups held online to involve our remote staff. In addition, we supplemented our company library with books on mental health, life balance and wellbeing. We equipped conference rooms with running tracks to encourage our employees to physical activity at work. In the kitchenettes we provided fruit and vegetables. We also supported a bone marrow donation action together with the **DKMS Foundation**, sports groups, and the heLPP programme. We organised the "Active Weekend" competition, which promoted outdoor physical exercises and activities.

Incident reporting

Employees can report safety incidents and irregularities in the working environment by filling in a relevant form available in the Intranet. In addition, the OSH team always communicates and, in cooperation with the management, eliminates all hazards.

First aid training programme

We hold first aid training for our employees to enable them to react fast and effectively

to accidents. The training is conducted by experienced medical rescuers and includes many practical exercises, including the use of defibrillators, which are available in each LPP building. First aid trainings were conducted in August and September 2023.

Cyclical posts in the Intranet

We improve the awareness of OSH issues among employees and provide latest news concerning actions taken by the company by publishing articles and cyclical posts in the Intranet.

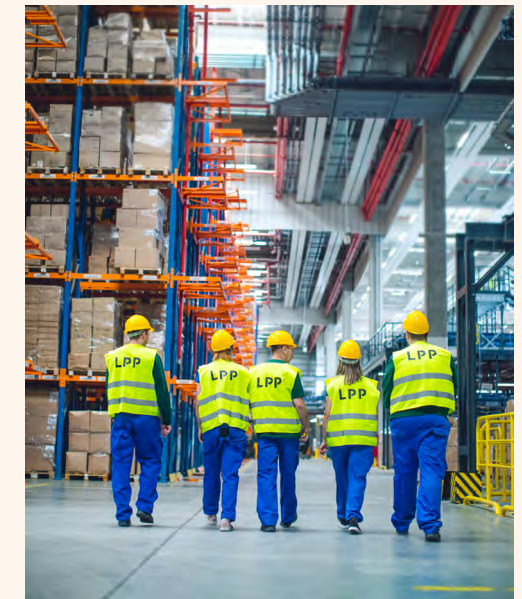
Prevention fund

In 2023 we received a prevention fund for initiatives aimed at preventing, and reducing the consequences of, random events at the company. The resources of the fund were spent for OSH boards informing employees about the valid OSH rules and regulations, as well as VR goggles and related training. Those resources will be also used to produce laminated cards with guidelines concerning the way of conduct in case of accidents at work. The cards will be attached to employees IDs to make sure that they are accessible all the time.

Protective equipment

We provide relevant protective equipment adjusted to the existing hazards in accor-

dance with applicable legal regulations both to employees of the temporary work agency and LPP's staff. Our employees also take part in additional training, for example, on the performance of work at height in order to better understand the specific character of particularly hazardous jobs and use protective equipment in a correct way. All employees performing jobs where personal protective equipment or protective clothes are necessary receive them in accordance with our standards.





Taking care of customers and product quality

[GRI 3-3]

To take care of the comfort and safety of our customers, we invest in top quality products and services. We developed a system of measures, inspections, procedures and audits that guarantee top safety standards to LPP branded apparel and other products. We would like our customers to have full confidence in our products and feel comfortably while doing their shopping because they know that their safety is our priority.

IMPROVEMENT OF CUSTOMER SERVICE STANDARDS

In 2023 we focused on customer service quality improvement by implementing automated contact systems in various platforms. We installed our original tool - Status Voicebot, which helped 12.7% of customers to verify the present status of their orders. We also improved our customer inquiry handling rate and increased the use of API²⁵ to inform customers about the status

of their orders. API enables the automated collection and processing of information about the status of orders without manual verification of each order. WebChat automation increased and the introduction of Messenger chatbots in the new markets contributed to a visible automation growth. New automation tools in e-mail correspondence contributed to an automation growth by 80% in comparison with the previous year. Summing up, our actions contributed to an increase in the number of automated reports by 41.5% on a year-to-year basis, from 35.3% in 2022.

In addition, we improved the system used to inform people responsible for a customer service team about **CSAT (Customer Satisfaction Survey)** outcomes. Now they have the valid knowledge of customer scoring and are able to react faster to dissatisfaction, if any.

In December 2023 we started using a generative AI technology to automate e-mail correspondence handling. By use of this technology, e-mails can be categorised, automatically responded to or referred to a competent employee. We improved the effectiveness of our processes in such a way.

DATA SAFETY AND CYBERSECURITY

We take efforts to secure information and protect personal data by implementing and developing technical and organisational measures based on the best standards. We adjust those measures to the scale, profile and identified risks of our business operations. In the LPP Group exist specialised functions and teams responsible for the management and supervision of information security, including personal data protection, like the Chief Information Security Officer (CISO) and the Data Protection Officer. They must make sure that the LPP Group's activities comply with national and EU

regulations, including the GDPR, as well as international standards, like, among others, ISO 27001 or PCI DSS.

Due to the development of e-commerce and m-commerce channels, we **improve security standards of our customers in the network**. We implemented optimised IT security procedures and measures all the time. We make sure that they are effective by conducting regular security tests and audits, including those conducted in cooperation with specialised third parties. WE have a PCI DSS compliance certificate, which confirms that our company is a reliable undertaking and takes care of the security, confidentiality and protection of information concerning payment card transactions.

²⁵API - Application Programming Interface. This is a system of rules and protocols which enable communication and cooperation between various applications.



PRODUCT QUALITY AND SAFETY ASSURANCE

LPP's product quality and safety control system includes actions carried out in many areas. The key element of the system is an improvement process, which includes training for employees, R&D and quality projects which permanently improve the quality of processes and products. Integral elements of the system include: qualification improvement, product quality assessment and improvement, which enable the analysis of causes and the identification and classification of suppliers. As part of our actions aimed at preventing quality problems or related to product safety, we organise training in the supply chain, risk assessments and regular visits of LPP's quality controllers at production plants.

LPP's suppliers must comply with our detailed guidelines set out in the LPP Quality Guidebook, which provides for quality standards, inspection procedures, as well as tests and testing methods. The LPP Quality Guidebook is regularly updated and all amendments are immediately communicated to our suppliers. In 2023 we adjusted our quality requirements to the EU Taxonomy and extended the list of obligatory quality tests.

We also updated the RSL (Restricted Substances List) of chemical substances that are subject to production restrictions and forbidden substances. The RSL complies with EU legal regulations, which limit or forbid certain chemical substances in finished textiles, apparel or footwear. All our suppliers must obey the requirements applicable to the content of chemical substances in finished products. We also obey REACH²⁶ providing for the use of chemicals in the apparel industry.

We defined our quality expectations in accordance with the AQL (Acceptance Quality Limit) standard. In 2023, we introduced one AQL level (2.5) in relation to all LPP brands. The effectiveness of our quality management system has been confirmed with the positive result of the audit conducted last year, as a result of which we obtained the ISO 9001:2015 certificate.

Before we place an order, our suppliers must submit samples and patterns. We assess the quality of materials and workmanship and our control division verifies whether products meet quality standards before they are traded. Our Distribution Center in Pruszcz Gdański has equipment to make various physical tests. We always adjust our offer to regulations of the country where



our stores are located: if a material must not be traded in the country for any reason, it will not be offered at our stores.



OUR SUPPLIERS MUST OBEY LPP STANDARDS AND ARE REGULARLY INSPECTED IN TERMS OF COMPLIANCE WITH OUR RECOMMENDATIONS.

- » We have 3 offices with quality control teams: in Poland, China and Bangladesh and the system is centralised and controlled by the office in Pruszcz Gdański. We conduct quality audits (Quality Assurance System) to verify the quality in a comprehensive way during and after production, inspect physical parameters of products, verify measurement points²⁷, monitor returns, and investigate reasons for complaints.
- » We supplement our internal standards with the best practices of our industry. We cooperate, among others, with the **Zero Discharge of Hazardous Chemicals** (ZDHC) initiative. For more information, see subsections [Relationships with suppliers](#) and [Climate and environmental impact](#).

²⁶EC Regulation No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency.

²⁷Measurement points: places or devices used to measure relevant quality parameters, like dimensions, thickness, pressure, temperature or other physical or chemical properties.



LPP QUALITY CONTROL DEPARTMENTS

POLAND

Pruszcz Gdański

- » Quality Projects
- » Final Inspections
- » Quality performance analysis
- » Supplier mapping
- » Training in the supply chain
- » Risk Assessment
- » Visits by Quality Controllers in factories
- » Checking the physical parameters
- » Measurement verifications
- » Monitoring the returns and complaints
- » Employee training
- » R&D (Research & Development)

Dhaka

- » Quality Assurance System (QAS) Audits
- » Initial Process Control Inspection (IPC)
- » Inline Inspections
- » Final Inspections
- » Quality Projects
- » Quality performance analysis
- » Supplier mapping
- » Training in the supply chain
- » Visits by Quality Controllers in factories
- » Checking the physical parameters
- » Employee training
- » R&D (Research & Development)

Shanghai

CHINA

- » Training in the supply chain
- » Visits by Quality Controllers in factories
- » Inline Inspections
- » Final Inspections
- » Supplier mapping
- » Checking the physical parameters
- » Measurement verifications
- » Employee training
- » R&D (Research & Development)



PRODUCT QUALITY AND SAFETY TESTS, INCLUDING PHYSICAL TESTS

We conduct physical tests to ensure top quality of our products and customer safety. They include, among others, material strength tests, including abrasion, tensile, colour durability and detergent or chemical substance resistance tests. We also test product safety by, for example, verifying the content of harmful or allergising substances.

All our apparel for children is inspected with special metal detectors to eliminate the risk of needle particles. In Bangladesh, China, India and Pakistan, our main suppliers of zip blouses for children must conduct extra resistance tests. We also test buttons, naps, as well as all protruding applications or decorations used in our collections.

[Own indicator] Number of quality inspections conducted by LPP in production plants and distribution centers in the reporting year

We conducted intensive inspections and audits to ensure top product safety standards. **In 2023, we conducted 14,827 quality inspections** (vs. 9,309 in 2022). The number of QAS audits increased from 88 in 2022 to 258 in 2023. We also conducted audits in Bangladesh and China, where we did 26 humidity tests at particular production stages in total.

[GRI 416-2]

In the case a product defect is discovered upon the product is offered in our sales network, we inform our customers on our website under "Statements addressed to customers". In addition, we analyse causes for returns of apparel in terms of quality errors.

In 2022, no penalties for product non-compliance were imposed on our company. In 2023, we recorded non-compliance in the case of 5 products and were charged for a fine. Those sanctioned incidents resulted from the violation of the REACH Directive and non-compliance with the Directive of the European Parliament and of the Council on the safety of toys²⁸. All those products were recalled and delivered to relevant utilisation companies.

PRODUCT LABELLING AND PRODUCT INFORMATION

Pursuant to EU regulations concerning product labelling, each of LPP products is carefully marked or labelled and the label specifies full product composition starting from the component with the largest percentage share to the component with the smallest percentage share, as well as care and washing recommendations. Composition and care information is also published on websites of each brand. In such a way our customers have an easy access to information which help them use their products in a relevant way and maintain the quality of those products for a long period.



For more information about our materials and certificates, see subsection [Production of apparel of preferred materials](#).

²⁸Directive of the European Parliament and of the Council 2009/48/EU of 18 June 2009 on the safety of toys (Text with EEA relevance)



Social engagement and the activities of the LPP Foundation

ABOUT THE FOUNDATION

The LPP Foundation is responsible for the implementation of the LPP Group's social initiatives. Since its establishment in 2017, it has been implementing projects of local, regional and national reach in three main areas including: equalizing social opportunities and supporting local communities, health protection, ecology and environmental protection.

The mission of the Foundation is to help people in a difficult life situation and professional activation of young people. The main beneficiaries of the activities undertaken by the LPP Foundation are children and youth from children's homes, people for whom we want to equalize social opportunities and communities in the regions where we operate. The LPP Foundation also works for health care institutions, supports local entrepreneurship as well as environmental initiatives and social projects.

FOUNDATION AUTHORITIES

The Management Board of the Foundation and the Foundation Council are responsible



for the development of the Foundation strategy and implementation of its mission. The Management Board manages its daily activity, makes operational decisions and ensures the efficient utilisation of resources. The Foundation Council, on the other hand, is the supervisory body ensuring the compliance of actions taken by the Management Board with the Foundation mission and values.

MANAGEMENT BOARD OF THE FOUNDATION

Patrycja Zbytniewska - President of the Management Board

Sławomir Ronkowski – Vice-President of the Management Board

FOUNDATION COUNCIL

Chairman of the Foundation Council - Sławomir Łoboda

Member of the Foundation Council - Danuta Krzysiak

Member of the Foundation Council - Przemysław Lutkiewicz

Member of the Foundation Council - Maciej Wozowicz



HOW THE FOUNDATION OPERATES

The Foundation pursues its mission through diversified initiatives comprising both in-house projects and partnership as well as additional projects involving our staff and resources. Cooperation with legal entities such as social economy, foundations or associations enables the Foundation to carry out projects with a broader scope and consequently a greater social range. The rules governing the activities of the Foundation are defined in the Statute, which forms the basis for all activities undertaken.



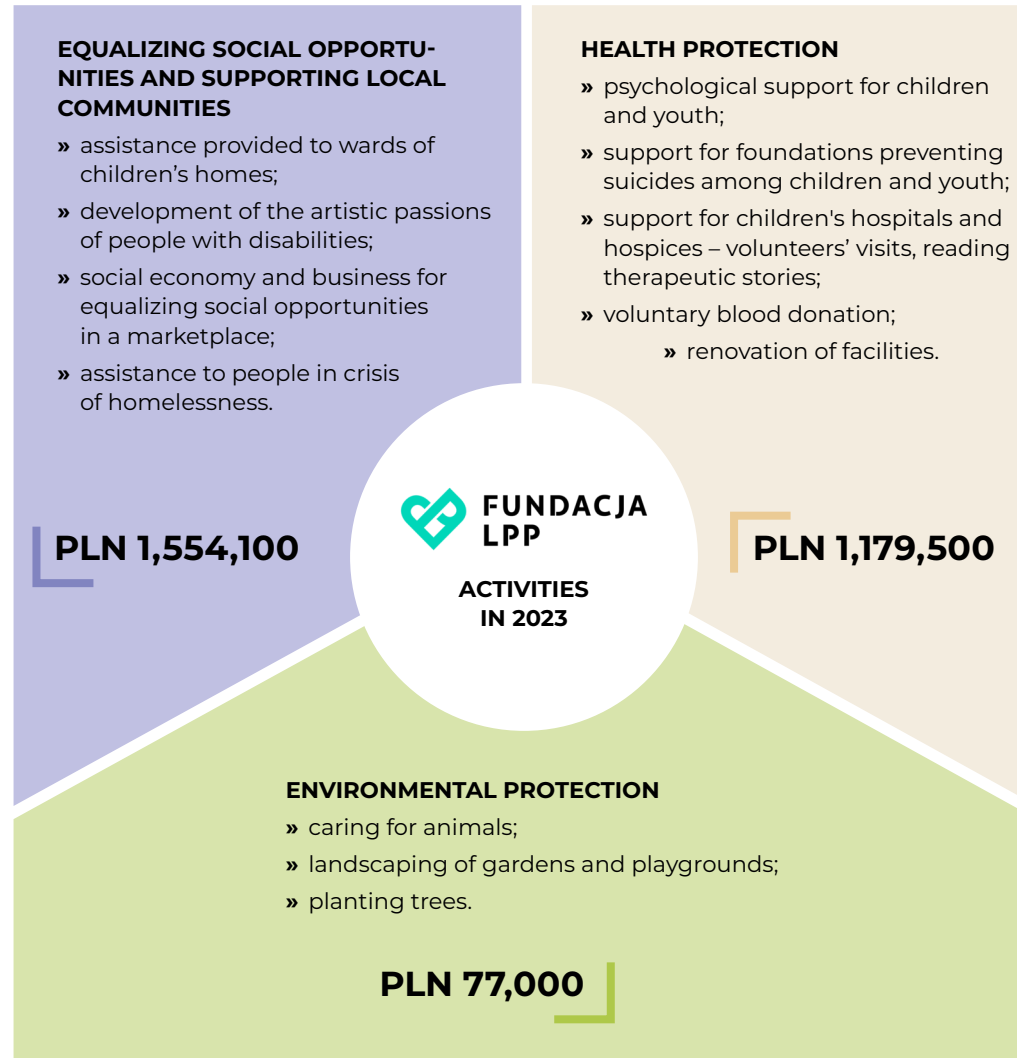
[Foundation Statute](#)

[Own indicator] Scale of LPP Foundation's activities in 2023

In 2023, the LPP Foundation provided financial support to 67 organizations, and in-kind donations were received by 210 organizations. We donated over 280,000 pieces of clothing for community purposes.

The Foundation implements its projects mainly through volunteering. Year after year, it has been gaining popularity among the LPP Group employees who share their time, talents and skills. In the reported period, 750 volunteers were involved in the projects, working a total of 10,184 hours. In 2023, we introduced employee volunteering regulations to present opportunities to engage in such activities and clear rules of their functioning to employees.

[Own indicator] Value of donations in 2023



The largest amount of donations, as in the previous year, was allocated to community support and equalizing social opportunities. This amount increased by more than 14% compared to the previous period. In contrast, as the Foundation's additional priority in 2023 was to promote the mental well-being of children and young people, we reported the biggest increase in donations allocated to health care, which increased by more than 68% compared to last year.

We also engaged in disseminating innovative social solutions, charitable activities equalizing social opportunities, as well as projects promoting environmental protection and healthy lifestyles. Moreover, the Foundation participated in programmes fostering the integration of local communities.

Examples of these activities are presented below.

[GRI 415-1]

The LPP Foundation does not support any political activity.



EQUALIZING SOCIAL OPPORTUNITIES AND LOCAL COMMUNITY ACTIVITIES - EXAMPLES

» In connection with the extension of second-hand clothing collection to all stores in Poland in 2023, we have adequately increased the range of the **“Sorting Room”** project. It is the result of our long-standing cooperation with St. Brother Albert Aid Society and combines environmentally-friendly activities with social and professional activation. It offers work in sorting second-hand clothing that has been collected in our shops for several years and donated to people in crisis of homelessness through the Society. Since the beginning of the project, over **21 tons** of clothing has been collected. In 2022 we decided to develop the project and clothes are being sorted at the Social Integration Center in Gdynia. Last year alone, 28 people sorted **8 tons** of clothes collected in LPP brand stores.

» In 2023, we co-organised the 23rd edition of the **“Albertiana” Polish National Theatre and Music Festival of People with Disabilities**, held under the auspices of the Anna Dymna's Foundation “Against the Odds” and the Brother Albert Foundation. Moreover, every year we organise the Santa Claus Fair at our headquarters in Cracow, where LPP employees can buy handicrafts made by the wards of the Anna Dymna's Foundation.

» We also collaborate with the **“Me Too” Foundation**, which promotes the acceptance as well as school and professional activation of people with disabilities. In 2023, we donated funds for the refurbishment of an assisted living facility for the Foundation's wards.

» At the beginning of April, we supported the furnishing of the newly established Home for Children with wardrobes, beds, bookcases and desks. This is another home created by the **Gdansk Foundation for Social Innovation** we have been cooperating with since 2014.



» In the spring, we concluded the campaign of renovating the garden around the children's home of the **“Flames of Hope” Foundation for the Family**. We started our work in November 2022: we planted the plants, levelled the ground and marked out the green spaces. In May 2023, we launched vegetable gardens and carried out clean-up work. 37 volunteers and specialists from the Zielone2S gardening company participated in the campaign.



» In 2023, we donated more than PLN 150 ths for **holiday trips** for 320 wards of seven organisations caring for children as part of equalizing their opportunities, including foundations running children's homes located in Pomerania and Małopolska regions and the organisation from Dolne Miasto in Gdansk.

» Every year, our employees take part in a sporting charity action LPP Team for Kids, in which the LPP Foundation **exchanges the kilometres they travelled by bicycle and jogging for money**

(PLN). In 2023, a new record was broken in terms of the number of participants in the campaign and the amount collected. Consequently, instead of two social organisations, as in previous years, we were able to support as many as four institutions from Pomorze and Małopolska, which received PLN 31 ths each for the purchase of sports equipment and the organisation of sporting activities.



» In August, in cooperation with the **Jack Strong Foundation**, we organised a cruise on the General Zaruski training ship for the wards of children's homes. 84 children from three foundations spent the full day on the sailing ship, where they not only enjoyed the views, but also learned sailing and boatbuilding skills. Taking the opportunity, they also learned about the importance of protecting the environment. After the event, two participants of the cruise began permanent sailing activities under wings of the Foundation.

» In 2023, we participated for the second time in the **"School starter kit for a first-grader"** programme organised in the Trzebowniko commune, where our Fulfillment Center is located. We donated kits of school stationery and art materials to almost 380 pupils from schools in Jasionka, Trzebowniko, Stobierna, Zaczern, Łęka, Łukawiec, Wólka Podleśna and Nowa Wieś.

» Our company is a partner of **the Local Programme for Supporting Education of Talented Children and Youth in Brześć Kujawski**, where our Distribution Center is located. Its part is a scholarship project in which we have been involved for a year. As part of this project, 26 students from Brest primary schools received scholarships for the entire school year. In June, we invited the awarded scholars to the headquarters of the company in Gdansk and to the Distribution

Center in Pruszcz Gdański. During the tour, the students observed the process of designing clothing and accessories and learned about advanced technologies based on artificial intelligence.

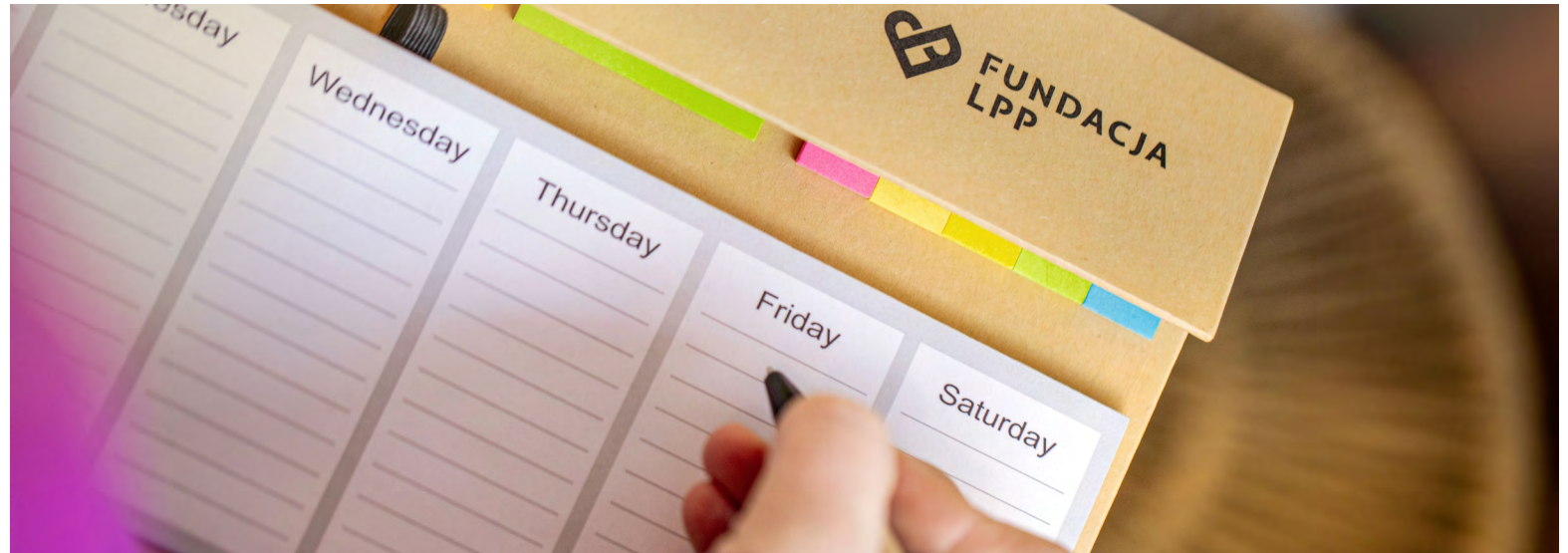
» Another **"Social Coffee" campaign** was also held in 2023. For us, this is a form of support for organisations that promote the professional development of persons as part of equalizing their opportunities and for people with disabilities. This time we conducted it in cooperation with three coffee shops: **Café Kuźnia** (Gdansk), which offers first jobs to young people from children's homes and helps them in becoming independent and **Frapp&**

Go (Cracow) and **ToMy** (Warsaw) Cafés, which employ people with disabilities. Our employees bought coffee and cake at these places at preferential prices. We subsidised the balance, and the total amount was used to develop a business model that supports the implementation of social tasks.

» We cooperate with social organisations from **Dolne Miasto in Gdansk**. In the summer, during the neighbourhood festival, we provided creative workshops for the local community. In December, during the Dolne Miasto Christmas Tree festival, the LPP Foundation had its own stand where we designed Christmas cards to-

gether with the residents. We also organised a Santa Claus ceramics fair at the LPP headquarters in Gdansk, the proceeds of which were donated to the **ToMy** café, employing people with disabilities and equalizing social opportunities.

» As part of the **Gdansk Helps Ukraine campaign**, in May and June we organised two collections to help Ukrainian women and men in areas affected by warfare and those arriving in Gdansk. The sanitary products, field equipment, food and underwear collected during the collection were sent in a humanitarian convoy.





HEALTH PROTECTION - EXAMPLES

» In the past year, the LPP Foundation has been committed to ensuring the mental wellbeing of children and young people. We have collaborated with experts and with specialised services that help children and young people in developing healthy mechanisms for managing their lives. Read more about two of our biggest initiatives - **the Youth Helpline** and **the Blue Sneakers** - at the end of this chapter.



» Every year, we support **the Foundation of the University Children's Hospital in Cracow "FOR THE HEALTH OF A CHILD"** by donating funds for the purchase of medical equipment. This year's donation made it possible to finance the purchase of the medical scales with a growth meter for the Hospital Emergency Department (SOR), as well as two resuscitators and a LED medical lamp for the Pathology and Neonatal Intensive Care Unit. On the occasion of Children's Day and Santa Day, volunteers from the LPP Cracow office

visited the hospital once again. Dressed as elves, gnomes and fairy tale characters, they handed out gifts to the young patients. This initiative is our way of showing kindness and care to sick children, especially important on their feast day.

» Since 2021, we have been implementing various charitable initiatives together with **the Zaczytani.org Foundation**. In December 2023, we prepared 200 gifts and greeting cards for children who stayed at **the Polanki Children's Hospital** in Gdansk over the Christmas period.



» We have funded the second playground for this hospital to enable young patients to relax and play outdoors. We also take care of the hospital staff - every year we donate warm fleece jackets to prevent them from freezing when moving between buildings on winter days.

» At **the Specialist Hospital in Kościerzyna**, we financed the purchase of bedside cabinets and, as part of our cooperation with **the Foundation with a Pump (Fundacja z Pompą)**, we donated funds to organise art therapy workshops for patients at the Paediatrics, Haematology and Oncology Clinic of the University Clinical Center in Gdansk.

» Every year during the festive season, the LPP Foundation supports **LPP employees and their immediate family members** who suffer from serious health problems. This allows them to undertake further rehabilitation and treatment. Since 2017, we have already allocated more than PLN 1.1m, of which more than PLN 230 ths in 2023.

» In 2023, as part of its cooperation with **the Hospice Foundation**, the LPP Foundation subsidised the equipment of the newly established **Hospice Care Center in Gdansk**, built with the aim of alleviating the burden on those caring for seriously ill relatives at home on a daily basis. The facility offers free care for children and adults who are dependent due to illness

or disability, thus offering their families a chance to relax, take care of their health or deal with matters for which they lack time during daily care.

» We subsidised the reprinting of the book **"Beyond the Seventh Mountain"** for hospice patients and their families and funded T-shirts for the volunteers of **Hospice of Rev. E. Dutkiewicz SAC in Gdansk**. We also cooperate on a permanent basis with other hospices in Gdansk, Pruszcz Gdański and Cracow, donating funds to purchase medical equipment and hygiene products.

» Since 2017, we have been organising blood donation events together with the team of **the Regional Center for Blood Donation and Haematology** at Łąkowa street in Gdansk. In 2023, 193 people donated a record 85 litres of blood as part of such a campaign.

» In 2023, in cooperation with **the DKMS Foundation**, we organised a registration campaign to benefit a colleague from our company and others in need of bone marrow. During two days, we increased the donor base by another 60 people, increasing the chances of those in need to find a "genetic twin".



» In January 2024, we again joined **the Great Orchestra of Christmas Charity (WOŚP)**. As we do every year, we supported the local branch of the entire campaign, and donated commemorative T-shirts to the Gdansk headquarters, which have been worn by 1,500 volunteers this year. Use Waste start-up has also donated polyester thread for the WOŚP

auction launched as a result of our **collaboration in polyester fabric recycling technology** (You can read more about it in the chapter [Circular closed loop](#)). The proceeds from this and other auctions this year will be used to combat the consequences of the pandemic - purchase of equipment for pulmonary departments for children and adults.

ENVIRONMENTAL PROTECTION AND ECOLOGY - EXAMPLES

» In 2023, together with **the Package for a Pet Association**, we took care of homeless animals. The association supports shelters, foundations and temporary homes caring for unwanted animals in the Pomerania region. Due to the donations, it rescues and treats dogs and cats as well as carries out educational activities.



» In 2023, we continued our collaboration with **the Animals in Need Foundation** (now the **Jelonki Center Foundation**), which rescues and treats wild animals. Thanks to our support, the foundation has purchased feed, fodder and other necessary products for the autumn and winter season.

» In addition, as part of our cooperation with **the Kotangens Foundation**, we donated funds for the treatment and sterilisation of stray cats in Gdansk and Gdynia.

SOCIAL INITIATIVES IN FOREIGN SUBSIDIARIES

Our foreign subsidiaries also work for local communities. Some examples are presented below:

- » **Bosnia and Herzegovina** - support for Down Syndrome Day celebrations;
- » **Croatia** - volunteering in homes for senior citizens;
- » **Romania** - subsidising the construction of a house for children;
- » **Ukraine** - organisation of blood donation events.



YOUTH HELPLINE

The Youth Helpline is an initiative implemented since 2021 by the Reserved brand and the ITAKA Foundation. The psychologists involved have already made almost **16,000 phone calls**, more than **3,000 chat conversations** and more than **1,300 consultations**, helping young people to survive mental health crises. In June 2023, the project was extended for another year, thanks to financial support from the LPP Foundation. Our involvement is the response to growing signs of increasing demand for psychological and psychiatric assistance, particularly among adolescents and young adults. On-call specialists are available five days a week from 1:00 pm to 8:00 pm. This allows young people to make contact with them at the most convenient time, without witnesses. They can also opt for telephone or online consultations, which many people find more convenient.

BLUE SNEAKERS

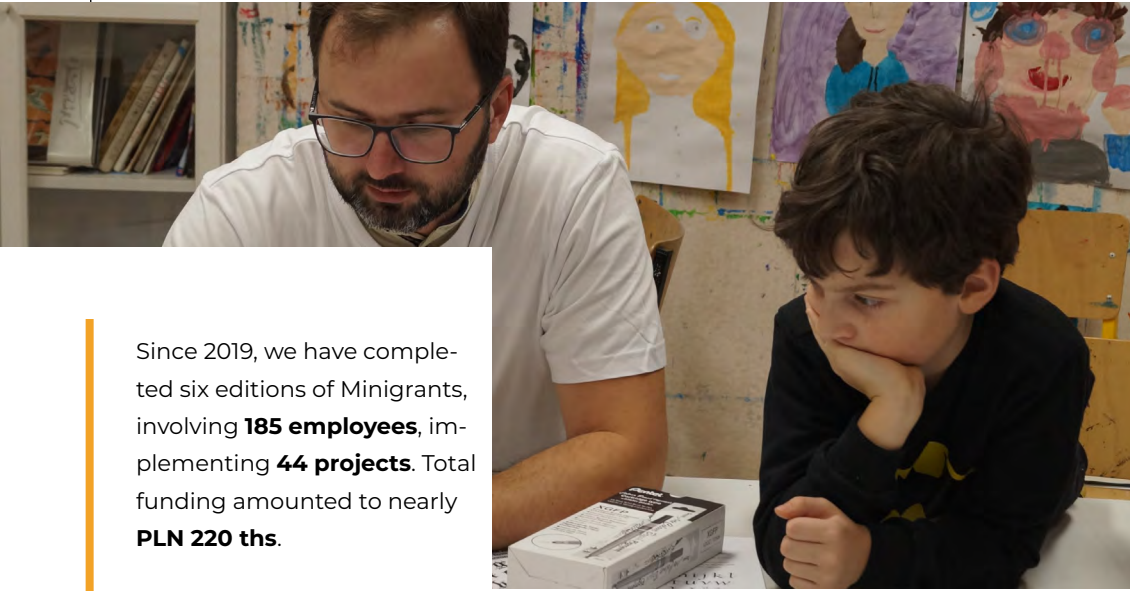
Blue Sneakers is a project of the Aleksandra FOSA Social Support Foundation that aims to prevent suicide among children and young people.

In December, in cooperation with the FOSA Foundation, the city of Gdansk and the Metropolia Gallery, we launched psychological support and assistance for teenagers. **“Blue Sneakers in Metropolia”** [Niebieskie Trampki w Metropolii] - is a club whose activities are financed by the LPP Foundation. This place will provide young people with the necessary support in crisis situations, as well as enable them to spend their free time creatively under professional care. The first outlet of this type has already been operating for two years in the FORUM shopping center in Gdansk. It organises thematic workshops, tournaments or games, as well as educational meetings on mental health of children and young people. Every year, we are also a partner of the concert to celebrate the first day of spring: **“Blue Sneakers - steps towards life”**, during which young people can take part in creative workshops and talk to psychologists. In 2023, we also became a partner of the **“Sit and Talk”** public awareness campaign on

prevention of self-aggressive and suicidal behaviour, addressed to young people and their parents. Key content has been translated into Ukrainian so that the campaign

is accessible to young people from Ukraine living in Gdansk struggling with the trauma of war and the everyday reality of adolescence.





Since 2019, we have completed six editions of Minigrants, involving **185 employees**, implementing **44 projects**. Total funding amounted to nearly **PLN 220 ths.**

MINIGRANTS

We support employees' social initiatives, including through Minigrants - the employee volunteering programme where people working at LPP can submit their own ideas and volunteering projects to the competition and, if successful, receive a grant of up to PLN 5,000 to implement them.

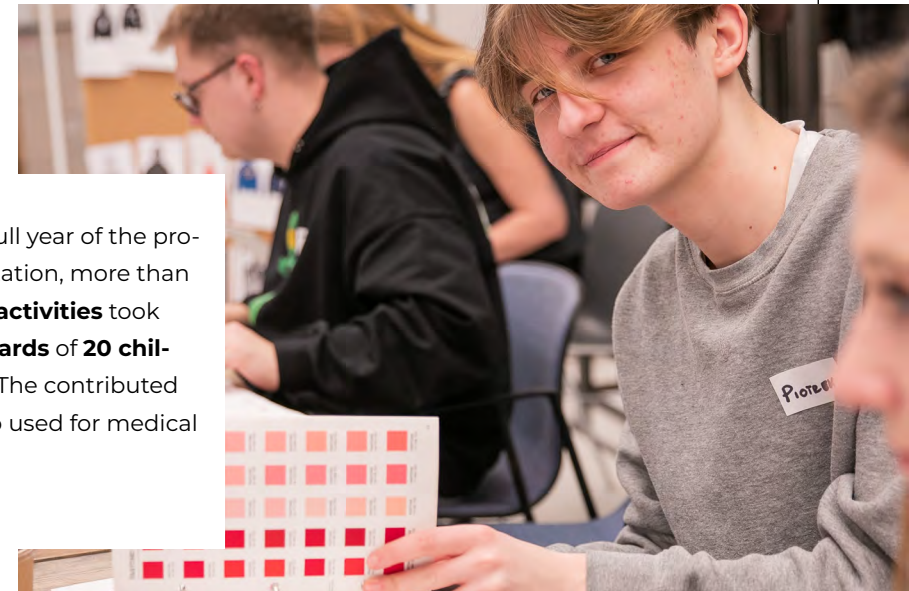
In 2023, during the next edition of the competition, funding for the total amount of nearly **PLN 50,000 was awarded to 10 projects**. They included activities for the wards of the REKS Malbork Association of Animal

Friends or the Kucykowo Horse Asylum. Funding has also been granted to ideas of a comprehensive clean-up of the Jan Korczak House in Gdansk for sick and children with disabilities, and for the retrofitting and installation of furniture at the Respite Care Center at the Hospice Foundation.

FASHION FOR A BETTER START

"Fashion for a Better Start" - is the LPP Foundation's original programme addressed to the wards of the children's homes of **the Gdansk Foundation for Social Innovation, the "Family Gdansk" Foundation and the "Flames of Hope" Foundation for the Family**. Its aim is to level the social playing field by providing funds for treatment or education, as well as driving the develop-

ment of talents and competence. In October 2023 another organisation joined the programme - **the Our Home Society from Cracow**. Thanks to the funds donated by the LPP Foundation, wards of Cracow foster care institutions will be able to develop their skills and passions and participate in a variety of educational, therapeutic and development activities.



In the second full year of the project implementation, more than **4,316 hours of activities** took place for **278 wards of 20 children's homes**. The contributed funds were also used for medical treatment.



COOPERATION WITH THE DISNEY BRAND

Based on the experience gained in the **“Fashion for a Better Start”** programme, the LPP Foundation, in cooperation with the Cropp brand and the Walt Disney Company in Poland, has implemented a project to develop **a unique collection of clothing** relating to the content and characters of the Star Wars saga. Wards from three Gdansk foundations were invited to participate in the project. They had the oppor-

tunity to learn about the fashion industry from the inside, improve their skills under the guidance of professionals and take the opportunity to develop their interests. Work on the Cropp and Disney collection for the autumn/winter 2023 season started in March and continued for several months. During this period, young people took part in several creative workshops and in the excursion to Disney's headquarters in War-

saw. Young people were involved in all stages of development of the new collection. They worked with the Cropp design team and their ideas were incorporated into the new collection, launched in mid-November 2023 and made available in both Cropp traditional stores and online. Through this cooperation, project participants were able to develop their talents and get inspired by different career paths.

DEVELOPMENT INITIATION FORUM

For the seventh time, our company was a partner of **the Development Initiation Forum**, the twelfth edition of which took place in November. A fixed point on the agenda is the resolution of the Development Initiation Fund grant competition. In this year's edition, grants with a total value of PLN 150 ths were awarded to eight cross-sectoral initiatives implemented with the participation of business, non-governmental organisations and local government. Among other things, pro-environmental, professionally and socially activating, and educational activities were awarded, including projects for the youngest. All projects are implemented as part of cross-sectoral partnerships. Funding ranges from PLN 15 to 25 ths. In addition to financial support, the winners of the competition also received substantive, organisational and expert support in the implementation of a crowdfunding campaign.







Environmental area

E - Environmental

ENERGY AND EMISSION

GRI 302-1 Energy consumption within the organization [GJ]	02.2021-01.2022		02.2022-01.2023			02.2023-01.2024		
	GJ	%	GJ	%	y/y change %	GJ	%	y/y change %
Electricity consumption, including:	53,486.01	23.82%	64,698.66	15.78%	20.96%	55,346.15	42.12%	-14.46%
- Renewable energy	0.00	0.00%	17,104.03	4.17%	100.00	48,042.32	36.56%	180.88%
- Non-renewable energy	53,486.01	23.82%	47,594.63	11.61%	-11.01%	7,303.83	5.56%	-84.65%
Thermal energy consumption	47,708.34	21.25%	14,615.41	3.56%	-69.37%	13,947.81	10.61%	-4.57%
Natural gas	41,671.09	18.56%	239,771.7	58.48%	475.39	34,188.39	26.02%	-85.74%
Diesel	16,888.82	7.52%	10,004.96	2.44%	-40.77%	5,462.99	4.16%	-45.39%
Gasoline	11,283.09	5.03%	16,117.96	3.93%	42.85%	22,401.34	17.05%	38.98%
Heating oil	0.00	0.00%	119.19	0.03%	100.00	0	0.00%	-100.00%
LPG	0.00	0.00%	0.00	0.00%	0.00%	52.71	0.04%	100.00%
Total	224,523.35		410,025.58			131,399.39		-67.95%

To calculate energy consumption, conversion factors for converting units of fuel consumption to energy were taken from DEFRA UK Government GHG Conversion Factors for Company Reporting (v1.1 June 2023).



GRI 305-1 Direct GHG emissions (t CO ₂ e)	02.2021-01.2022	02.2022-01.2023	02.2023-01.2024
Direct emissions from stationary combustion	2,100.87	12,064.43	1.72
Direct emissions from mobile combustion	1,848.43	1,697.92	3,481.80
Direct emissions from refrigerants	471.36	0.00	103.24
Total direct GHG emissions (Scope 1)	4,420.67	13,762.35	3,586.76

GRI 305-2 Energy indirect GHG emissions (location-based) (t CO ₂ e)	02.2021-01.2022	02.2022-01.2023	02.2023-01.2024
Indirect emissions from purchased/acquired electricity	9,687.36	12,041.14	10,116.28
Indirect emissions from purchased/acquired steam	0.00	0.00	0.00
Indirect emissions from purchased/acquired heat	2,262.57	693.14	696.02
Indirect emissions from purchased/acquired cold	0.00	0.00	0.00
Total indirect GHG emissions (Scope 2)	11,949.93	12,734.28	10,812.30

GRI 305-2 Energy indirect GHG emissions (market-based) (t CO ₂ e)	02.2021-01.2022	02.2022-01.2023	02.2023-01.2024
Indirect emissions from purchased/acquired electricity	8,004.54	7,134.51	1,027.77
Indirect emissions from purchased/acquired steam	0.00	0.00	0.00
Indirect emissions from purchased/acquired heat	2,262.57	693.14	696.02
Indirect emissions from purchased/acquired cold	0.00	0.00	0.00
Total indirect GHG emissions (Scope 2)	10,267.11	7,827.65	1,723.80





GRI 305-3 Other indirect GHG emissions (t CO ₂ e)	02.2021-01.2022	02.2022-01.2023	02.2023-01.2024
Cat. 1 Purchased goods and services	1,892,769.20	1,605,129.29	1,902,729.39
Cat. 2 Capital goods	197,454.69	198,798.33	182,852.12
Cat. 3 Emissions related to energy and fuel consumption (not included in Scope 1 and 2)	3,555.63	5,777.88	1,179.38
Cat. 4 Transportation and distribution of purchased products	157,610.94	132,480.70	193,459.06
Cat. 5 Waste generated during operations	385.10	400.13	470.72
Cat. 6 Business travel	2,390.09	3,062.98	4,146.30
Cat. 7 Transportation of employees to work	16,319.17	16,891.80	24,793.64
Cat. 8 Assets taken on lease	388,443.36	250,730.09	163,847.22
Cat. 9 Transportation and distribution of sold products	26,212.33	28,959.62	28,087.24
Cat. 10 Processing of sold products	0.00	0.00	0.00
Cat. 11 Use of sold products	146,559.20	171,358.99	228,058.33
Cat. 12 Disposal of sold products	32,969.36	45,179.33	56,501.41
Cat. 13 Assets put on lease	0	0	0
Cat. 14 Franchises	1,283.55	1,280.54	746.47
Cat. 15 Investments	0	0	0
Total other indirect GHG emissions (Scope 3).	2,865,952.62	2,460,049.67	2,786,871.28

GRI 305-4 Greenhouse gas emissions intensity	02.2021-01.2022	02.2022-01.2023	02.2023-01.2024
Emissions in the scope 1 and 2 in terms of revenue [t CO ₂ e/PLN 1 M]	1.03	1.36	0.31
Emissions from all the scopes in terms of revenue [t CO ₂ e/PLN 1 M]	202.65	155.81	160.41

A description of the methodology adopted and more information on the LPP Group's carbon footprint can be found in the [Greenhouse Gas Emissions Calculation Report](#).

PACKAGING AND WASTE

GRI 306-3 Waste generated (t)	02.2021-01.2022 LPP Group	02.2022-01.2023 LPP Group	02.2023-01.2024 LPP Group
Cardboard waste	27,068	15,112	18,669
Plastic film	3,986	2,373	3,345
Wood	82	2,563	305
Glass packaging	7	0	0
Total	31,143	20,048	22,319

The data refers to the weight of packages launched by the LPP Group companies in a given fiscal year.

GRI 306-4 Recycled waste per waste type (t)	02.2022-01.2023		02.2023-01.2024	
	LPP SA	LPP Group	LPP SA	LPP Group
Cardboard waste	13,167	16,096	8,994	39,589
Plastic film	583	624	356	3,368
Wood	181	181	161	3,907
Glass packaging	0	0	0	9
Total	13,931	16,901	9,511	46,873

GRI 306-4 Recycled waste per recycling type (t)	02.2023-01.2024			
	LPP SA		LPP Group	
	in-house	outside	in-house	outside
Preparation for recycling	0	9,634	39	9,634
Recycling	0	9,511	1,135	36,667
Other recycling types	0	0	0	694
Total	19,145		48,168	



Social area

S - Social

Contributions to the state budget [PLN thousand]	02.2022-01.2023	02.2023-01.2024
Value Added Tax (VAT)	895,713	1,069,832
Value Added Tax (VAT) - branches abroad	0	44,313
Value Added Tax (VAT) e-commerce store EU	33,056	29,679
Corporate income tax - CIT	183,927	329,237
CFC from controlled foreign subsidiaries	0	0
Retail Sales Tax (RST)	53,599	59,292
Customs duty	270,662	214,942
Personal income tax - PIT	35,755	41,668
Social Insurance Institution (ZUS)	223,224	243,627
State Fund for Rehabilitation of the Disabled (PFRON)	7,143	7,092
Real Property Tax	7,466	8,187
Tax on means of transport	1	0
Total	1,710,546	2,047,869
Change Y/Y	8%	20%





EMPLOYMENT

GRI 2-7 Number of employees per gender (number of persons and FTEs ²⁹)	02.2022-01.2023				02.2023-01.2024			
	LPP SA		LPP Group		LPP SA		LPP Group	
	Number of people	FTE	Number of people	FTE	Number of people	FTE	Number of people	FTE
Women	2,362	2,356.5	23,309	19,352.0	2,385	2,376.5	23,887	19,714.2
Men	566	566.00	3,221	2,896.75	566	564.51	3,523	3,018.42
Total	2,928	2,923.0	26,530	22,249.0	2,951	2,941.0	27,410	22,732.6

GRI 2-7 Number of employees per gender and contract duration	02.2022-01.2023								02.2023-01.2024							
	LPP SA				LPP Group				LPP SA				LPP Group			
	Indefinite contract		Fixed term contract		Indefinite contract		Fixed term contract		Indefinite contract		Fixed term contract		Indefinite contract		Fixed term contract	
	Number of people	%	Number of people	%	Number of people	%	Number of people	%	Number of people	%	Number of people	%	Number of people	%	Number of people	%
Women	1,323	56%	1,039	44%	11,98	51%	11,32	49%	1,698	71%	687	29%	15,06	63%	8,824	37%
Men	311	55%	255	45%	2,010	62%	1,211	38%	410	72%	156	28%	2,512	71%	1,011	29%
Total	1,634	56%	1,294	44%	13,99	53%	12,53	47%	2,108	71%	843	29%	17,57	64%	9,835	36%

GRI 2-7 Number of employees per gender and working time	02.2022-01.2023								02.2023-01.2024											
	LPP SA				LPP Group				LPP SA				LPP Group							
	Full-time		Part-time		Full-time		Part-time		Full-time		Part-time		Non-guaranteed hours		Full-time		Part-time		Non-guaranteed hours	
	Number of people	%	Number of people	%	Number of people	%	Number of people	%	Number of people	%	Number of people	%	Number of people	%	Number of people	%	Number of people	%	Number of people	%
Women	2,342	99%	20	1%	13,653	59%	9,656	41%	2,358	99	27	1%	0	0%	14,532	61	8,627	36%	728	3%
Men	566	100%	0	0%	2,295	71%	926	29%	563	99	3	1%	0	0%	2,524	72	939	27%	60	2%
Total	2,908	99%	20	1%	15,948	60%	10,582	40%	2,921	99	30	1%	0	0%	17,056	62	9,566	35%	788	3%

The tables show the number of people employed under the employment contract as at 31 January 2024.

²⁹FTE (Full - time equivalent)



GRI 2-8 Number of people working for LPP other than its employees, per gender and contract type	02.2022-01.2023		02.2023-01.2024		
	LPP SA	LPP Group	LPP SA	LPP Group	
Employed under civil law contracts	Women	31	1,662	14	5,247
	Men	14	231	8	485
	Total	45	1,893	22	5,732
Other (management contracts, B2B, trainees)	Women	2	1,133	5	127
	Men	3	374	4	287
	Total	5	1,507	9	414

The table shows the number of people working for LPP who are not its employees, employed under civil law contracts and other types of contracts as at 31 January 2024.

GRI 2-8 Number of people working for LPP other than its employees	02.2022-01.2023		02.2023-01.2024	
	LPP SA	LPP Group	LPP SA	LPP Group
Temporary agency workers and outsourced workers	0	6,596	0	9,806

The table shows the number of people working for LPP other than its employees, employed by temporary agencies and outsourced workers on an average annual basis.

Own indicator: Number of new employees and turnover ratio	02.2022-01.2023						02.2023-01.2024						
	LPP SA			LPP Group			LPP SA			LPP Group			
	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years	
Number of people admitted to work	Women	423	241	4	12,223	1,273	32	291	124	3	14,373	2,462	163
	Men	94	73	4	1,396	425	59	63	26	1	2,064	366	48
	Total	517	314	8	13,619	1,698	91	354	150	4	16,437	2,828	211
Percentage of people admitted to work	Women	46.7%	17.2%	7.4%	261.6%	123.1%	138.7%	34.0%	8.4%	4.2%	72.2%	27.0%	34.2%
	Men	48.7%	21.1%	14.8%	301.7%	118.6%	181.5%	32.6%	7.6%	2.4%	84.7%	22.0%	25.3%
	Total	47.1%	18.0%	9.9%	254.2%	118.5%	157.0%	33.7%	8.2%	3.5%	73.5%	26.9%	31.6%
Number of people who ceased to be employees	Women	192	153	3	11,573	919	20	196	182	9	12,744	2,369	114
	Men	52	42	2	1,204	134	14	47	40	2	1,937	367	27
	Total	244	195	5	12,777	1,053	34	243	222	11	14,681	2,736	141
Turnover ratio	Women	21.2%	10.9%	5.6%	105.1%	36.5%	43.5%	22.9%	12.3%	12.5%	64.0%	26.8%	23.9%
	Men	26.9%	12.1%	7.4%	99.0%	20.6%	25.0%	24.4%	11.7%	4.8%	79.5%	22.1%	14.2%
	Total	22.2%	11.2%	6.2%	104.5%	33.2%	33.3%	23.2%	12.2%	9.6%	65.7%	26.0%	21.1%

The above table includes the number of persons working for the LPP Group companies based on all types of contracts concluded directly by the LPP Group companies (employment contracts, civil law contracts, B2B, management contracts) as at 31 January 2024.



WORK-LIFE BALANCE AND DEVELOPMENT

GRI 401-3 Parental leave	02.2022-01.2023		02.2023-01.2024	
	LPP SA	LPP SA	LPP Group in Poland	
Number of employees eligible to parental leave	Women	2,362	2,385	10,358
	Men	566	566	1,529
	Total	2,928	2,951	11,887
Number of employees who used parental leave	Women	178	211	1,138
	Men	28	24	49
	Total	206	235	1,187
Number of employees who returned to work during the reporting period after the end of their parental leave	Women	121	106	577
	Men	27	27	52
	Total	148	133	629
Number of employees who returned to work after the end of their parental leave who were still working 12 months after their return to work	Women	109	102	385
	Men	27	27	51
	Total	136	129	436
Employee retention ratio	Women	90.1%	84.3%	53.2%
	Men	100.0%	100.0%	91.1%
	Total	91.9%	87.2%	55.9%

Data for the LPP Group in Poland comprises the data for the following companies: LPP SA, LPP Retail, LPP Logistics, Silky Coders, LPP Printable

The employee retention ratio is calculated according to the following formula: number of employees who returned to work after the end of the parental leave who were still working 12 months after their return to work / number of employees who returned to work in the previous reporting period after the end of the parental leave *100%.

Number of training hours	02.2022-01.2023		02.2023-01.2024	
	LPP SA	LPP Group	LPP SA	LPP Group
Average number of training hours per employee	18.3	6.2	13.1	6.0
Total number of training hours (classroom and e-learning training combined)	54,413	182,235	39,187	177,135

GRI 404-1 Average number of training hours per employee by gender and employment structure in the reported year	02.2022-01.2023		02.2023-01.2024		
	LPP SA	LPP Group	LPP SA	LPP Group	
Managerial positions	Women	16.8	13.0	22.3	6.6
	Men	17.3	14.7	24	9.5
	Total	16.9	13.3	22.8	7
Other employees	Women	18.2	5.1	12.1	5.6
	Men	19.9	6.7	10.6	7.2
	Total	18.5	5.3	11.9	5.8

The above table includes the persons working for the LPP Group companies based on all types of contracts concluded directly by the LPP Group companies (employment contracts, civil law contracts, B2B, management contracts) as of 31 January 2024.



DIVERSITY

GRI 405-1 Staff diversity		02.2023-01.2024					
		LPP SA			LPP Group		
		<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years
Management positions	Women	0.2%	9.2%	0.3%	4.4%	7.6%	0.1%
	Men	0.2%	3.7%	0.4%	0.6%	1.6%	0.1%
	Total	0.5%	12.9%	0.7%	5.0%	9.2%	0.3%
Other employees	Women	28.5%	40.5%	2.1%	50.1%	23.4%	1.5%
	Men	6.1%	7.8%	0.9%	6.4%	3.7%	0.5%
	Total	34.6%	48.3%	3.0%	56.5%	27.1%	2.0%
Total	Women	28.7%	49.7%	2.4%	54.5%	31.0%	1.6%
	Men	6.3%	11.5%	1.4%	7.0%	5.2%	0.6%
	Total	35.0%	61.2%	3.8%	61.5%	36.3%	2.3%

The table shows the number of all employees as of 31 January 2024.

GRI 405-1 Diversity in composition of governing bodies		02.2022-01.2023			02.2023-01.2024		
		<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years
		Management Board	Women	0%	0%	0%	0%
Men	0%		40%	60%	0%	40%	60%
Total	0%		40%	60%	0%	40%	60%
Supervisory Board	Women	0%	16.7%	0%	20%	0%	20%
	Men	0%	16.7%	66.6%	0%	20%	40%
	Total	0%	33.3%	66.6%	20%	20%	60%

The above table shows the diversity of the governing bodies of the LPP Group's parent company, LPP SA as of 31 January 2024.

GRI 405-1 Staff diversity		02.2023-01.2024					
		LPP SA			LPP Group		
		<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years
All employees	Women	30.9%	47.9%	1.8%	59.3%	27.5%	1.0%
	Men	6.6%	11.8%	0.9%	6.9%	4.9%	0.4%
	Total	37.5%	59.7%	2.8%	66.2%	32.4%	1.5%

GRI 405-2 Ratio of remuneration of women to the remuneration of men		02.2022-01.2023		02.2023-01.2024	
		LPP SA	LPP Group in Poland	LPP SA	LPP Group in Poland
		Basic salary	Management positions	96%	95%
Other employees	99%		99%	98%	98%
Total	98%		98%	98%	98%
Total remuneration	Management positions	96%	95%	98%	98%
	Other employees	99%	99%	98%	98%
	Total	98%	98%	98%	98%

The LPP Group in Poland presented in the table above comprises the following companies: LPP SA, LPP Retail, LPP Logistics, Silky Coders.

The Gender Pay Gap indicator was determined for homogeneous job groups as:

- the ratio of the average basic salary of women to men for employees (average basic salary over the entire period on a monthly basis converted to full-time)

- the ratio of the average remuneration of women to men for employees.

Due to the need to compare homogeneous groups of positions in determining the Gender Pay Gap indicator, only positions where we have people of different sexes employed were taken into account. In the absence of a comparison, positions were excluded from the comparison base.



Number and percentage of employees with disabilities in the LPP Group	02.2022-01.2023		02.2023-01.2024	
	LPP SA	LPP Group in Poland	LPP SA	LPP Group
Number of employees with disabilities	54	381	56	374
Percentage of employees with disabilities	1.8%	1.4%	1.9%	1.4%

The table shows the number of employees with disabilities as of 31 January 2024.

OCCUPATIONAL HEALTH AND SAFETY

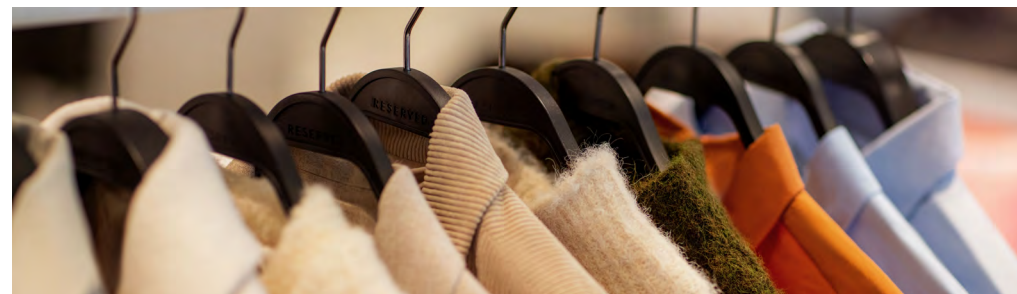
GRI 403-9

Urazy związane z pracą

	02.2022-01.2023		02.2023-01.2024	
	LPP SA	LPP Group	LPP SA	LPP Group
Employees - number of accidents	Number of fatal accidents	0	0	2
	Number of serious accidents (excluding fatalities)	0	No data	1
	Total number of recordable accidents	16	204	10
Employees - accident rate	Fatal accident rate	0	0	0.06
	Number of serious accidents (excluding fatalities)	0	No data	0.03
	Rate of recordable accidents	3.4	3.8	2.27
Non-employee workers - number of accidents	Number of fatal accidents		0	0
	Number of serious accidents (excluding fatalities)		0	0
	Total number of recordable accidents		0	12
Non-employee workers - accident rate	Fatal accident rate		0	0
	Number of serious accidents (excluding fatalities)		0	0
	Rate of recordable accidents		0	2.77

The data in the table above includes all employees and non-employees providing work for the LPP Group. The accident rate is calculated according to the formula: number of accidents recorded in the reporting period / total number of hours worked by all employees * 1,000,000.

Number of hours worked by gender		02.2023-01.2024	
		LPP SA	LPP Group
Employees	Women	3,492,689	27,790,565
	Men	908,476	4,882,296
	Total	4,401,165	32,672,862
Non-employee workers	Women	4,627	3,515,250
	Men	1,376	816,142
	Total	6,003	4,331,392

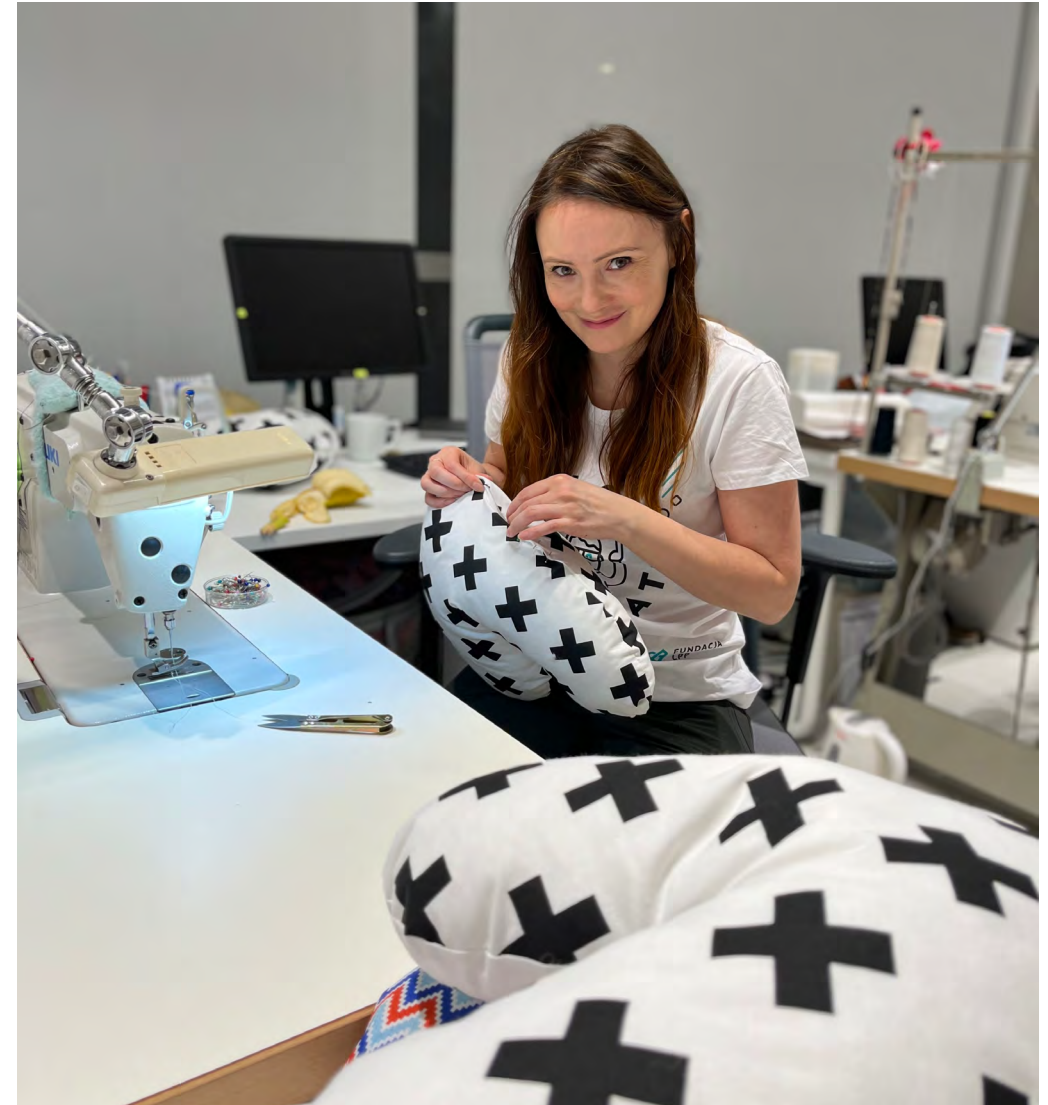




SOCIAL ENGAGEMENT

Own indicator: Local community support	02.2022-01.2023	02.2023-01.2024
Total support (cash and in-kind donations, total)	PLN 26,390,950	PLN 6,973,613
Cash donations	PLN 7,760,501	PLN 3,388,750
In-kind donations	PLN 18,630,449	PLN 3,584,864

Own indicator: Range of LPP Foundation activities	02.2022-01.2023	02.2023-01.2024
Value of cash donations made	PLN 3,099,840	PLN 2,801,570
Including:		
For healthcare	PLN 696,500	PLN 1,170,459
For ecological projects	PLN 45,000	PLN 77,000
For support of local community and projects preventing social exclusion	PLN 1,358,340	PLN 1,554,111
As part of the #LPPUkraine campaign	PLN 1,000,000	
Number of organisations to which financial donations were made	58	67
Number of organisations supported with donations in-kind	127	210
Number of the LPP Group volunteers involved in non-profit projects	975	750
Number of hours worked by the LPP Group volunteers involved in non-profit projects	8,212	10,184
Number of clothing items donated by the LPP Group for social purposes	180,014	323,000





Corporate governance area

G - Governance

ANTI-CORRUPTION MEASURES

GRI 205-2 Communication and training about anti-corruption policies and procedures	02.2022-01.2023		02.2023-01.2024	
	number	percentage	number	percentage
Management Board members informed about the anti-corruption policy and procedures of the organisation	5	100%	5	100%
Management Board members who have taken anti-corruption training	5	100%	5	100%
Employees who have taken anti-corruption training as part of onboarding training for new employees	1,505	100%	508	100%
Business partners informed about anti-corruption policies and procedures	1,238	100%	1,668	100%

The data in the table above refers to LPP SA. All new employees take the anti-corruption training as part of their onboarding training.

GRI 205-3 Confirmed incidents of corruption and actions taken in relation to them	02.2022-01.2023		02.2023-01.2024	
	LPP Group		LPP Group	
Number of confirmed cases of corruption	0		0	
Number of confirmed incidents where employees have been dismissed or disciplined for corruption	0		0	
Number of incidents in which contracts with business partners were terminated or not renewed due to corruption-related violations	0		0	

COUNTERACTING DISCRIMINATION

GRI 406-1 Total number of incidents of discrimination and corrective actions taken	02.2022-01.2023	02.2023-01.2024
Number of reported cases of discrimination	22	11
Number of confirmed cases of discrimination	0	0

The indicator comprises data from LPP SA, LPP Retail and LPP Logistics. In the reporting period, proceedings against LPP SA concerning the violation of the principle of equal treatment with regard to an employee, which had been initiated in the previous reporting period, were concluded. The proceedings ended in a settlement, with no penalty or financial consequences for the LPP Group.

KEY PERFORMANCE INDICATORS

	02.2022-01.2023	02.2023-01.2024
Number of stores	1,962	2,275
Number of new stores	271	313
Number of employees worldwide	29,930	33,556
Number of persons employed under a contract of employment in Poland	14,543	11,903
Total floorspace of the LPP Group stores (in m ²)	1,673,360	1,993,664
Sales revenue	PLN 15.9 billion	PLN 17.4 billion
CAPEX	PLN 1,157 billion	PLN 1,089.8 billion

GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	02.2022-01.2023		02.2023-01.2024	
	LPP SA		LPP SA	
Incidents of non-compliance with regulations resulting in a fine or penalty	0		5	
Incidents of non-compliance with regulations resulting in a warning	0		0	
Incidents of non-compliance with voluntary codes	0		0	



Report from the calculation of greenhouse gas emissions



1. INTRODUCTION

The following report summarises the results and describes the methodology for calculating the LPP Group's greenhouse gas (GHG) emissions for the 2023 financial year. **The calculations were carried out in accordance with GHG Protocol standards**, as described in:

- The GHG Protocol Corporate Accounting and Reporting Standard³⁰;
- GHG Protocol Scope 2 Guidance³¹;
- Corporate Value Chain (Scope 3) Accounting and Reporting Standard³².

GHG emissions were calculated for all scopes and all scope 3 categories as defined by the GHG Protocol. Scope 1 and 2 comprise direct and indirect emissions associated with the use of the LPP Group's own vehicles and buildings (offices, warehouses). Scope 3 includes indirect emissions related to the production processes of purchased goods (from sourcing of the raw material to producing the item), their transport and distribution from the supplier to the LPP warehouses and transport and distribution between warehouses and between LPP stores, emissions related to the delivery to the customer, the customer's use and disposal of the products sold by LPP and emissions related to the company operations (including leased space for stores, warehouses and offices), other than included in Scope 1 and 2. **All greenhouse gases are taken into account in the calculation, quoting emissions in CO₂**

equivalent (CO₂e) by using the emission factors given in this unit.

In the reporting period, there were no emissions from own production of electricity, heat or steam that is sold or transferred to another organisation, emissions associated with the generation of electricity, heat or steam purchased for resale or emissions from the combustion of biogenic fuels. **Offset projects were not included in the calculation.**

2. REPORTING PERIOD

The reporting period for which GHG emissions have been calculated covers the period **from 1 February 2023 to 31 January 2024**, i.e. the financial year of the LPP Group, parallel to the period for which the LPP Group Sustainability Report for the financial year 2023 is published.

- **Emissions relating to the use of buildings (offices, warehouses, stores) and cars.** Emissions from buildings and cars used during the declared reporting period were included in the calculation, based on invoices or meter readings covering this period. If complete data is not available, emissions have been calculated based on the extrapolation of available data.
- **Emissions relating to purchased products and services.** In the case of goods purchased from suppliers and subsequently sold to the end customer by the LPP Group, the moment when the purchased

goods were loaded to the means of transport from the country of production to the LPP warehouse is considered as the moment of purchase. In case of other products and services, the date of invoice shall be deemed the time of purchase. Emissions resulting from the production and transport of purchased products and services during the declared reporting period were included in the calculation and waste generated by the LPP Group related to purchased products was also taken into account.

- **Emissions relating to products sold.** Emissions resulting from the transport to the customer, use and disposal by the customer of the products sold by it during the declared reporting period, based on sales data, were included in the calculation.
- **Other emissions relating to operations.** These emissions include, among others, emissions resulting from investment undertaken, business travel and employee travel to workplaces completed during the declared reporting period.

3. ORGANISATIONAL BOUNDARIES

LPP is a Polish clothing company, owner of the brands: Reserved, Cropp, House, Mohito and Sinsay, which designs and distributes clothing in Poland, Europe and in the Middle East countries. The LPP Group comprises: LPP SA, as the Dominant Company, 8 domestic subsidiaries and 27 foreign

subsidiaries. Foreign companies are mostly entities that distribute LPP goods outside Poland.

All 36 LPP Group companies are included in the calculation. In all companies, with the exception of Veviera Investments Sp. z o.o. and P&L Marketing&Advertising Agency SAL, LPP owns 100% of the equity and exercises 100% of the financial control, therefore the choice of the emission consolidation criterion due to the size of shares and financial control was not relevant (equity share approach vs. financial control approach according to GHG Protocol). **LPP is responsible for 100 per cent of the greenhouse gas emissions resulting from all companies' operations.**

The calculations also included 12 franchised stores operating in Egypt, Kuwait, Qatar, Israel and the United Arab Emirates (category 14 of scope 3).

4. OPERATIONAL BOUNDARIES

Operational control was used as a criterion for consolidation (operational control according to GHG Protocol). The definition of operational boundaries was significant in the context of placing the calculated emissions within the correct ranges and categories defined according to the GHG Protocol.

In the majority of office space and in all own warehouses and in relation to cars, LPP has 100% operational control and the emissions associated with the use of these facilities



Table 1. Structure of the LPP Group - LPP SA and subsidiaries (as at 31.01.2024)

No.	Company name	Headquarters	Share in capital	Financial control
1.	LPP SA	Gdansk, Poland	100.0%	yes
2.	LPP Retail Sp. z o.o.	Gdansk, Poland	100.0%	yes
3.	DP&SL Sp. z o.o.	Gdansk, Poland	100.0%	yes
4.	IL&DL Sp. z o.o.	Gdansk, Poland	100.0%	yes
5.	LPP Printable Sp. z o.o.	Gdansk, Poland	100.0%	yes
6.	LPP Logistics Sp. z o.o.	Gdansk, Poland	100.0%	yes
7.	Dock IT Sp. z o.o.	Gdansk, Poland	100.0%	yes
8.	Silky Coders Sp. z o.o.	Gdansk, Poland	100.0%	yes
9.	Veviera Investments Sp. z o.o.	Gdansk, Poland	50.0%	yes
10.	LPP Czech Republic SRO	Prague, Czech Republic	100.0%	yes
11.	LPP Slovakia SRO	Banska Bystrica, Slovakia	100.0%	yes
12.	LPP Hungary KFT	Budapest, Hungary	100.0%	yes
13.	LPP Lithuania UAB	Vilnius, Lithuania	100.0%	yes
14.	LPP Latvia LTD	Riga, Latvia	100.0%	yes
15.	LPP Estonia OU	Tallinn, Estonia	100.0%	yes
16.	LPP Ukraine AT	Przemyślany, Ukraine	100.0%	yes
17.	OOO LPP BLR	Minsk, Belarus	100.0%	yes
18.	LPP Kazakhstan LLP	Almaty, Kazakhstan	100.0%	yes
19.	LPP Fashion Bulgaria EOOD	Sofia, Bulgaria	100.0%	yes
20.	LPP Romania Fashion SRL	Bucharest, Romania	100.0%	yes
21.	LPP Croatia DOO	Zagreb, Croatia	100.0%	yes
22.	LPP Reserved DOO Beograd	Belgrade, Serbia	100.0%	yes
23.	Reserved Fashion, Fashionable Znamke DOO	Ljubljana, Slovenia	100.0%	yes
24.	LPP BH DOO	Banja Luka, Bosnia and Herzegovina	100.0%	yes
25.	LPP Macedonia DOOEL	Skopje, Macedonia	100.0%	yes
26.	LPP Albania LTD	Tirana, Albania	100.0%	yes
27.	LPP Deutschland GmbH	Hamburg, Germany	100.0%	yes
28.	LPP Reserved UK LTD	Altrincham, United Kingdom	100.0%	yes
29.	LPP Finland LTD	Helsinki, Finland	100.0%	yes
30.	LPP Italy SRL	Milan, Italy	100.0%	yes
31.	LPP Clothing Retail Spain, S.L.	Madrid, Spain	100.0%	yes
32.	LPP Greece Single Member Private Company	Athens, Greece	100.0%	yes
33.	P&L Marketing&Advertising Agency SAL	Beirut, Lebanon	97.3%	yes
34.	LPP Logistics Slovakia s.r.o.	Sered, Slovakia	100.0%	yes
35.	LPP Logistics Romania s.r.l.	Stefanestii de Jos, Romania	100.0%	yes
36.	SINSAY PORTUGAL, UNIPES- SAL LDA	Portugal, Lisbon	100.0%	yes



(fuel combustion, electricity consumption, heat and refrigerant consumption) are included in scope 1 and 2. Traditional stores are treated as leased assets where LPP does not exercise operational control, as they are mostly located in shopping centers. Accordingly, the emissions associated with the use of stores are included in category 8 of scope 3. At the end of the reporting period analysed, LPP had 2,275 stores.

Office space over which LPP does not exercise full operational control is the space leased from third parties. When leasing office space in Poland, LPP uses in-house solutions aimed at energy savings. Accordingly, it was decided to classify emissions resulting from the use of rented offices in Poland as scope 1 and 2 emissions. In addition, placing emissions in this way is more transparent (the emissions associated with the office space used are located in one place), while in the event of LPP buying back the leased space, which has already happened in the past, this will not affect changes in emissions resulting directly from the measures undertaken to reduce the company's decarbonisation.

Offices rented abroad are treated as leased assets and the emissions associated with their use (electricity and heat, natural gas and refrigerant consumption) are included in category 8 of Scope 3.

In addition to stores and offices, Fulfillment Center (FC) warehouses in Poland and abroad were also recognised as leased as-

sets. These emissions are also included in category 8 of Scope 3. Leased ancillary and technical warehouses in Poland were omitted in the calculations due to their small floorspace.

Own office and warehouse space (scope 1 and 2, 100% financial and operational control):

- » Gdansk Łąkowa Cotton Office,
- » Gdansk Łąkowa Velvet Office,
- » Gdansk Reduta Office,
- » Gdansk Sadowa Office,
- » Cracow office,
- » DC Pruszcz Gdański (warehouse+office),
- » DC Brześć Kujawski,
- » FC Pruszcz Gdański (warehouse+office).

Rented office space (scope 1 and 2, 100% financial and operational control):

- » Gdansk Opera Office,
- » Gdansk Długie Ogrody Office,
- » Warsaw Office.

Leased space included in category 8 of scope 3 (100% financial control, partial operational control):

- » traditional stores in Poland and abroad,
- » foreign offices,
- » DC Bucharest (Romania),
- » Fulfillment Center (FC) warehouses in Poland and abroad.

5. DESCRIPTION OF CALCULATION METHODOLOGY, DATA SOURCES AND INDICATORS

The methodology for calculating emissions is analogical to the calculations for the 2022 financial year. Table 2 summarises the most important information: emission sources including the data sources and sources of the emission factors used and

the calculation method applied. A detailed description of the methodology can be found in the Report from the calculation of greenhouse gas emissions by LPP SA for the 2022 financial year (p. 108).

Table 2. Most important information concerning the emissions calculation methodology for 2023

Emission source	Calculation method	Input data source	Source of emission indicators (in footnotes)
Scope 1			
Fuels and refrigerants used in LPP Group-owned buildings and vehicles	Average-data	Invoices (consumption of sources in appropriate units)	33
Scope 2 - market-based			
Electricity and heat used in LPP Group's buildings	Market-based for electricity and average-data for heat	Invoices (consumption of sources in appropriate units)	Guarantee of origin for wind energy; 40 for other suppliers
Scope 2 - location-based			
Electricity and heat used in LPP Group's buildings	Location-based for electricity and average-data for heat	Invoices (consumption of sources in appropriate units)	34 for electricity; 33 for heat



Emission source	Calculation method	Input data source	Source of emission indicators (in footnotes)
Scope 3, Category 1 - Extraction of raw materials and production of fabric			
Sourcing of conventional and more sustainable raw materials and production of materials	Average-data, spend-based	Purchased goods base (weight of each raw material)	35 for the average-data method; 36 for the spend-based method
Scope 3, Category 1 - Finished goods production processes			
Finished goods production processes (fabric) -> product)	Average-data	Quantity of goods purchased (number of pieces of all products)	37
Scope 3, Category 1 - Bags issued to customers in stores			
Production processes of bags issued to customers in stores	Average-data	Invoices (number of pieces of bags ordered converted to weight)	35
Scope 3, Category 1 - E-commerce packaging sent to the customer			
E-commerce packaging production processes	Average-data	Shipping database (number of packages sent in a specific package converted into weight)	35
Scope 3, Category 1 - OpEx			
Other purchased goods and services that are unmeasurable or reliable emission factors are not available	Spend-based	OpEx	36
Scope 3, Category 2 - Capital goods			
Purchased capital assets	Spend-based	CapEx	36
Scope 3, Category 3 - Fuel- and energy-related activities not covered by Scope 1 and 2			
WTT emissions - associated with the generation, transport and distribution of fuels and energy purchased and consumed in own buildings and vehicles	Average-data	Corresponding to the data for Scope 1 and 2	33

Scope 3, Category 4 - Transport and distribution - upstream transportation and distribution (from suppliers to LPP warehouses)			
Transport of purchased goods from supplier to LPP warehouses (air, sea and land transport)	Distance-based	Database of purchased goods (mode of transport, place of dispatch and reception, weight of the goods transported - including packaging)	33 for transport by road and by air; 38 for transport by sea
Scope 3, Category 4 - Transport and distribution - upstream transportation and distribution (within LPP)			
Transport of goods purchased between LPP units (warehouse-warehouse, warehouse-store, store-store, store-warehouse; transport by road)	Distance-based	Logistics database (type of transport, place of dispatch and reception, weight of the goods transported - including packaging)	33
Scope 3, Category 5 - Waste generated in operations			
Waste directly associated with the purchased product, generated at the stage of transport and distribution of the goods ordered (cardboard boxes, foils, tapes in which the goods were packed from the supplier or during transport between LPP warehouses, and which ended up in LPP warehouses as waste), and e-commerce packaging which returned to LPP along with the returns of goods from customers	Average-data	Database of purchased goods (cardboard boxes and foils from suppliers), invoices (additional packaging), Database of returned e-commerce packages (number of items converted to weight)	33
Scope 3, Category 6 - Business travel			
Transport and hotel stay at the destination	Average-data	Database of business travel (means of transport, distances, number of hotel stays in a given country)	32 for transport; https://www.hotelfootprints.org for hotel stays



Emission source	Calculation method	Input data source	Source of emission indicators (in footnotes)
Scope 3, Category 7 - Employee commuting			
Transport of LPP employees to their workplace (employees of headquarters, warehouses and stores)	Average-data with extrapolation	Employee survey (means of transport, distance, number of office work days)	32
Scope 3, Category 8 - Upstream leased assets			
Consumption of fuel, electricity, heat and refrigerants in leased facilities (offices, warehouses, stores)	Location-based for electricity and average-data for others	Telemetry system (for electricity in stores), invoices and meters for electricity in offices and warehouses, heat, fuel and refrigerants in offices, stores and warehouses (consumption of sources in the relevant units)	33 for electricity in Poland; 38 for electricity in other countries; 32 for heat and refrigerants
Scope 3, Category 9 - Downstream transportation and distribution			
Transport of goods purchased via the e-commerce channel to the customer	Supplier-specific	Shipping database (number of packages shipped via the specific carrier)	Directly from suppliers (for shipments in Poland); Average indicators based on indicators from carriers in Poland (for overseas shipments)
Scope 3, Category 10 - Processing of sold products			
LPP only sells finished products, it is not a distributor of semi-finished products requiring processing by the customer.			
Scope 3, Category 11 - Use of sold products			
Indirect electricity consumption during washing, drying and ironing of textile products purchased by the customer and direct electricity consumption by products powered from	Average-data	Baza sprzedanych produktów z podziałem na kraje (liczba sztuk produktów tekstylnych wraz z dołączonymi instrukcjami prania oraz liczba produktów zasilanych z gniazdek sieciowych)	33 for electricity in Poland; 38 for electricity in other countries;

Scope 3, Category 12 - End-of-life treatment of sold products

Type of product disposal at the end of its use by the customer	Average-data	Database of products sold (number of pcs)	32
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Scope 3, Category 13 - Downstream leased assets

LPP only leases premises for the security of LPP facilities (omitted due to minor significance)

Scope 3, Category 14 - Franchises

Electricity and heat consumption in the franchised stores	Location-based for electricity and average-data for heat	Telemetry system (for electricity), invoices for heat	38 for electricity; 32 for heat
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Scope 3, Category 15 - Investments

LPP has no equity investments outside the LPP Group.





6. RESULTS AND COMMENTARY

In 2024, we calculated our carbon footprint for the second time, taking into account all scopes and all categories defined according to the GHG Protocol. The total carbon footprint of the LPP Group for the reporting period 01.02.2023-31.01.2024 amounted to **2,792,181.84 t CO₂e**. Scope 1 emissions, which include direct emissions from fuel combustion and refrigerant consumption in the company's buildings and vehicles, amounted to **3,586.76 t CO₂e** and represented **0.13%** of the total CO₂e emissions. Scope 2 emissions, which include indirect emissions associated with the consumption of electricity purchased (for the market-based method) and heat in LPP buildings, amounted to **1,723.80 t CO₂e**, accounting for **0.06%** of total CO₂e emissions. Scope 2

emissions calculated using the location-based method amounted to **10,812.30 t CO₂e**. Indirect emissions included in scope 3, related to the production and distribution of purchased goods, delivery to the customer, the customer's use and disposal of goods sold and the operation of the entire company in scopes other than those described in scopes 1 and 2 had the highest contribution to LPP's total carbon footprint. These emissions amounted to **2,786, 871.28 t Co₂e** and accounted for 99.81% of total CO₂e emissions (Table 3).

In Scope 3, emissions related to purchased goods and services (category 1) accounted for the highest share of emissions – **68.14%**. This is followed by emissions resulting from the use by customers of the products sold to them (category 11) – **8.17%** and emissions

resulting from the transport and distribution of the ordered goods from the supplier to LPP units and between them (category 4) – **6.93%** (Table 3, Figure 1).

In the reporting period, LPP purchased a total of **621,727,218 items** of goods. Converting the emissions per pcs of goods purchased yields a value of **4.49 kg CO₂e/pcs**.

Sales revenue for the financial year 2023 amounted to PLN 17,406,200,000. Converting emissions into revenue yields a value of **160.41 t CO₂e/M PLN** (Table 4).

The largest share of total GHG emissions was recorded for emissions related to the production of materials (**36.87%**) and the acquisition of raw materials for the production of the goods (**17.37%**) (Figure 2). Emis-

sions related to purchased goods, including their production and transport, accounted for **71.98%** of total emissions, i.e. more than half of the LPP Group's emissions (Figure 3). Emissions related to production processes accounted for a total of **65.05%** and emissions related to the transport of purchased goods accounted for **6.93%** of total emissions (Figure 4). Emissions related to products sold, i.e. generated by the customer, accounted for **11.50%** of the LPP Group's total emissions (Figure 3), with the largest part, **8.17%** of total emissions related to the customer's use of the product (Figure 5). Emissions related to the company's operations, comprising scopes 1 and 2 and some scope 3 categories, accounted for **16.52%** of the LPP Group's total emissions (Figure 3).

Table 3. Carbon footprint of the LPP Group in the 2023 financial by emission scopes and categories together with the percentage of emission ranges and categories in the total carbon footprint. Comparison with 2021 and 2022 financial year

	2021		2022		2023		YoY change
	t CO ₂ e	%*	t CO ₂ e	%*	t CO ₂ e	% of total	%
Scope 1	4,420.67	0.15%	13,762.35	0.52%	3,586.76	0.13%	-73.94%
Scope 2	10,267.11	0.36%	7,827.65	0.30%	1,723.80	0.06%	-77.98%
Scope 3	2,865,952.62	99.49%	2,460,049.67	99.18%	2,786,871.28	99.81%	+13.29%
Cat. 1 Goods and services purchased	1,892,769.20	66.04%	1,605,129.29	64.82%	1,902,729.39	68.14%	+18.54%
Cat. 2 Investment assets	197,454.69	6.89%	198,798.33	7.55%	182,852.12	6.55%	-8.02%



	2021		2022		2023		YoY change
	t CO ₂ e	%*	t CO ₂ e	%*	t CO ₂ e	% of total	%
Cat. 3 Energy and fuel consumption-related emissions (not included in Scope 1 and 2)	3,555.63	0.12%	5,777.88	0.22%	1,179.38	0.04%	-79.59%
Cat. 4 Transport and distribution of purchased products	157,610.94	5.50%	132,480.70	6.70%	193,459.06	6.93%	+46.03%
Cat. 5 Waste generated during operations	385.10	0.01%	400.13	0.02%	470.72	0.02%	+17.64%
Cat. 6 Business travel	2,390.09	0.08%	3,062.98	0.12%	4,146.30	0.15%	+35.37%
Cat. 7 Transport of employees to work	16,319.17	0.57%	16,891.80	0.64%	24,793.64	0.89%	+46.78%
Cat. 8 Assets leased	388,443.36	13.55%	250,730.09	10.56%	163,847.22	5.87%	-34.65%
Cat. 9 Transport and distribution of products sold	26,212.33	0.91%	28,959.62	1.10%	28,087.24	1.01%	-3.01%
Cat. 10 Processing of products sold	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00%
Cat. 11 Use of products sold	146,559.20	5.11%	171,358.99	6.51%	228,058.33	8.17%	+33.09%
Cat. 12 Disposal of products sold	32,969.36	1.15%	45,179.33	1.72%	56,501.41	2.02%	+25.06%
Cat. 13 Assets under lease	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00%
Cat. 14 Franchises	1,283.55	0.04%	1,280.54	0.05%	746.47	0.03%	-41.71%
Cat. 15 Investments	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00%
TOTAL Scope 1+2+3	2,880,640.39		2,481,639.67		2,792,181.84		+12.51%

Table 4. Emission intensity per item of goods purchased and per unit of revenue for the financial year 2023. Comparison with 2021 and 2022 financial year

	2021		2022		Emission volume	YoY change
					2023	%
Total emissions	2,880,640.39 t CO ₂ e		2,481,639.67 t CO ₂ e		2,792,181.84 t CO ₂ e	+12.51%
Emission per item ordered	4.97 kg CO ₂ e/item		5.28 kg CO ₂ e/item		4.49 kg CO ₂ e/item	-14.88%
Emissions per unit of revenue	202.65 t CO ₂ e/M PLN		155.81 t CO ₂ e/M PLN		160.41 t CO ₂ e/M PLN	+2.95%



Table 5. Scope 1: emissions by source type for the 2023 financial year. Comparison with 2021 and 2022 financial year

	2021		2022		2023		YoY change
	t CO ₂ e	%	t CO ₂ e	%	t CO ₂ e	%	%
Scope 1	4,420.67	100%	13,762.35	100%	3,586.76		-73.94%
Direct emissions from stationary combustion	2,100.87	47.52%	12,064.43	87.66%	1.72	0.05%	-99.99%
Direct emissions from mobile combustion	1,848.43	41.81%	1,697.92	12.34%	3,481.80	97.07%	105.06%
Direct emissions from refrigerants	471.36	10.66%	0.00	0.00%	103.24	2.88%	100.00%

Table 6. Scope 1: detailed breakdown of emissions for the 2023 financial year. Comparison with 2021 and 2022 financial year

	2021		2022		2023		YoY change
	t CO ₂ e	%	t CO ₂ e	%	t CO ₂ e	%	%
Scope 1	4,420.67	100%	13,762.35	100%	3,586.76		-73.94%
Petrol	726.58	16.44%	1,022.94	7.43%	1,379.38	38.46%	34.84%
Diesel oil	1,121.85	25.38%	674.98	4.90%	362.85	10.12%	-46.24%
Natural gas	2,100.87	47.52%	12,054.68	87.59%	3.13	0.09%	100.00%
Heating oil	0.00	0.00%	9.75	9.74%	1 738.16	48.46%	-85.58%
Refrigerants	471.36	10.66%	0.00	0.00%	0.00	0.00%	-100.00%

Table 7. Scope 2: emissions by source type for the 2023 financial year. Comparison with 2021 and 2022 financial year

	2021		2022		2023		YoY change
	t CO ₂ e	%	t CO ₂ e	%	t CO ₂ e	%	%
Scope 2	10,267.11	100%	7,827.65	100%	1,723.80		-77.98%
Indirect emissions from purchased/acquired electricity	8,004.54	77.96%	7,134.51	91.14%	1,027.77	59.62%	-85.59%
Indirect emissions from purchased/acquired steam	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00%
Indirect emissions from purchased/acquired heat	2,262.57	22.04%	693.14	8.86%	696.02	40.38%	0.42%
Indirect emissions from purchased/acquired cold	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00%



Table 8. Scope 2: energy consumption from renewable and conventional sources for the 2023 financial year. Comparison with 2021 and 2022 financial year

	2021		2022		2023	
	kWh	%	kWh	%	kWh	%
Total electricity consumption	14,857,223.71		17,971,849.59		15,373, 930.18	
Consumption of electricity from renewable sources	0.00	0.00%	4,751,118.34	26.44%	13,345, 087.84	86.80%
Consumption of electricity from conventional sources	14,857,223.71	100%	13,220,731.25	73.56%	2,028,842.34	13.20%

Table 9. Scope 3: emissions by source type for the 2023 financial year. Comparison with 2021 and 2022 financial year

	2021		2022		2023		YoY change
	t CO ₂ e	%	t CO ₂ e	%	t CO ₂ e	%	%
Scope 3	2,865,952.63	99.49%	2,631,555.82	99.19%	2,786,871.28	99.81%	+13.29%
Extraction of raw materials	500,081.95	17.45%	396,993.35	15.09%	485,067.23	17.37%	+22.19%
Production of fabric	1,033,289.26	36.05%	872,780.51	33.17%	1,029,350.02	36.87%	+17.94%
Production of finished goods	205,330.27	7.16%	165,776.20	6.30%	212,552.48	7.61%	+28.22%
Emissions related to purchased goods calculated using the spend-based method	66,672.42	2.33%	58,794.87	2.23%	89,405.38	3.20%	+52.06%
Production of store bags	1,900.80	0.07%	2,476.20	0.09%	2,612.50	0.09%	+5.50%
Production of e-commerce packaging	5,240.16	0.18%	7,698.92	0.29%	5,709.67	0.20%	-25.84%
Other purchased services	80,254.35	2.80%	201,218.49	7.65%	78,032.11	2.79%	-22.44%
Investment assets	197,454.69	6.89%	198,798.33	7.55%	182,852.12	6.55%	-8.02%
WTT emissions of energy and fuels	47,558.37	1.66%	38,632.71	1.47%	13,253.26	0.47%	-61.78%
Supplier-LPP warehouse transport	121,701.08	4.25%	112,418.99	4.27%	173,416.76	6.21%	+54.26%
Transportation within LPP (between warehouses and stores)	35,909.85	1.25%	63,779.82	2.42%	20,042.30	0.72%	-0.10%
Waste generated during operations	385.10	0.01%	400.13	0.02%	470.72	0.02%	+17.64%
Business travel	2,390.09	0.08%	3,062.98	0.12%	4,146.30	0.15%	+35.37%



	2021		2022		2023		YoY change
	t CO ₂ e	%	t CO ₂ e	%	t CO ₂ e	%	%
Transport of employees to work	16,319.17	0.57%	16,891.80	0.64%	24,793.64	0.89%	+46.78%
Store rental (including franchising)	289,365.02	10.10%	215,486.87	8.19%	147,292.39	5.28%	-31.65%
Warehouse rental	55,362.91	1.93%	28,765.20	1.09%	4,911.41	0.18%	-11.39%
Office rental	996.24	0.03%	2,082.52	0.08%	316.02	0.01%	-84.83%
Transport and distribution of sold products to the customer (e-commerce transport)	26,212.33	0.91%	28,959.62	1.10%	28,087.24	1.01%	-3.01%
Use of sold products by the customer	146,559.20	5.11%	171,358.99	6.51%	228,058.33	8.17%	+33.09%
Disposal of sold products by the customer	32,969.36	1.15%	45,179.33	1.72%	56,501.41	2.02%	+25.06%

Table 10. Emission intensities for financial year 2023. Comparison with 2021 and 2022 financial year.

	2021		2022		2023	YoY change
						%
Emissions from raw material acquisition per kilogram of raw material used	3.63 kg CO ₂ e		3.41 kg CO ₂ e		3.42 kg CO ₂ e	+0.18%
Emissions from supplier-LPP transport per tonne of goods transported from the supplier to LPP	0.85 t CO ₂ e		0.80 t CO ₂ e		1.04 t CO ₂ e	+30.81%
Emissions from the operation of stores per m ² of floorspace	0.21 t CO ₂ e		0.12 t CO ₂ e		0.07 t CO ₂ e	-40.49%
Emissions from use per unit of goods sold	0.99 kg CO ₂ e		0.44 kg CO ₂ e		0.46 kg CO ₂ e	+3.24%



Figure 1. Comparison of Scope 3 emissions by category (2023 financial year)

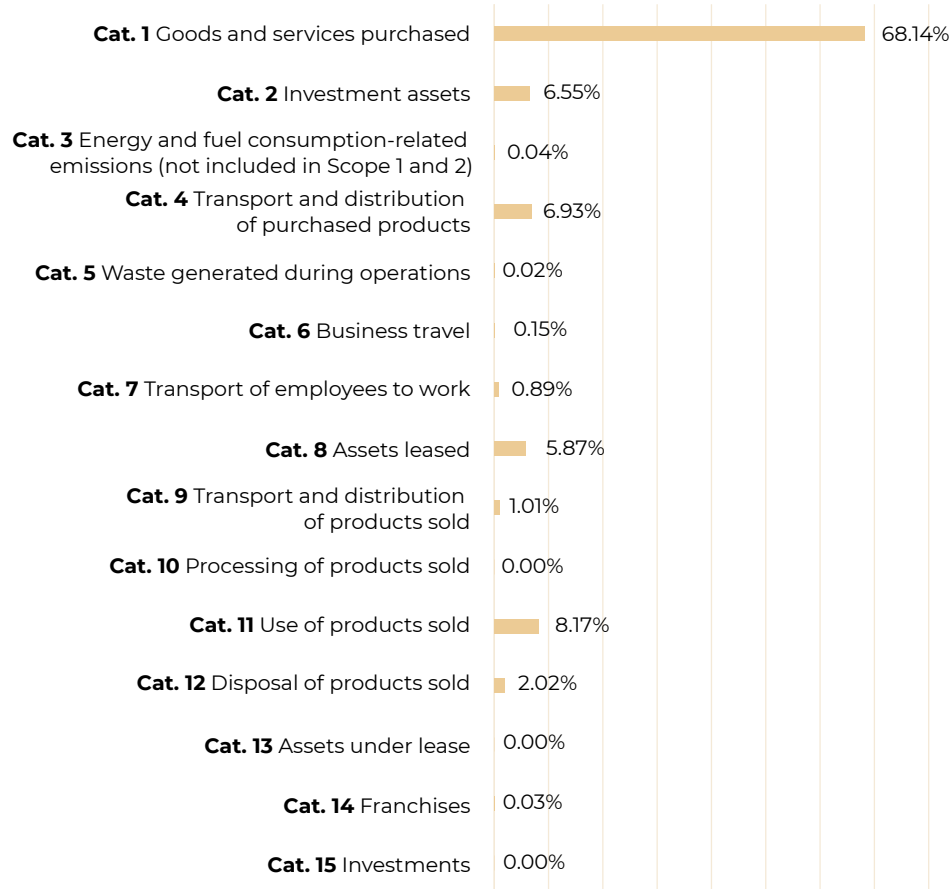
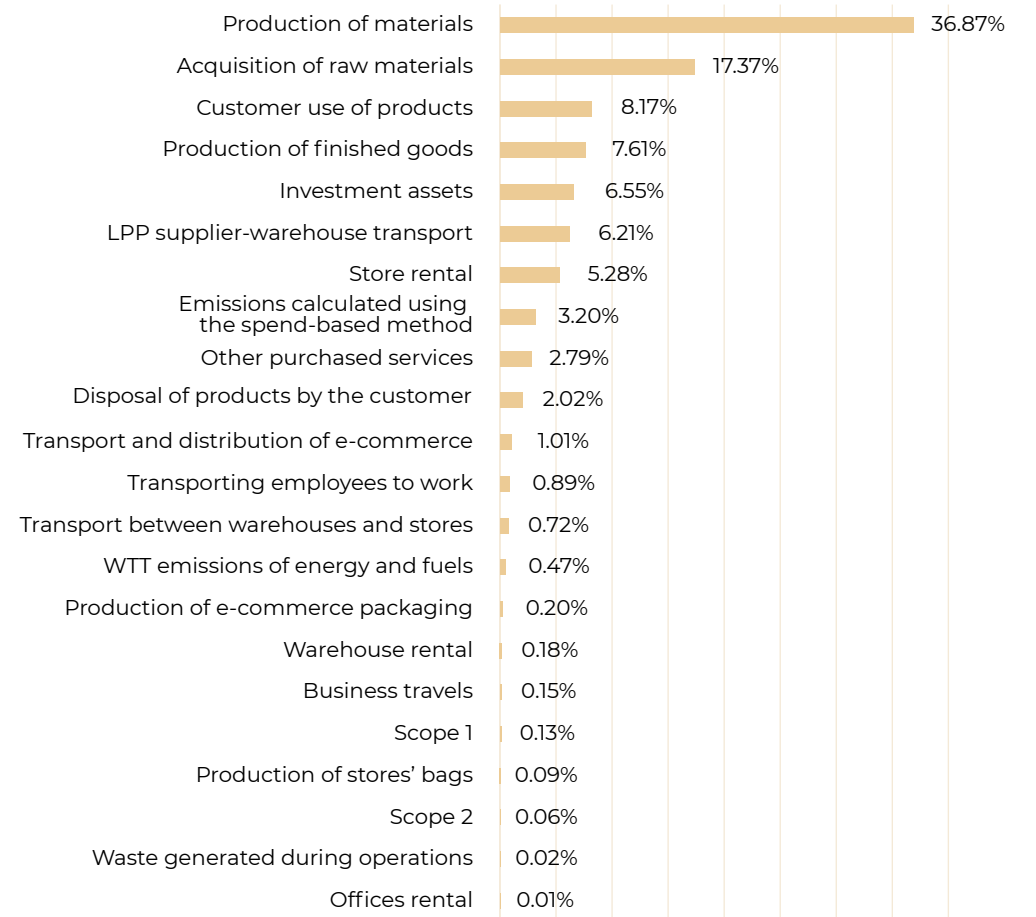


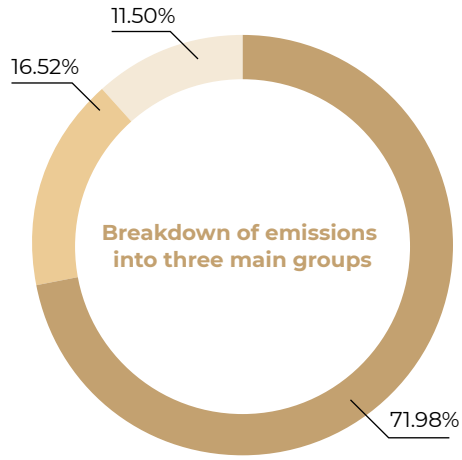
Figure 2. Comparison of key issues for the 2023 financial year



Total emissions: 2,792,181.84 t CO₂e



Figure 3. Detailed breakdown of emissions into three main groups



Total emissions: 2,792,181.84 t CO₂e

- Goods purchased
- Company operations
- Product sold

Figure 4. Detailed breakdown of emissions related to purchased goods (compared to total emissions)

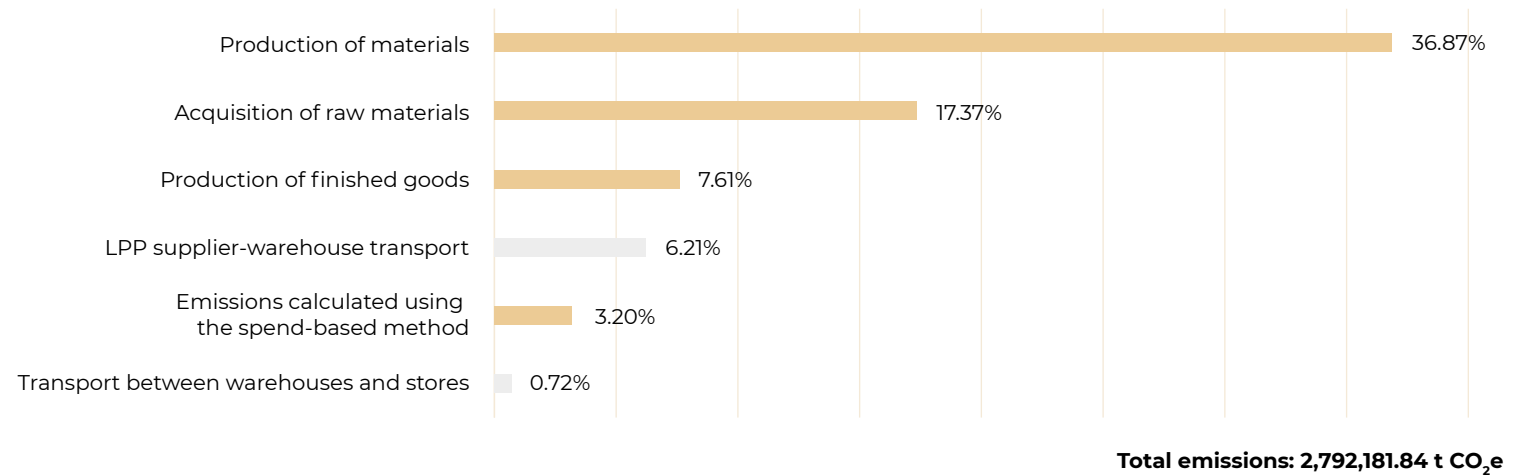
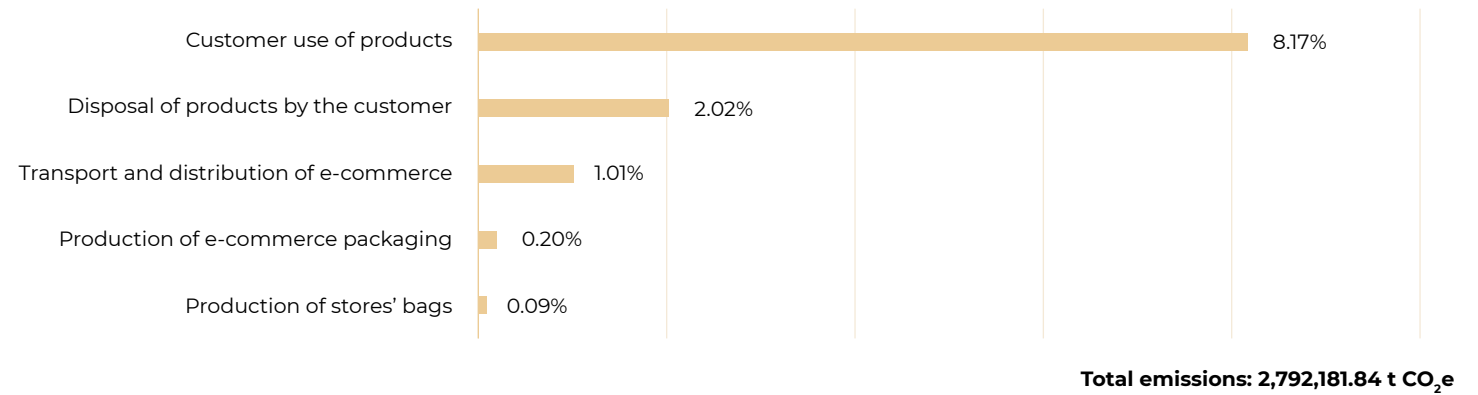


Figure 5. Detailed breakdown of emissions related to product sold (compared to total emissions)





7. COMPARISON OF THE RESULTS: 2023 VS. 2022

In the financial year 2023, we once again calculated emissions in all scopes and all Scope 3 categories in accordance with the GHG Protocol methodology. This allows us to see real progress each year in the effects resulting from the LPP Group's ongoing decarbonisation efforts.

The calculations for 2022 were corrected. The correction was made in the emission values calculated for category 1 (double-counting occurred), category 4 (one of the emission factors was incorrectly assumed) and category 8 (energy consumption units were incorrectly converted).

In Scope 1, we see a decrease in emissions of as much as 73.94% compared to the financial year 2022. Last year, the significant increase in emissions in this scope compared to the base year of 2021 was due to the start-up of a new distribution center in Brześć Kujawski and the use of natural gas to heat the newly constructed building. This year, there was no need for such intensive reheating, and therefore natural gas consumption decreased (Table 2).

In scope 2, we achieved a **77.98%** decrease in emissions, which is related to the continued use of wind electricity in our offices and warehouses and the commissioning of photovoltaic panels on the roof of the warehouse in Brześć Kujawski. As of 2021, the use of renewable electricity in LPP's own

offices and warehouses increased from 0%, through 26.44% in 2022, to 86.80% in 2023 (Table 2 and Table 7).

In Scope 3, in categories related to purchased goods, we see an increase in emissions, both in production processes and transport. This is due to an increase in the number of ordered pieces of goods for sale, and consequently the amount of raw materials needed for production processes. Despite the significant increase in the amount of procured raw materials required to produce goods, we have seen an increase in emissions from procuring raw materials per kilogram of raw material consumed by only 0.18% (Table 9). We achieved this by continuing to increase the use of preferred raw materials with a lower carbon footprint in our collections. In 2023, the amount of Cotton made in Africa used has particularly increased - by as much as about 330% (CmiA's raw material sourcing factor is 34.6% lower than the emission factor for conventional cotton sourcing).

In Scope 3, we also observed a **40.49%** decrease in emissions resulting from the operation of our stores, per square meter of floor space (Table 9). We achieved this by continuing to introduce a telemetry system into our stores. At the end of January 2024, about 75% of the stores already had a telemetry system installed, and every newly opened store is equipped with one by default. The monitoring of electricity consumption, which is the main task of telemetry, makes it possible to successi-

vely introduce measures to save energy consumption and thus reduce the carbon footprint generated. Examples of such measures include adjusting lighting schedules in stores and remote management of working time of electronic devices.

8. IMPLEMENTATION OF SBTi DECARBONISATION TARGETS

In July 2023, our decarbonisation targets were officially approved by Science Based Targets (SBTi). In accordance with them, we have undertaken to:

1. reduce greenhouse gas emissions in scope 1 and 2 by **42%** by 2030 compared to the base year 2021,
2. Reduce scope 3 GHG emissions of cat. 1 Purchased goods and services by **51,6%** per unit by 2030 from a 2021 base year engaged
3. business partners responsible for **21%** of emissions in scope 3 categories 4 and 8 to set their own reduction targets by 2027.

In 2023, we have already achieved the target in scopes 1 and 2 in absolute terms, reducing emissions by **63.84%** compared to the base year of 2021. We achieved this by using wind energy in our offices and warehouses (Table 10).

We reduced emissions per unit of purchased goods resulting from the purchase of goods and services included in scope 3 category 1 by **6.12%**, which confirms that

our decarbonisation efforts undertaken in categories related to production processes are effective.

We have also already met the goal of engaging our business partners responsible for category 4 and 8 emissions to set of their own SBTi-compliant emission reduction targets - already **46.80%** of these emissions come from partners with such targets. Over the past year, we held a number of discussions and consultations with our business partners, in particular with the owners of the floorspace we lease for the operation of our stores. We can see that representatives of various industries are increasingly active in efforts to reduce greenhouse gas emissions, and most of these activities require the involvement of both parties. Such discussions are a good opportunity to share best practices and develop a common path to achieve the often different, industry-specific decarbonisation targets.



Table 11. Progress in achieving SBTi targets

	Base year 2021			2022		2023
	KPI	KPI	% of target achievement	KPI	% of target achievement	
1. ABSOLUTE target for scope 1 and 2	14,687.78 t CO ₂ e	21,589.99 t CO ₂ e	+46.99%	5,310.56 t CO ₂ e		-63.84%
2. INTENSITY target for category 1 of scope 3	3.11 kg CO ₂ /piece	3.18 CO ₂ /piece	+2.10%	2.92 CO ₂ /p.		-6.12%
3 SUPPLIER ENGAGEMENT target for scope 3 categories 4 and 8 (% of emissions from business partners with SBTi compliant targets)		14.00%		26.93%		46.80%

9. SOURCES

³⁰The GHG Protocol Corporate Accounting and Reporting Standard. World Resources Institute and World Business Council for Sustainable Development, March 2004

³¹GHG Protocol Scope 2 Guidance. An amendment to the GHG Protocol Corporate Standard. World Resources Institute 2015

³²Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Supplement to the GHG Protocol Corporate Accounting and Reporting Standard. World Resources Institute and World Business Council for Sustainable Development, September 2011

³³UK Government GHG Conversion Factors for Company Reporting. Department for Business, Energy & Industrial Strategy, Department for Environment Food & Rural Affairs, version 1.1, 2023

³⁴CO₂, SO₂, NO_x, CO and total dust emission indicators for electricity based on information contained in the National Database on emissions of greenhouse gases and other substances for 2022. KOBIZE National Database Management Team, December 2023

³⁵Higg MSI Methodology and Data Version 3.7, <https://app.worldly.io/>, last update: December 2023, accessed: January 2024

³⁶Quantis, <https://quantis-suite.com/Scope-3-Evaluator/>; date of last update: February 2021

³⁷Higg PM Version 1.0, <https://app.worldly.io/>, accessed: January 2024

³⁸2022 Global Ocean Container Greenhouse Gas Emission Intensities. Clean Cargo, June 2023

³⁹2022 Grid Electricity Emissions Factors v0.1 – February 2023

⁴⁰<https://exergy.pl/2023/09/22/franking-sladu-weglo-wego-energii-elektrycznej-2023/>

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Taxonomy



EU TAXONOMY

Undertakings meeting the criteria set out in Art. 19a or 29a of the Directive 2013/34/EU must make disclosures specified in the EU Taxonomy and delegated acts, i.e. delegated regulations of the Commission (EU): 2021/2139, 2021/2178, 2022/1214, 2023/2485 and 2023/2486. The LPP Group is subject to obligations stipulated in the Directive, prepares its non-financial reporting, and is obliged to present Taxonomy disclosures for the financial year 2023.

Given the above Regulations, the LPP Group decided to disclose the percentage share of its Taxonomy-aligned, Taxonomy-eligible and Taxonomy-non-eligible economic activity in total turnover (revenues), capital expenditure (CapEx) and operating expenses (OpEx). Apart from the above key indicators, the LPP Group publishes its methodology and qualitative information.

The delegated acts referred hereinabove, which provide for requirements for technical screening criteria and the “do no significant harm” rule, include, for the first time, all six environmental objectives. However, pursuant to the regulatory obligation, disclosures concerning the first two environmental objectives, i.e. climate change mitigation and climate change adaptation,

include information on Taxonomy-eligible activities and Taxonomy-aligned activities. In turn, disclosures related to activities specified in other four environmental objectives must only include information concerning Taxonomy-eligible activities. Along with the development of the EU Taxonomy in future years, the LPP Group's disclosures will be adequately updated and adjusted to new legal acts.

ASSESSMENT OF COMPLIANCE WITH THE REGULATION 2020/852

To make disclosures and calculate key performance indicators, the LPP Group assessed its activities in terms of Taxonomy-eligibility and Taxonomy-alignment.

At stage one, the LPP Group identified Taxonomy-eligible activities. Similarly to the previous year, it analysed all types of activities described in the delegated acts to the EU Taxonomy in terms of revenues, capital expenditure (CapEx) and operating expenses (OpEx) of the LPP Group. To identify its turnover, CapEx and OpEx coming from eligible activities, it used descriptions of types of economic activities set out in the Delegated Regulation 2021/2139⁴¹, Delegated Regulation 2022/1214⁴² and Delegated Regulations 2023/2485 and 2023/2486⁴³.

Please note that the LPP Group did not identify any new activities on the basis of the Delegated Regulations 2023/2485 and 2023/2486.

At stage two, the identified Taxonomy-eligible activities under key performance indicators of turnover, CapEx and OpEx, were assessed for compliance with technical screening criteria, the “do no significant harm” rule, as well as minimum safeguard requirements. Both in terms of eligibility assessment and alignment assessment, the analysis was conducted separately for each item of key performance indicators of turnover, CapEx and OpEx in all LPP Group companies and made sure that all revenues, capital expenditure and operating expenses were included in the calculations no more than once.

Activities that were identified by the LPP Group as Taxonomy-aligned were adjusted and contribute significantly solely to one environmental objective, i.e. climate change mitigation. In addition, the activities reported by the LPP Group do not contribute to the achievement of several environmental objectives at the same time.

ANALYSIS OF THE LPP'S GROUP ACTIVITIES IN TERMS OF ALIGNMENT WITH THE EU TAXONOMY

The LPP Group's main activity relates to the retail trade sector and the sale of clothes, footwear and textile articles. Please note that such an activity was not included in the list of activities specified in the EU Taxonomy and delegated acts. This does not mean, however, that the LPP Group's activities cannot be recognised as environmentally sustainable. They were only not subject to a relevant assessment in terms of their eligibility for the EU Taxonomy. The EU Taxonomy will be subject to regular revisions, which in future may provide for a separate category and detailed technical screening criteria for activities related to the retail trade and sale of clothes. At present, the LPP Group has disclosed other activities in terms of key performance indicators related to its capital expenditure and operating expenses, which are included in the EU Taxonomy and delegated acts.

The department handling ESG issues and relevant business departments connected with the reported activities are responsible for collecting and assessing the data in order to identify activities that are Taxonomy-eligible and Taxonomy-aligned. Final data calculation and aggregation was performed by the LPP Group's Controlling Department. The whole process was supervised by the LPP Group's sustainable development team.

⁴¹Delegated regulation establishing technical screening criteria for climate change mitigation and climate change adaptation.

⁴²Delegated regulation establishing technical screening criteria for nuclear and fossil gas related activities.

⁴³Delegated Regulations establishing technical screening criteria for other four environmental objectives and new criteria for the existing two environmental objectives.



As part of the analysis of activities for Taxonomy-alignment, it is necessary to verify whether the requirements for technical screening criteria and the “do no significant harm” rule, including the assessment of and exposure to climate-related risks, are met. The LPP Group analysed its activities in terms of their substantial contribution to climate change mitigation. The risks were assessed in the context of twenty-eight physical climate-related hazards specified in Appendix A to the Delegated Regulation 2021/2139. At the first assessment stage, the list of climate-related hazards having an impact on the activity was prepared. Those hazards were defined as adequate. Hazards that do not exist in the location of the economic activity assessed in terms of Taxonomy alignment and hazards existing in that location however without impact on any of elements of the system enabling the activity in question were excluded as inadequate. At the second stage of the assessment of risks and exposure to risks, the significance of consequences of the occurrence of each adequate risk was defined for the economic activities. The identified risks were analysed at two time horizons, i.e. for 10 years and for 10 to 30 years, in accordance with the Delegated Regulation 2021/2139. As a result of the analysis, none of the risks was assessed as “high” (significant), most of risks were assessed as “low” and few as “medium”. Therefore, the LPP Group's activities and assets exposed to “high” (material) physical climate risk have not been identified.

Activities that have been recognized by the LPP Group as Taxonomy-aligned make a significant contribution to climate change mitigation. Therefore, the analysis of climate change risks and exposures was performed in accordance with the criteria set out in Appendix A to Annex I of Delegated Regulation 2021/2139.

MINIMUM SAFEGUARDS

In 2023, the LPP Group carried out its activities in compliance with the minimum safeguards laid down in Article 18 of the Regulation 2020/852 (EU Taxonomy). The compliance with those criteria was assessed on the basis of recommendations of the EU Platform on Sustainable Finance - Final Report on Minimum Safeguards.

The LPP Group's approach to due diligence processes is described in the “[Corporate Governance](#)” chapter, in particular under [Human and labour rights due diligence](#)”.

With regard to events that occurred after the balance sheet date in connection with the Hindenburg Research report published on 15 March 2024, please refer to the information in Chapter 7 - Approach to reporting. Currently, LPP SA is in the process of clarifying the circumstances of the said report and has taken steps to communicate with the market, banks and public supervision.

SUMMARY OF KEY PERFORMANCE INDICATORS OF THE LPP GROUP

Key performance indicators of turnover (turnover KPIs)

As the EU Taxonomy and delegated acts do not take into account the LPP Group's main activity related to the retail trade and sale of clothes, footwear and textile articles, the key performance indicator of turnover did not include any of Taxonomy-eligible or Taxonomy-aligned activities, similarly to the previous year.

Key performance indicators of investment expenditure (CapEx)

Taxonomy-alignment

Under capital expenditures, the LPP Group included in particular the following activities as Taxonomy-aligned:

- » 7.3. Installation, maintenance and repair of energy efficiency equipment (HVAC and lighting), i.e. PLN 47.9M in total paid for air-conditioning hubs and energy saving LED lighting (sources, fittings, wiring) that are in the highest two populated classes of energy efficiency in accordance with technical screening criteria (property, plant and equipment recognised in the books of accounts in the light of IAS 16 Property, Plant and Equipment);
- » 7.5. Installation, maintenance and repair of instruments and devices for

measuring, regulation and controlling energy performance of buildings, i.e. PLN 2M in total paid for telemetry at stores and buildings (as above, these are also assets recognized in accordance with IAS 16 Property, Plant and Equipment).

Regulations imposing obligations on companies in the field of Taxonomy are new regulations, to which comments are periodically made by the EU regulator. Thanks to the LPP Group's growing experience in this area and the market practice and interpretations that are constantly developing, the LPP Group has identified an additional activity, which is the above-mentioned activity 7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings, which was not reported in the previous years, and has been found to be Taxonomy-aligned.

Taxonomy-eligibility but not Taxonomy-alignment

Capital expenditure that is Taxonomy-eligible and is not Taxonomy-aligned includes:

- » 6.5. Transport by motorbikes, passenger cars and light commercial vehicles: at the LPP Group, this category includes expenditure for motor vehicles (PLN 5.2M total);
- » 7.1. Construction of new buildings: at the LPP Group, this category includes expenditure paid for a construction project connected with the construction



of a non-residential building (PLN 54.4M in total);

- » 8.1. Data processing, hosting and related activities: at the LPP Group, this category includes expenditure for IT hardware (PLN 2.6M in total).

Key performance indicators related to operating expenditure (OpEx)

Taxonomy-alignment

The LPP Group did not identify Taxonomy-aligned operating expenses in its disclosures for 2023.

Taxonomy-eligibility but not Taxonomy-alignment

The LPP Group recognises as Taxonomy-eligible, but not Taxonomy-aligned:

- » activity 6.5 Transport by motorbikes, passenger cars and light commercial vehicles: these are operating expenses for the maintenance of the LPP Group's motor vehicles (PLN 3.4M in total); no significant changes in relation to previous year;
- » 7.3. Installation, maintenance and repair of energy efficiency equipment, including operating expenses paid for the maintenance, service and replacement of energy saving LED lighting of PLN 3.4M in total (also with no significant changes in relation to previous year);
- » 8.1. Data processing, hosting and related activities: this category includes expenses for wages of employees responsible for the maintenance of IT hardware (PLN 5.2M in total). It should be added that

compared to last year, the amount has decreased (and the percentage share in the denominator has also decreased) due to the fact that the number of people in the IT Maintenance Division has been reduced.

Accounting principles

To adequately report key performance indicators, including: the percentage share of economy activity that is Taxonomy-aligned, Taxonomy-eligible but is not Taxonomy-aligned and is Taxonomy-non-eligible in the LPP Group's total turnover, capital expenditure (CapEx) and operating expenses (OpEx), the the LPP Group identified individual categories based on data coming from the LPP Group's financial and accounting systems (books of accounts of LPP Group subsidiaries are mainly kept by the use of the SAP computer system, which guarantees the reliability of information processed therein). The accounting policy takes into account principles set out in the International Accounting Standards and the International Financial Reporting Standards (IAS/IFRS), as well as related interpretations published in the form of the implementing regulations of the European Commission. The Regulation 2021/2178 that lays down key performance indicators within the meaning of the EU Taxonomy refers to those regulations in terms of the selection of figures. That is why the LPP Group was able to identify precisely particular amounts that were necessary for its purposes:

Key performance indicators related to turnover (turnover KPIs)

The percentage share of turnover was calculated as part of net sales of products or services, including intangible assets related to the Taxonomy-aligned economic activity, divided by net sales in accordance with Section 82(a) of IAS 1. These revenues are presented in the consolidated statement of comprehensive income and in Note 9.1 to the consolidated financial statements.

Key performance indicators related to capital expenditure (CapEx)

The percentage share of capital expenditure was calculated by dividing capital expenditure for assets or processes related to the Taxonomy-aligned economic activity, being a part of the plan aimed at expanding the Taxonomy-aligned economic activity or enabling to align the Taxonomy-eligible economic activity to the Taxonomy, or related to the purchase of products from the Taxonomy-aligned economic activity and individual means enabling the target activity to become low-emission activity or reduce greenhouse gas emissions through capital expenditures defined in the IFRS, which are recognised on the basis of:

- a) IAS 16 Property, Plant and Equipment, Section 73(e)(i) and 73(e)(iii);
- b) IAS 38 Intangible assets, Section 118(e)(i);
- c) IFRS 16 Leases, Section 53(h).

Capital expenditures are expenditures recognised in the consolidated financial statements, Note 14 (Property, plant and

equipment; the sum of Purchase, excluding the amount of advances for fixed assets paid in the financial year and not settled by the end of the year, that amounts to PLN 5.4M), Note 15 (Leases; the sum of Acquisitions (new leases) and Changes in lease agreements (at a part corresponding to increases in right-of-use assets), and Note 16 (Intangible assets; the sum of Purchase and Other acquisitions).

Key performance indicators related to operating expenditure (OpEx)

The percentage share of operating expenses was calculated by dividing direct non-capitalised expenses for assets or processes related to the Taxonomy-aligned economic activity, being a part of the plan concerning capital expenditure aimed at expanding the Taxonomy-aligned economic activity or enabling to align the Taxonomy-eligible economic activity to the Taxonomy, or related to the purchase of products from the Taxonomy-aligned economic activity and individual means enabling the target activity to become low-emission activity or reduce greenhouse gas emissions through capital expenditures, by summing expenses defined in the Taxonomy as operating expenses.

This category (the denominator of the indicator) includes in particular:

- » cleaning services, in particular at stores and logistics facilities;
- » current repairs of property, plant and equipment;



- » wages of workers responsible for the maintenance of IT hardware in good working order (service desk) and plant and machinery;
- » the maintenance of car fleet;
- » electrical fittings.

The most important category of operating expenses in the group of “other expenses connected with the current maintenance of property, plant and equipment” includes cleaning services, in particular at stores and logistics facilities (as mentioned above), and property protection services (both items are only included in the denominator of the indicator).

Comparison of the approach to the Taxonomy disclosures for 2022 and 2023

On 20 October 2023, the European Commission published guidance on the assessment of technical screening criteria for activity 7.3. (Installation, maintenance and repair of energy efficiency equipment that makes a significant contribution to the climate change mitigation goal). They indicate that individual means and equipment belonging to the two highest populated energy classes available on the market may be considered to be Taxonomy-aligned. For this reason, in this year's disclosure, the LPP Group changed the understanding of the alignment assessment compared to the 2022 disclosure and considered all capital expenditures on energy-efficient LED lighting (sources, fixtures, cables) to be Taxonomy-aligned.





KEY PERFORMANCE INDICATORS RELATED TO TURNOVER (TURNOVER KPIS)

Financial Year 2023	Year		Substantial contribution criteria							DNSH criteria ("do no significant harm")							Enabling activity (19)	Transition activity (20)		
	Economic activity (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems(10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystems(16)			Minimum safeguards (17)	Share of Taxonomy-aligned activities (A.1) or Taxonomy-eligible activity (A.2) Turnover, year N-1 (18)
		PLN million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITY																				
A.1 Types of environmentally sustainable (Taxonomy-aligned) activity																				
N/A	N/A	0	0.00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0.00%	-	-
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N	N	N	N	N	N	N	0.00%		
	Including enabling activity	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N	N	N	N	N	N	N	0.00%	E	
	Including transition activity	0	0.00%	0.00%							N	N	N	N	N	N	N	0.00%		T
A.2. Taxonomy-eligible but not environmentally sustainable activity (not Taxonomy-aligned activity)																				
N/A	N/A	0	0.00%	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL								0.00%		
Turnover of Taxonomy-eligible but not environmentally sustainable activity (not Taxonomy-aligned activity) (A.2)		0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%								0.00%		
A. Turnover of Taxonomy-eligible activity (A.1+A.2)		0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%								0.00%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITY																				
Turnover of Taxonomy-non-eligible activity		17,406.2	100.00%																	
TOTAL		17,406.2	100.00%																	



KEY PERFORMANCE INDICATORS RELATED TO CAPITAL EXPENDITURE (CAPEX) (CAPEX-RELATED KPIS)

Financial Year 2023	Year			Substantial contribution criteria						DNSH criteria („do no significant harm“)						Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx (A.1) or Taxonomy-eligible proportion of CapEx (A.2) CapEx, year N-1 (18)	Enabling activity (19)	Transition activity (20)
	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems(10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystems (16)				
Economic activities (1)		PLN million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITY																			
A.1 Types of environmentally sustainable (Taxonomy-aligned) activity																			
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3. / CCA 7.3.	47.9	1.76%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.16%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM. 7.5. / CCA 7.5.	2.0	0.07%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.00%		
CapEx of environmentally sustainable activity (Taxonomy-aligned) (A.1)		49.9	1.83%	1.83%	0.00%	0.00%	0.00%	0.00%	0.00%	Y	Y	Y	Y	Y	Y	Y	0.16%		
	Including enabling activity	49.9	1.83%	1.83%	0.00%	0.00%	0.00%	0.00%	0.00%	Y	Y	Y	Y	Y	Y	Y	0.16%	E	
	Including transition activity	0	0.00%	0.00%						Y	Y	Y	Y	Y	Y	Y	0.00%		T
A.2. Taxonomy-eligible but not environmentally sustainable activity (not Taxonomy-aligned activity)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5. / CCA 6.5.	5.2	0.19%	EL	EL	N/EL	N/EL	N/EL	N/EL								0.14%		
Construction of new buildings	CCM 7.1. / CCA 7.1. / CE 3.1.	54.4	2.00%	EL	EL	N/EL	N/EL	EL	N/EL								1.42%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3. / CCA 7.3.	0	0.00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.52%		
Data processing, hosting and related activities	CCM 8.1. / CCA 8.1.	2.6	0.10%	EL	EL	N/EL	N/EL	N/EL	N/EL								0.47%		
CapEx of Taxonomy-eligible but not environmentally sustainable activity (not Taxonomy-aligned activity) (A.2)		62.2	2.29%	2.29%	0.00%	0.00%	0.00%	0.00%	0.00%								2.55%		
A. CapEx of Taxonomy-eligible activity (A.1+A.2)		112.1	4.12%	4.12%	0.00%	0.00%	0.00%	0.00%	0.00%								2.71%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITY																			
CapEx of Taxonomy-non-eligible activity		2,603.9	95.88%																
TOTAL		2,716.0	100.00%																



KEY PERFORMANCE INDICATORS RELATED TO OPERATING EXPENDITURE (OPEX) (OPEX-RELATED KPIS)

Financial Year 2023	Year			Substantial contribution criteria						DNSH criteria („do no significant harm“)						Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx (A.1) or Taxonomy-eligible proportion of CapEx (A.2) OpEx, year N+1 (18)	Enabling activity (19)	Transition activity (20)
	Code(s) (2)	OpEx (3)	Proportion of OpEx, year N (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems(10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystems (16)				
Economic activities (1)		PLN million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITY																			
A.1 Types of environmentally sustainable (Taxonomy-aligned) activity																			
N/A	N/A	0	0.00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0.00%	-	-
OpEx of environmentally sustainable activity (Taxonomy-aligned) (A.1)		0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N	N	N	N	N	N	N	0.00%		
Including enabling activity		0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N	N	N	N	N	N	N	0.00%	E	
Including transition activity		0	0.00%	0.00%						N	N	N	N	N	N	N	0.00%		T
A.2. Taxonomy-eligible but not environmentally sustainable activity (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5. / CCA 6.5.	3.4	1.94%	EL	EL	N/EL	N/EL	N/EL	N/EL								1.76%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3. / CCA 7.3.	3.4	1.94%	EL	EL	N/EL	N/EL	N/EL	N/EL								1.85%		
Data processing, hosting and related activities	CCM 8.1./ CCA 8.1.	5.2	2.97%	EL	EL	N/EL	N/EL	N/EL	N/EL								4.07%		
OpEx of Taxonomy-eligible but not environmentally sustainable activity (not Taxonomy-aligned activity) (A.2)		12.0	6.85%	6.85%	0.00%	0.00%	0.00%	0.00%	0.00%								7.68%		
A. OpEx of Taxonomy-eligible activity (A.1+A.2)		12.0	6.85%	6.85%	0.00%	0.00%	0.00%	0.00%	0.00%								7.68%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITY																			
OpEx of Taxonomy-non-eligible activity		163.3	93.15%																
TOTAL		175.3	100.00%																



The legend of used abbreviations in tables above:

- The Code (Column 2) constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.: — Climate Change Mitigation (CCM); Climate Change Adaptation (CCA); Water and Marine Resources (WTR); Circular Economy (CE); Pollution Prevention and Control (PPC); Biodiversity and ecosystems (BIO);
- Y (Columns 5-10) – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective;
- N (Columns 5-10) – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective;
- EL (Columns 5-10) – Taxonomy-eligible activity for the relevant objective;
- N/EL (Columns 5-10) – Not eligible, Ta-

- xonomy-non-eligible activity for the relevant environmental objective;
- N/A – not available;
- Y/N (Columns 11-17) – a YES/NO answer regarding not doing significant harm or fulfilling minimum safeguards (Y/N to be chosen);
- E (Column 19) – the designation of the economic activity identified in Delegated Regulation 2021/2139 as enabling;
- T (Column 20) – the designation of the economic activity identified in Delegated Regulation 2021/2139 as transitional.

Proportion of CapEx/ Total CapEx		
Objective	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	1.83%	4.12%
CCA	0.00%	0.00%
WTR	0.00%	0.00%
CE	0.00%	0.00%
PPC	0.00%	0.00%
BIO	0.00%	0.00%

Proportion of OpEx/ Total OpEx		
Objective	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.00%	6.85%
CCA	0.00%	0.00%
WTR	0.00%	0.00%
CE	0.00%	0.00%
PPC	0.00%	0.00%
BIO	0.00%	0.00%

Climate Change Mitigation (CCM); Climate Change Adaptation (CCA); Water and marine resources (WTR); Circular economy (CE); Pollution prevention and control (PPC); Biodiversity and ecosystems (BIO)



Article 8 (6), (7) and (8) of the Delegated Regulation 2022/1214 obliges non-financial undertakings to make relevant disclosures concerning their nuclear and fossil gas related activities. To meet this obligation, the LPP Group presents necessary information in table below, including its key performance indicators of turnover, CapEx and OpEx for nuclear and fossil gas related activities (one consolidated table in accordance with the regulator's guidelines laid down in the Commission's draft notice of 21.12.2023).

At the same time, the LPP Group reports that it is not exposed to nuclear and fossil gas related activities. Therefore the disclosure does not include any additional data.

1. Nuclear and fossil gas related activities

NUCLEAR ENERGY RELATED ACTIVITIES		
Line		
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
FOSSIL GAS RELATED ACTIVITIES		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO



07

Approach to reporting



Adopted reporting principles

[GRI 2-2] [GRI 2-3] [GRI 2-4] [GRI 2-5]

The sustainability report for the financial year 2023 includes information on the entire LPP Group, including the parent company, LPP SA. LPP SA does not hold minority shares in other entities.

The list of companies included in the financial statements and the list of companies included in the sustainability report are identical and there are no differences between the lists.

The data presented in this report is in accordance with in the manner recommended by the GRI Standards, i.e. omitting differences resulting from legal definitions in different markets. The LPP Group publishes reports on an annual basis and the data presented in this report refers to the 12-month period of the financial year: from 1.02.2023 to 31.01.2024. This is the seventh non-financial report published by the LPP Group.

Previous reports and more detailed information on our current ESG and sustainability practices are available at www.lpp.com.

EVENTS AFTER THE BALANCE SHEET DATE

On 15 March 2024, Hindenburg Research, an intelligence agency, published a report on its website in which it raised more than a dozen allegations against LPP SA, challenging the Company's previous communication regarding the termination of its trading activities in the Russian Federation.

The report resulted in a 35.78% decline of the LPP share price, which rose by 20.52% on the next trading day (18 March 2024).

LPP SA issued statements included in Current Reports No. 4/2024, No. 5/2024 and No. 6/2024 rebutting the allegations indicated by the intelligence agency. In the statements, the Company has informed that the action of Hindenburg Research is part of an organised disinformation attack calculated to drive down the share price of LPP and assured that it is not the owner of the Russian business and does not control the activities of its former company in Russia.

As a result of the report published by the intelligence agency, the Company submitted

a notice to the public prosecutor's office on the suspicion of committing a crime to the detriment of LPP SA and its shareholders, listed investors, threatening the security of the financial market.

Currently, LPP SA is continuing the process of clarifying the circumstances of generation of the said report and has undertaken communication activities with the Market, the banks and the public supervision authorities.

At the time of signing the consolidated financial statements, no letter had been received amending the terms and conditions of the loan agreement or terminating it.

CORRECTION OF INFORMATION PUBLISHED IN THE PREVIOUS SUSTAINABILITY REPORT

[GRI 2-4]

In relation to the previous Sustainability Report of the LPP Group published for the financial year 2022, the following corrections were made:

- in the GRI 2-7 Employees indicator, the number of full-time employees in the LPP Group was adjusted;

- in the GRI 405-2 indicator, which was disclosed last year as its own indicator; an adjustment was made to the number of employees of the LPP Group.

- in the GRI 305-3 Other indirect greenhouse gas emissions indicator, a correction was made in the calculations for 2022. The correction was introduced in the emission values calculated for category 1 (double-counting occurred), category 4 (one of the emission factors was incorrectly adopted) and category 8.



EXTERNAL VERIFICATION

[GRI 2-5]

To confirm the reliability and credibility of the presented results we decided to provide external assurance by auditors from Grant Thornton. The scope of the information to be verified has been defined based on benchmarking analysis for the industry carried out by an auditor. The scope of the verification included selected indicators marked accordingly in the GRI table. The audit results are presented to the ESG Committee and the Management Board of the Company, constitute the integral part of this report and are included at the end of this chapter. Grant Thornton is fully independent of LPP Group companies.

LET'S STAY IN TOUCH

[GRI 2-3]

If, having read the report, you would like to share your reflections, comments or ideas with us, feel free to contact us. We care about everyone's opinion. We look forward to your e-mails:

- **Patrycja Zbytniewska** Sustainability Reporting and Social Relations Leader csr@lpp.com;
- **Ewa Janczukowicz-Cichosz** Sustainability Expert csr@lpp.com;
- **Monika Wszeborowska** PR manager media@lpp.com.





Double-materiality assessment

The Report was prepared on the basis of the double materiality assessment conducted in accordance with the guidelines of European Sustainability Reporting Standards (ESRS). This is the first step to make sure that the reporting process complies with the Corporate Sustainability Reporting Directive (CSRD).

This process let us identify which of the disclosure requirements specified in the ESRS are important and which information must be disclosed or can be omitted. The purpose of the analysis was to identify all of our company's material impacts, risks and opportunities (IRO) related to ESG reporting that must be disclosed. The analysis was not only limited to our own activities, but it also included the whole value chain connected with the lifecycle of the product: from the acquisition of raw materials through to the distribution of clothes (upstream and downstream value chain).

PROCESS FOR IDENTIFYING KEY TOPICS

[GRI 3-1]

We conducted the double-materiality analysis together with Deloitte experts. It was made of four stages. At the first stage we analysed our existing approach to the materiality analysis in reporting, strategic and risk management processes, analysed LPP's activities, mapped the value chain, and defined the scope of a further works. At the second stage, we conducted the external analysis of the sector and the social and economic situation, the internal verification of subjects identified by our employees and management of the LPP Group as important, and actions taken within the due diligence process. We also conducted a dialogue with the stakeholders in the form of a dialogue session and a questionnaire. As a result, at the end of that stage, we prepared the statement of potential impacts, risks and opportunities (IROs). The purpose of the third stage was to assess those IROs by analysing the relevance of impact in ac-

cordance with ESRS and GRI guidelines, as well as to analyse the financial relevance based on the assessment of risks and opportunities. We presented our initial results during workshops and consulted key people in the organisation. During the last stage, the results were finally prioritised, the matrix of key IROs was developed, the results were confirmed with the LPP Management Board, and recommendations for disclosures in the LPP Group's Sustainability Report for 2023 in accordance with ESRS requirements based on the defined key topics were issued.

As a result, we prepared the list of **15 key topics** to be included in the report and constituting the basis for the strategic ESG management in the organisation on a long-term basis.





LPP'S KEY REPORTING TOPICS

[GRI 3-2]

KEY TOPICS IN THE REPORT FOR THE FINANCIAL YEAR:

2023	2022	2021
Climate change adaptation	Climate impact	Sustainable fashion and climate impact
Climate change mitigation (CO ₂ emissions)	Circular economy	LPP as an employer
Energy	Chemical safety and water impact	Improving ESG management processes
Potentially unsafe substances in production	LPP as an employer	Omnichannel and new technologies
Water	Improving ESG management processes	Development of the retail network
Circular economy	Human rights in the value chain	Assessment of suppliers' working conditions
Relevant wages	Business ethics and compliance	Customer satisfaction
Safe workplace	Product quality and safety	Product quality and safety
Diversity and inclusiveness	Customer satisfaction	Business ethics and compliance
Consumer education	Development of the retail network	Economic and social impact LPP during the pandemic
Marketing communication		
Product quality		
Business ethics		
Verification of suppliers		
ESG risk management		

TABLE OF KEY TOPICS AND CORRESPONDING GRIS

The table presents LPP's key reporting topics, GRIs of related disclosures and the location in the report.

KEY TOPICS (2023)	GRI	LOCATION IN THE REPORT
Climate change adaptation	2-22	p. 3-4
	305-1	
Climate change mitigation (CO ₂ emissions)	305-2	p. 58-59 p. 109-110
	305-3	
	305-4	
Energy	302-1	p. 109
Potentially unsafe substances in production	N/A	-
Water	N/A	-
Circular economy	306-3	p. 56
	306-4	p. 110
Relevant wages	2-20	p. 29
	403-1	
Safe workplace	403-2	p. 90-93 p. 116
	403-3	
	403-4	
	403-5	
	403-6	
	403-7	
	403-9	
Diversity and inclusiveness	405-1	p. 88
	405-2	
	406-1	
Consumer education	2-29	p. 20
Marketing communication	2-29	p. 20
Product quality	416-2	p. 97
Business ethics	205-2	p. 32
	205-3	
Verification of suppliers	414-1	p. 44
ESG risk management	N/A	-

N/A – no existing GRI indicator describing key topic



Index tables

COMPLIANCE OF NON-FINANCIAL DISCLOSURES WITH ACCOUNTING ACT

List of reporting disclosures required by the Polish Accounting Act with references to specific pages of the report

TOPIC	PAGE
1. LPP business model	7-19
2. Key performance indicators	10-12
3. Policies, procedures, regulatory documents of LPP:	
employee issues	77-79, 83-93
social issues	94-99
environmental issues	46-47, 61-75
protection of human rights	40-44, 77, 87-88
anti-corruption	30-33, 40, 118
4. Description of risks and non-financial risk management	35-37, 65-72

COMMUNICATION ON PROGRESS UN GLOBAL COMPACT DATA TABLE

LPP SA has been a member of the UN Global Compact since 2019. This means that we implement activities in accordance with the 10 principles set out in the Global Compact and report our progress in this area. We declare that we will continue to support the implementation of the Global Compact principles in business practice and other areas of our activities.

ISSUE	REPORTING
EXPRESSION OF CONTINUED SUPPORT	
HUMAN RIGHTS	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.	The protection of human rights and basic freedoms of the LPP Group's staff and all workers of the supply chain is the company's basic obligation supported by its top management. For more information, see subsection Due diligence concerning human rights and employee rights and subsection Relations with suppliers .
Principle 2: Businesses should make sure that they are not complicit in human rights abuses.	LPP provides a safe environment where ways of conduct and actions that violate or may violate our main values and principles can be reported anonymously. Every violation is examined and eliminated through our existing response systems. We support the due diligence system related to human rights and employee rights with training courses conducted both by trainers and training available in our internal platform. For more information, see subsection Due diligence concerning human rights and employee rights .
LABOUR STANDARDS	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	LPP respects the human right to the freedom of association or the right to collective bargaining. During the reported period, at LPP there were no trade unions or collective bargaining. For more information about LPP's respect for and promotion of human rights, see subsection Due diligence concerning human rights and employee rights and subsection Social impact .



ISSUE	REPORTING
<p>Principle 4. Businesses should uphold the elimination of all forms of slavery and forced labour.</p>	<p>LPP supports the elimination of all forms of slavery and forced labour. By inspecting its supply chain and regularly auditing its production plants, LPP makes sure that its production process is free of forced labour and slavery.</p> <p>We audit our production plants to verify whether working standards, including the ban on child labour, are observed.</p> <p>In addition, LPP takes an active part in social and educational initiatives and supports local communities by promoting fair working conditions all over the world.</p> <p>For more information, see subsection Due diligence concerning human rights and employee rights.</p>
<p>Principle 5. Businesses should uphold the effective abolition of child labour.</p>	<p>LPP absolutely condemns child labour and does not employ children in any part of its activity. LPP requires that its suppliers obey standard human rights and employee rights, including the ban on child labour. It is a very important point in our cooperation with suppliers and the requirement that is not subject to any compromise. Relevant regulations are included in LPP's expectations towards suppliers and regularly communicated during training.</p> <p>For more information, see subsection Due diligence concerning human rights and employee rights.</p>
<p>Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.</p>	<p>LPP does not tolerate any form of discrimination against gender, ethnical or national origin, religion, disability, age, psychosexual orientation, gender identity or invisible features.</p> <p>For more information, see subsection Diversity, equity and inclusion.</p> <p>All symptoms of discrimination can be safely and anonymously reported and the reporting persons will not be exposed to any negative professional consequences or retaliation.</p> <p>For more information, see subsection Ethics and reporting misconduct.</p>
<p>ENVIRONMENTAL PROTECTION</p>	
<p>Principle 7. Businesses should support a precautionary approach to environmental challenges.</p>	<p>LPP commits itself to limit the environment impact of its activities. We measure the emission of greenhouse gases in the whole value chain: from the acquisition of materials through production and transport to the use of products by customers. We develop circular economy measures that provide for the maximum utilisation of raw materials and the minimisation of our textile wastes and environmental footprint resulting from the production of one piece of clothes. We aim at implementing more and more environment-friendly collections, for example by introducing certified and preferred materials.</p> <p>For more information, see subsection Environmental impact.</p>

<p>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.</p>	<p>LPP takes part in social and educational projects aimed at improving the social awareness of environmental protection and encouraging such ways of conduct that limit the environmental impact.</p> <p>For more information, see subsection Environmental impact and subsection Relations with suppliers.</p>
<p>Principle 9. Businesses should support the development of environmentally friendly technologies.</p>	<p>LPP invests in R&D to develop such production processes that reduce the consumption of water, energy and natural resources, as well as to minimise the emission of contamination. In addition, LPP takes part in searching for alternative materials and technologies that will let us close the circulation of textiles and limit the use of primary raw materials in the production process.</p> <p>For more information, see subsection Environmental impact.</p>
<p>ANTI-CORRUPTION</p>	
<p>Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>LPP applies anti-corruption principles and procedures and takes care that they are obeyed at all organisational levels, in all transactions and decisions made at each level of its activity. In addition, LPP takes part in educational and social actions to improve the awareness of harmful consequences of corruption and promote ethical standards among its employees and business partners.</p> <p>For more information, see subsection Ethics and reporting misconduct.</p>



GRI CONTENT INDEX

STATEMENT OF APPLICATION

The LPP Group sustainability report for the period from 1 February 2023 to 31 January 2024 was prepared in accordance with the GRI Reporting Standards.

GRI 1 version applied GRI 1 Foundation 2021

Sector standard: none

THE ORGANIZATION AND ITS REPORTING PRACTICES

Disclosure	GRI standard	Requirement(s) omitted + explanation	Location in the report	External assurance
THE ORGANIZATION AND ITS REPORTING PRACTICES				
GRI 2-1 Organizational details			7	
GRI 2- 2 Entities included in the organization's sustainability reporting			145	
GRI 2- 3 Reporting period, frequency and contact point	GRI 2. General disclosures 2021		145 - 146	
GRI 2-4 Restatements of information			145	
GRI 2-5 External assurance			145, 146, 155	
ACTIVITIES AND WORKERS				
GRI 2-6 Activities, value chain and other business relationships	GRI 2. General disclosures 2021		8	
Own indicator: Floorspace of stores in m ² for the entire LPP Group and the percentage YoY growth			118	
Own indicator: Number of stores of the entire LPP Group and YoY increase	<i>not applicable</i>		118	
Own indicator: Percentage share of suppliers by country (all products)			118	
GRI 2-7 Employees	GRI 2. General disclosures 2021		78, 145, 112	✓
GRI 2-8 Workers who are not employees			78, 113	
GOVERNANCE				
GRI 2-9 Governance structure and composition			26, 28	
GRI 2-10 Nomination and selection of the highest governance body			26	
GRI 2-11 Chair of the highest governance body			26	
GRI 2- 12 Role of the highest governance body in overseeing the management of impacts			26	
GRI 2- 13 Delegation of responsibility for the management of impact			26, 38	
GRI 2- 14 Role of the highest governance body in sustainability reporting			38	
GRI 2-15 Conflicts of interest	GRI 2. General disclosures 2021		29	
GRI 2-16 Communication of critical concerns			32	
GRI 2-17 Collective knowledge of the highest governance body			39	
GRI 2-18 Evaluation of the performance of the highest governance body			28	
GRI 2-19 Remuneration policies			29	
GRI 2-20 Process to determine remuneration			29	
GRI 2-21 Annual total compensation ratio		Reason for omission of information: Sensitive data.		



Disclosure	GRI standard	Requirement(s) omitted + explanation	Location in the report	External assurance
STRATEGY, POLICIES AND PRACTICES				
GRI 2- 22 Statement on sustainable development strategy			4	
GRI 2- 23 Policy commitments			30, 33, 40	
GRI 2-24 Embedding policy commitments	GRI 2. General disclosures 2021		31, 33, 40, 41,	
GRI 2-25 Processes to remediate negative impacts			33, 38	
GRI 2-26 Mechanisms for seeking advice and raising concerns			32	
GRI 2-27 Compliance with laws and regulations			32	
APPROACH TO STAKEHOLDER ENGAGEMENT				
GRI 2-28 Membership associations			22	
GRI 2-29 Approach to stakeholder engagement	GRI 2. General disclosures 2021		20	
GRI 2-30 Collective bargaining agreements			79	
MATERIAL TOPICS				
GRI 3-1 Process to determine material topics			147	
GRI 3-2 List of material topics	GRI 3. Material topics 2021		148	
SPECIFIC DISCLOSURES ON MATERIAL TOPICS				
ECONOMIC TOPICS AND ORGANIZATION MANAGEMENT				
Material topic: Improving ESG management processes				
GRI 3-3 Management of material topics	GRI 3. Material topics 2021		33 - 34	
Own indicator: Description of the main activities aimed at developing policies and the system for management of ESG issues	<i>not applicable</i>		38 - 39	
Own indicator: Percentage of suppliers included in the amfori BSCI scheme			43	
Material topic: Business ethics and compliance with the law				
GRI 3-3 Management of material topics	GRI 3. Material topics 2021		30	
GRI 205-2 Communication and training about anti-corruption policies and procedures	GRI 205. Anti-corruption 2016		32, 118	
GRI 205-3 Confirmed incidents of corruption and actions taken			32, 118	
Material topic: Development of the distribution network				
GRI 3-3 Management of material topics	GRI 3. Material topics 2021		50	
Own indicator: Percentage share of individual transport sectors	<i>not applicable</i>		44, 53	



Disclosure	GRI standard	Requirement(s) omitted + explanation	Location in the report	External assurance
ENVIRONMENTAL TOPICS				
Material topic: Climate impact				
GRI 3-3 Management of material topics	GRI 3. Material topics 2021		58	
GRI 302-1 Energy consumption within the organization	GRI 302. Energy 2016		58, 108	
GRI 305-1 Direct (Scope 1) GHG emissions	GRI 305. 2016 emissions		58, 109	✓
GRI 305-2 Energy indirect (Scope 2) GHG emissions			58, 109	✓
GRI 305-3 Other indirect (Scope 3) GHG emissions			58, 110	✓
GRI 305-4 GHG emissions intensity			58, 110	✓
Material topic: Circular economy				
GRI 3-3 Management of material topics	GRI 3. Material topics 2021		56	
GRI 306-3 Waste generated	GRI 306. Waste 2020		56, 110	✓
GRI 306-4 Waste diverted from disposal			56, 110	
Material topic: Chemical safety and water impact				
GRI 3-3 Management of material topics	GRI 3. Material topics 2021		59	
Own indicator: Percentage of factories covered by ZDHC "Roadmap to Zero" initiative	<i>not applicable</i>		42	
SOCIAL TOPICS				
Material topic: LPP as an employer				
GRI 3-3 Management of material topics	GRI 3. Material topics 2021		79, 87, 90	
Employment				
Own indicator: Newly employee hires and employee turnover	<i>not applicable</i>		78	
GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	GRI 401. Employment 2016		86	
GRI 401-3 Parental leave		The disclosure of the return-to-work rate was omitted. Reason: incomplete data	88	
Training and Education				
GRI 404-1 Average hours of training per year per employee	GRI 404. Training and Education 2016		83, 114	
GRI 404-2 Programs for upgrading employee skills and transition assistance programs			82, 84, 88	
Diversity				
GRI 405-1 Diversity of governance bodies and employees	GRI 405. Diversity and equal opportunities 2016		88	
GRI 405- 2 Ratio of basic salary and remuneration of women to men			88	
Own indicator: Percentage share of employees with disabilities	<i>not applicable</i>		116	



Disclosure	GRI standard	Requirement(s) omitted + explanation	Location in the report	External assurance
Non-discrimination and counteracting mobbing				
GRI 406-1 Incidents of discrimination and corrective actions taken	GRI 406. Non-discrimination 2016		88, 118	
Occupational Health and Safety				
GRI 403-1 Occupational health and safety management system			90	
GRI 403-2 Hazard identification, risk assessment and incident investigation			93	
GRI 403-3 Occupational health services			92	
GRI 403-4 Worker participation, consultation and communication of health and safety			91	
GRI 403-5 Worker training on occupational health and safety	GRI 403. Occupational Health and Safety 2018		91	✓
GRI 403-6 Promotion of worker health			92	
GRI 403-7 Prevention and mitigation of occupational health and safety risks directly linked by business relationships			91, 93	
GRI 403-9 Work-related injuries			90, 92, 116	✓
Material topic: Human rights in the value chain				
GRI 3-3 Management of material topics	GRI 3. Material topics 2021		44	
GRI 414-1 New suppliers that were screened using social criteria	GRI 414. Supplier Social assessment 2016		44	
Own indicator: Number of audits in terms of occupational health and safety, working conditions, compliance with human rights	<i>not applicable</i>		40	
Own indicator: Percentage of suppliers included in the amfori BSCI scheme			43	
Material topic: Product safety and quality				
GRI 3-3 Management of material topics	GRI 3. Material topics		44	
Own indicator: Number of quality inspections in factories and Distribution Center carried out by LPP inspectors in the reporting year	<i>not applicable</i>		44	
GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	GRI 416. Customer health and safety 2016		97, 118	
Material topic: Customer satisfaction				
GRI 3-3 Management of material topics	GRI 3. Material topics		94	
Own indicator: Sales revenue	<i>not applicable</i>		118	
Topic: Local communities				
Own indicator: Donations in the reporting year	<i>not applicable</i>		117	
Own indicator: Number of volunteers involved in projects in the reporting year			117	
GRI 415-1 Political contributions	GRI 415. Public Policy 2016		99	



EXTERNAL VERIFICATION

GrantThornton

Sprawozdanie niezależnego biegłego rewidenta z usługi atestacyjnej dającej ograniczoną pewność

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Dla Akcjonariuszy LPP Spółka Akcyjna

Przedmiot zagadnienia / kryteria oceny

Zostałyśmy zaangażowani do przeprowadzenia usługi atestacyjnej dającej ograniczoną pewność w odniesieniu do wybranych informacji, których zakres opisaliśmy poniżej, w złączonym Sprawozdaniu Zrównoważonego Rozwoju Grupy LPP (dalej: Grupa), której jednostką dominującą jest LPP S.A. (dalej: Spółka), sporządzonego za rok obrotowy zakończony dnia 31 stycznia 2024 roku (dalej: Sprawozdanie) zgodnie z:

- wybranymi GRI Standardami dotyczącymi sporządzenia raportów zrównoważonego rozwoju, wydanymi przez Global Reporting Initiative (dalej: GRI) ze zakresu wskaźników profilowego 2-7 oraz tematycznych 302-1, 305-1, 305-2, 305-3, 305-4, 306-3, 403-4, 403-9
- rozporządzeniem Parlamentu Europejskiego i Rady (UE) 2020/852 z dnia 18 czerwca 2020 r. w sprawie ustanowienia ram ujęciowych zrównoważonej inwestycji, zmienionym rozporządzeniem (UE) 2019/2088 (Dz.U. LE L. 2020.198.13 z dnia 22 czerwca 2020) (dalej: Taksonomia).

Przedmiotem naszej usługi atestacyjnej były wskaźniki GRI profilowe 2-7 i tematyczne 302-1, 305-1, 305-2, 305-3, 305-4, 306-3, 403-4, 403-9 oraz informacje dotyczące zrównoważonej środowiskowo działalności gospodarczej zgodnie z Taksonomią.

Nasza usługa atestacyjna dająca ograniczoną pewność została ograniczona do wskaźników GRI wymienionych powyżej oraz do informacji dotyczących zrównoważonej środowiskowo działalności gospodarczej zgodnie z Taksonomią i nie odnosi się do pozostałych informacji ujętych w tym Sprawozdaniu, ani też do tego Sprawozdania rozumianego jako całość. W związku z powyższym, nasz wniosek przedstawiony poniżej dotyczy wyłącznie wskaźników GRI objętych zakresem prac oraz informacji dotyczących zrównoważonej środowiskowo działalności gospodarczej zgodnie z Taksonomią, nie zaś wszystkich przedstawianych danych czy innych informacji zawartych w Sprawozdaniu.

Adam Pabian | **Charakterystyka** | **Podpisany**
Kierownik Usługi Atestacyjnej
dającej ograniczoną pewność
dla Grant Thornton Poland P.A. S.A.

GrantThornton

Odpowiedzialność Zarządu

Zarząd Spółki jest odpowiedzialny za sporządzenie i prezentację Sprawozdania zgodnie z GRI. Zarząd Spółki jest również odpowiedzialny za sporządzenie i prezentację informacji dotyczących zrównoważonej środowiskowo działalności gospodarczej zgodnie z Taksonomią. Odpowiedzialność ta obejmuje zaprojektowanie i stosowanie odpowiedniego systemu kontroli wewnętrznej oraz dokonanie odpowiednich uszczelnień umożliwiających sporządzenie i prezentację Sprawozdania zgodnie ze Standardem GRI oraz Taksonomią, wnego od istotnych miszkatach spowodowanych oszustwem lub bładem.

Odpowiedzialność biegłego rewidenta

Naszim celem było wyrażenie, na podstawie przeprowadzonej usługi atestacyjnej dającej ograniczoną pewność, wniosku o wybranych wskaźnikach GRI (z profilowym 2-7 oraz tematycznych 302-1, 305-1, 305-2, 305-3, 305-4, 306-3, 403-4, 403-9 oraz o informacji dotyczących zrównoważonej środowiskowo działalności gospodarczej zgodnie z Taksonomią).

Wykonaliśmy usługę zgodnie z Krajowym Standardem Usług Atestacyjnych Innych niż Badanie i Przegląd 3000 (Z) w trybie modyfikacji i Krajowym Standardem Usług Atestacyjnych 3000 (zmienionego) Usług Atestacyjnych Innych niż badanie lub przeglądy historycznych informacji finansowych, przyjętego uchwałą nr 34/2023/2019 Krajowej Rady Biegłych Rewidentów z dnia 8 kwietnia 2019 roku, z późniejszymi zmianami (dalej: KSUA 3000 (Z)). Standard ten nakłada na nas obowiązki przygotowania zgodnie z wymogami etyki oraz zapewnienia i przeprowadzenia procedur w celu zapewnienia, aby nasz wniosek dający ograniczoną pewność, że Sprawozdanie podlegałyby weryfikacji nie zawiera istotnych nieprawidłowości i jest zgodnie z wybranymi wskaźnikami GRI i Taksonomią we wszystkich istotnych aspektach.

Zakres procedur wykonanych w ramach usługi dającej ograniczoną pewność jest istotnie węższy niż w przypadku usługi dającej pełną pewność. W związku z tym poziom zapewnienia uzyskany przy użyciu usługi dającej ograniczoną pewność jest istotnie niższy niż poziom zapewnienia jaki byłby uzyskany, gdyby przeprowadzono usługę dającą pełną pewność.

Wybór procedur zależy od oceny biegłego rewidenta, w tym od jego oceny poziomu ryzyka wystąpienia istotnych miszkatach spowodowanych oszustwem lub bładem.

Usługa została wykonana na zlecenie Zarządu Spółki i nie jest wymagana żadnym przepisem prawa, a zakres naszej pracy i naszego zapewnienia zowny był rozmiarowo wyższe zgodnie z zakresem opisanym w niniejszym raporcie.

Podsumowanie wykonanych przez nas prac

Nasza praca polegała w szczególności na kierunku zapytań, przede wszystkim do osób odpowiedzialnych za przygotowanie Sprawozdania. Wykonaliśmy następujące procedury:

- Zapoznaliśmy się z działalnością Grupy oraz środowiskiem w którym działa, w tym z strukturą i organizacją Grupy, strukturą właścicielską, modelem biznesowym Grupy, wybranymi czynnikami zewnętrznymi i wewnętrznymi wpływającymi na Grupę, kluczowymi procesami biznesowymi, środowiskiem kontroli wewnętrznej, procesem zarządzania ryzykiem oraz procesem monitorowania systemu kontroli wewnętrznej.
- Zapoznaliśmy się z ujętymi w Sprawozdaniu wskaźnikami profilowego 2-7 oraz na wybrane próbie potwierdziliśmy przedstawione informacje z danymi źródłowymi.

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- Zapoznaliśmy się z metodyką kalkulacji i przyjętymi założeniami w zakresie modelu do obliczania emisji gazów cieplarnianych Grupy w zakresie wykonanych wskaźników tematycznych 302-1, 305-1, 305-2, 305-3, 305-4, 306-3.
- Dokonano weryfikacji dokumentacji w zakresie wytworzenia informacji o źródłach wskaźników emisji, o wybranych granicach, o roku bazowym, o ewentualnych korektach i ich uzasadnieniu, o ewentualnych zmianach w metodyce i ich uzasadnieniu oraz o źródłach danych.
- W obszarze metodyki dokonano analizy:
 - poprawności przypisania źródła emisji gazów do odpowiedniego zakresu,
 - kategorizacji emisji gazów ocenianych według wybranych granic,
 - wyłączenia, specyficznych dla branży, źródeł emisji,
 - wyłączenia obliczeń emisji dla wszystkich zakładowi i kategorii, a w przypadku ich braku wyłączenia uzasadnienia,
 - wyboru wskaźników emisji z uwzględnieniem istotności czasowej, geograficznej i technologicznej,
 - wyboru dwóch metod obliczeń emisji z zakresu 2, tj. czy zastosowano do obliczeń metody location-based i market-based.
- Dokonano częściowej weryfikacji danych obejmującej:
 - sprawdzenie kompletności zbioru danych w wynikach,
 - porównanie uzyskanych wyników z latami 2021 i 2022, z uwzględnieniem ewentualnych istotnych zmian,
 - weryfikację występowania wartości ujemnych,
 - ogólną weryfikację wyników za pomocą format sprawozdawczych,
 - weryfikację należności wartości emisji,
 - analizę emisji gazów na 56 konkurencji.
- Dokonaliśmy przeliczenia wskaźników 403-4, 403-9 oraz potwierdziliśmy do wybranych informacji źródłowych.
- Dokonaliśmy analizy spełnienia minimalnych gwarancji:
 - Zapoznaliśmy się z analizą spełnienia minimalnych gwarancji przez Grupę,
 - Zapoznaliśmy się z dokumentami źródłowymi w tym politykami, regulaminami wdrożonymi w Grupie w obszarach objętych minimalnymi gwarancjami,
 - Przeanalizowaliśmy listy od prawników Grupy,
 - Przeanalizowaliśmy ujętymi w sprawozdaniu finansowym dotyczące istotne sprawy sporne, zobowiązania pozabalansowych oraz zasztaf pod okn bilansowym,
 - Zweryfikowaliśmy przyznawanie Grupy do organizacji Antifit, Accord, Redera
 - Potwierdziliśmy, że wybrane firmy znajdujące się w listach weryfikacji Grupy znajdują się w reestrach organizacji wskazanych powyżej i podlegają audytom tych organizacji.
- Zweryfikowaliśmy ujętymi związane z Taksonomią:
 - Zapoznaliśmy się z działalnością Grupy oraz środowiskiem z Taksonomią,
 - Dla działalności ujętymi przez Grupę sprawdziłmy poziom działalności na zrównoważone środowiskowo, kwalifikując się, ale niegodzą z systematyką i niespełniające się do systematyki,
 - Zweryfikowaliśmy kalkulację kluczowych wskaźników obrotu, kluczowych wskaźników w odniesieniu do nakładów inwestycyjnych i kluczowych wskaźników w odniesieniu do wydatków operacyjnych,
 - Zweryfikowaliśmy wybrany dokumentację źródłową wykorzystaną do wyliczania powyższych wskaźników.

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- Potwierdziliśmy, że działalność wskazana jako zrównoważona środowiskowo spełnia kryteria ujętymi w tym Wniosek, oraz kryteria nieopracowane powyższych spółek.
- Potwierdziliśmy, że działalność wskazana jako kwalifikująca się, ale niegodzą z systematyką, jest ujęta w działalności objętych Taksonomią.
- Potwierdziliśmy, że działalność wskazana jako niekwalifikująca się do systematyki nie jest ujęta w Taksonomii.
- Zweryfikowaliśmy kompletność ujętymi zgodnie z Taksonomią.
- Zweryfikowaliśmy poziom przychodów w Grupie na segmenty operacyjne, które są podstawą do kwalifikacji zgodnie z Taksonomią.
- Potwierdziliśmy przychody w Grupie do arkuszy konsolidacyjnych Spółek wchodzących w skład Grupy Kapitałowej, które są podstawą do sporządzania skonsolidowanego sprawozdania finansowego.
- Dokonaliśmy rozpoznania procesu sprzedaży w Grupie.
- Potwierdziliśmy listy kontroli wewnętrznej w obszarze przychodów.
- Dokonaliśmy analizy miesięcznej przychodów i inncy ze sprzedaży oraz wyjaśniliśmy istotne odchylenia.
- Zweryfikowaliśmy na próbie sprawdziliśmy ujętymi przychodów w okresie sprawozdawczym,
- Zweryfikowaliśmy nakłady na środki trwałe w Grupie oraz ich przyznanie do analitycznego segmentu operacyjnego w Grupie.
- Potwierdziliśmy zwiększenia środków trwałych do dokumentów źródłowych na próbie detalicznej.

10) Potwierdziliśmy spójność danych zawartych w Sprawozdaniu z innymi elementami raportu rocznego Grupy (w tym skonsolidowanym sprawozdaniem finansowym).

W ramach prac wzięliśmy pod uwagę kontrolę wewnętrzną w celu oceny ryzyka i zapewnienia naszych procedur, ale nie w celu wyrażenia opinii na temat skuteczności tej działalności.

Uważamy, że ujętymi przez nas dowody stanowią wystarczającą i odpowiednią podstawę do wyrażenia przez nas wniosku.

Wymogi zarządzania jednostki

Firma audytorka stosuje krajowe standardy kontroli jakości w brzmieniu przyjętym uchwałą Rady Polskiej Agencji Nadzoru Audytowego nr 38/2022 z dnia 15 listopada 2022 roku, które wymagają, aby firma audytorka zaprzestowała, weryfikacja stosowała system zarządzania jakości obejmujący politykę lub procedury odnośnie do zgodności z wymogami etycznymi, standardami zawodowymi oraz mającymi zastosowanie wymogami prawnymi i regulacyjnymi.

Wymogi etyczne, w tym niezależność

Przeprowadzając usługę biegły rewident i firma audytorka przestrzegała wymogów niezależności i innych wymogów etycznych ustalonych w Międzynarodowym kodeksie etyki zawodowych księgowych w tym w Międzynarodowych standardach niezależności Rady Międzynarodowych Standardów Etycznych dla Księgowych, przyjętym uchwałą Krajowej Rady Biegłych Rewidentów nr 343/2023/19 z dnia 25 marca 2019 roku w sprawie zasad etyki zawodowej biegłych rewidentów (Kodeks EBSA), Kodeks EBSA oparty jest na podstawowych zasadach dotyczących uczciwości, obiektywizmu, zawodowych kompetencji i należytej staranności, zachowania poufności oraz przedmiotowej postępowania. Przeszliśmy również innych wymogów niezależności i etyki, które mają zastosowanie dla niniejszej usługi atestacyjnej w Polsce.

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Wniosek

Na podstawie przeprowadzonych procedur i uzyskanych dowodów nie stwierdziliśmy niczego, co wskazywałoby na:

- wskaźniki profilowe 2-7 oraz tematyczne 302-1, 305-1, 305-2, 305-3, 305-4, 306-3, 403-4, 403-9 Grupy LPP nie jest we wszystkich istotnych aspektach zgodny z GRI
- informacja dotycząca zrównoważonej środowiskowo działalności gospodarczej nie jest we wszystkich istotnych aspektach zgodna z Taksonomią.

Paweł Zaczynski
Kierownik Usługi Atestacyjnej dającej ograniczoną pewność
dla Grant Thornton Poland P.A. S.A.

Biegły Rewident nr 12320 przeprowadzający usługę w imieniu Grant Thornton Polska spółka akcyjna, Poznań, ul. Alpe Arskiego Baranaka 88 E, firma audytorka nr 4055

Warszawa, dnia 26 marca 2024 roku.

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