CLIMATE TRANSISTION PLAN

LPP

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1. INTRODUCTION

Climate change and the need for decarbonisation constitute one of the greatest challenges of the contemporary world - both in social and economic terms. As a company operating on the global apparel market, LPP recognises its role in counteracting their effects and undertakes concrete actions aimed at limiting its impact on the climate.

LPP's Climate Transition Plan presents our long-term strategy for reducing greenhouse gas emissions across the entire value chain. It covers both the company's own operations and activities undertaken jointly with suppliers and business partners.

The document has been developed in response to growing regulatory expectations, as well as based on our own environmental ambitions. It also constitutes an element of transparent communication with stakeholders and provides the foundation for our further path towards sustainable development.

2. CLIMATE OBJECTIVES

Since 2017, we have regularly calculated and reported our carbon footprint - initially within a limited scope. In 2021, the LPP Group conducted comprehensive calculations of emissions across all three scopes (Scope 1, Scope 2 and Scope 3) and across all categories, in accordance with the international standard GHG Protocol Corporate Accounting and Reporting Standard.

In 2022, as the first Polish apparel company, we joined the global Science Based Targets initiative (SBTi), which supports companies in efforts to limit global warming. The guidelines developed by SBTi constitute the basis for building a decarbonisation strategy aligned with the objectives of the Paris Agreement.

In November 2022, we submitted our emission reduction targets to SBTi - covering absolute reductions of emissions in Scopes 1 and 2, as well as two Scope 3 targets, focused on categories with the highest emission levels within the value chain and the greatest potential for decarbonisation.

2. 1. DECARBONISATION TARGETS

Scope 1 and Scope 2

- By 2030, we will reduce greenhouse gas emissions resulting from fuel and energy consumption in our own facilities by 42% compared to the base year 2021. To achieve this, we will continue to reduce energy consumption, improve energy efficiency and increase the use of energy derived from renewable sources.

Scope 3

- By 2030, we will reduce emissions resulting from production processes of goods intended for sale (Category 1) by 51.6% per purchased product compared to the year 2021. To achieve this, we will, among other actions, increase the share of preferred materials in our collections, the sourcing of which is associated with lower environmental impact. In addition, we will actively cooperate with suppliers to improve the energy efficiency of production processes and to transition to energy from renewable sources.
- We will engage business partners responsible for 21% of emissions resulting from the transport of goods (Category 4) and the use of leased assets (Category 8) in the development of their own emission reduction targets by 2027.

In 2023, the SBTi organisation verified and approved our decarbonisation targets and confirmed their compliance with emission reduction standards and global climate objectives.

2.2. METHODOLOGY

Starting from the reporting of greenhouse gas (GHG) emissions for the year 2025, we plan to apply a new methodology for calculating emissions related to production processes. From that year onwards, calculations will be based exclusively on data derived from verified Facility Environmental Module (vFEM) assessments. The calculations will include both data related to finished goods production (Tier 1) and material production (Tier 2). In cases where vFEM data is not available for a given country or stage of production, averaged country-level values based on available verified reports will be applied.

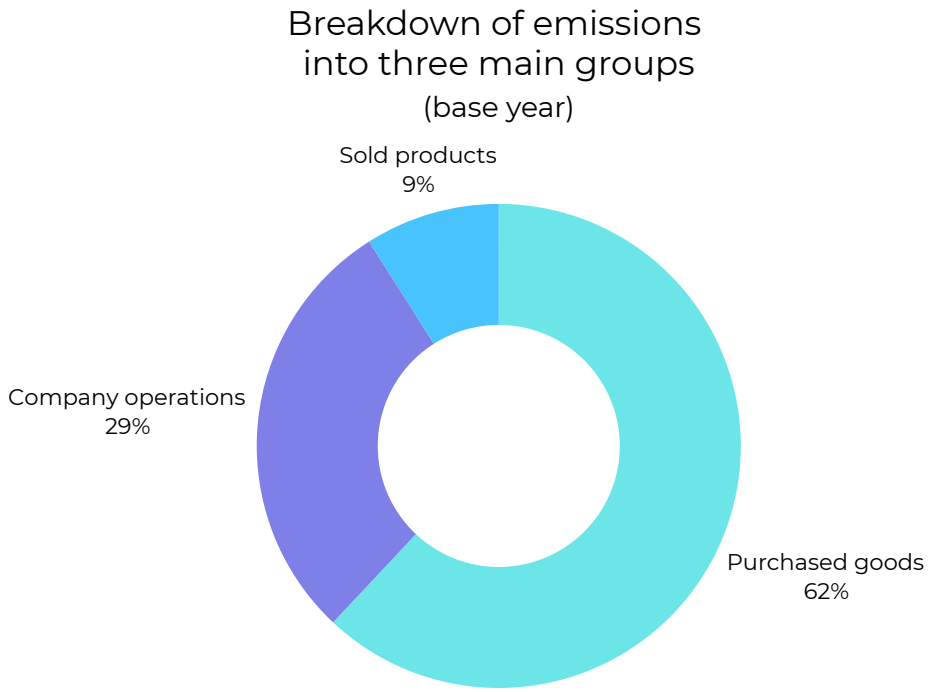
The Facility Environmental Module (FEM) is one of the tools included in the Higg Index - a set of standardised tools developed by Cascale (formerly the Sustainable Apparel Coalition), designed to measure and improve environmental and social performance within the consumer goods industry. FEM contains detailed information on the environmental impact of production facilities, including, among others, data on energy and fuel consumption, greenhouse gas (GHG) emissions, water use, waste management, air emissions and chemical management.

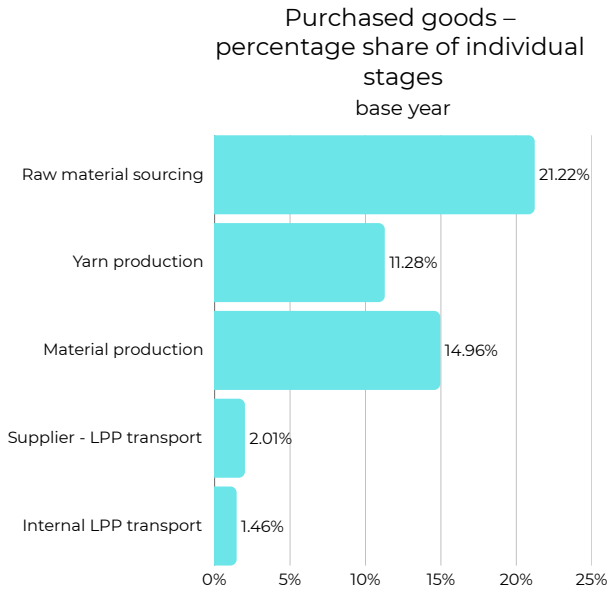
Thanks to the new approach, it will be possible to:

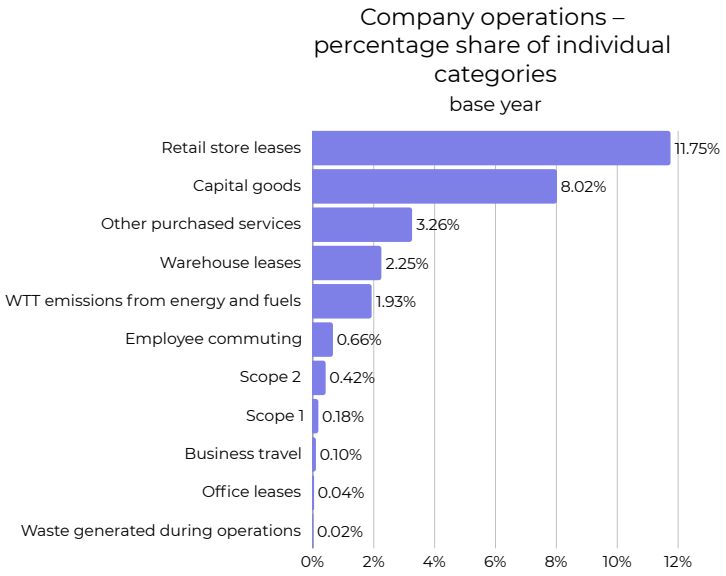
- reflect actual progress achieved in the decarbonisation of production processes;
- identify countries with the highest level of environmental efficiency;
- identify the most emission-intensive stages of the value chain as well as those with the greatest potential for implementing decarbonisation initiatives;
- plan emission reduction actions based on data of high reliability.

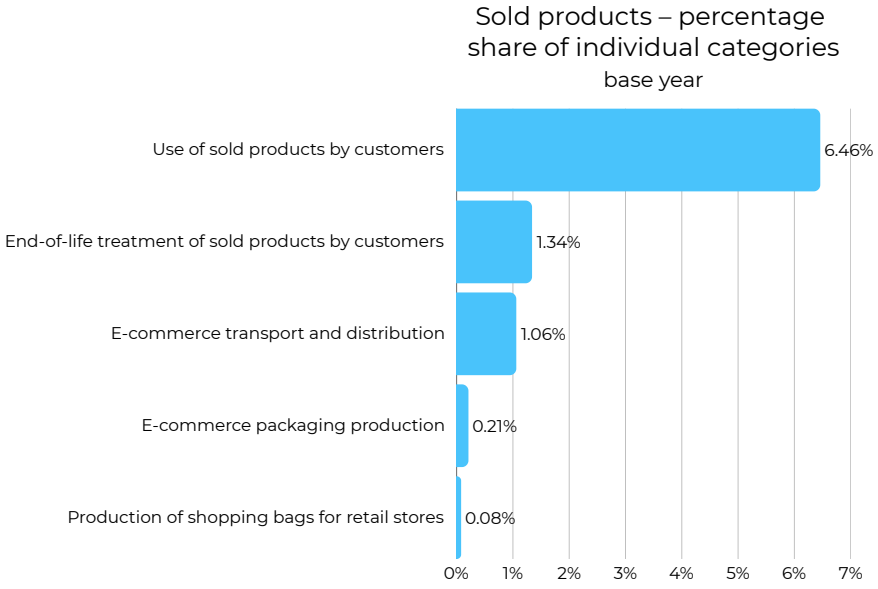
The new methodology supports our efforts to increase the transparency and accuracy of environmental reporting and is directly linked to our membership in Cascale.

In order to ensure data comparability and consistency, emissions for the years 2021–2024 were also recalculated using the same methodology - i.e. the average emission intensity of a given production stage for a given country, based on verified FEM data.




Purchased goods – percentage share of individual stages
base year
Raw material sourcing
21.22%
Yarn production
11.28%
Material production
14.96%
Supplier - LPP transport
2.01%
Internal LPP transport
1.46%
0%
5%
10%
15%
20%
25%

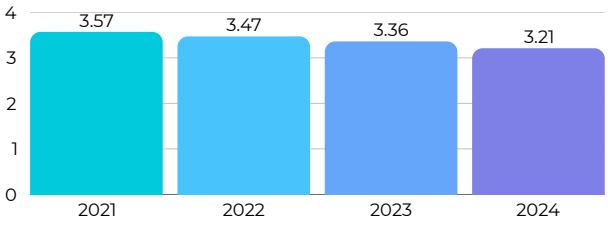

Company operations – percentage share of individual categories
base year
Retail store leases
11.75%
Capital goods
8.02%
Other purchased services
3.26%
Warehouse leases
2.25%
WTT emissions from energy and fuels
1.93%
Employee commuting
0.66%
Scope 2
0.42%
Scope 1
0.18%
Business travel
0.10%
Office leases
0.04%
Waste generated during operations
0.02%
0%
2%
4%
6%
8%
10%
12%


Sold products – percentage share of individual categories
base year
Use of sold products by customers
6.46%
End-of-life treatment of sold products by customers
1.34%
E-commerce transport and distribution
1.06%
E-commerce packaging production
0.21%
Production of shopping bags for retail stores
0.08%
0%
1%
2%
3%
4%
5%
6%
7%

Charts illustrating emissions over time – categories covered by SBTi targets

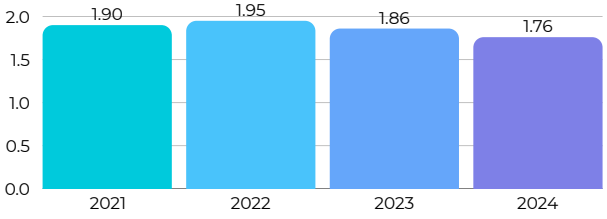
Purchased goods – emission intensity

Raw material sourcing [kg CO_2e/kg]



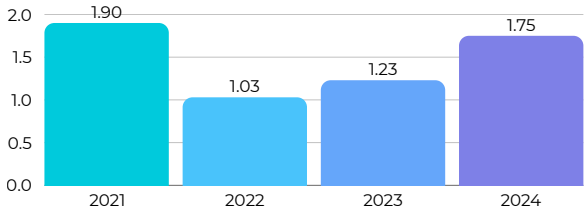
Purchased goods – emission intensity

Yarn production [kg CO_2e/kg]



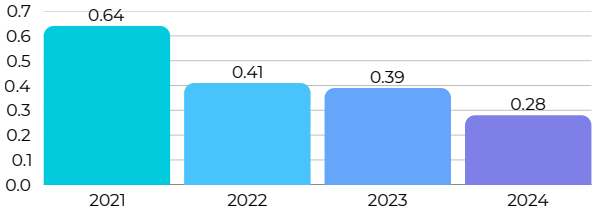
Purchased goods – emission intensity

Material production [kg CO_2e/kg]



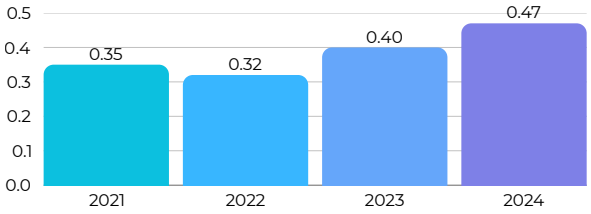
Purchased goods – emission intensity

Finished goods production [kg CO_2e/item]



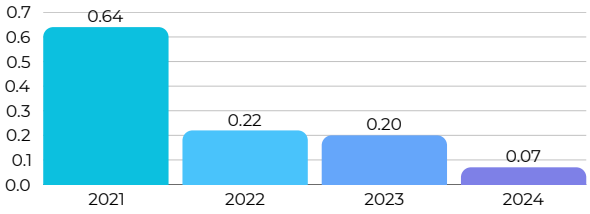
Transport – emission intensity

Supplier - LPP transport [t CO_2e/t]



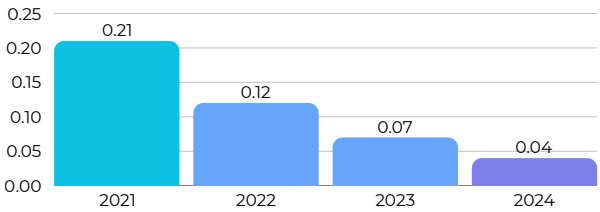
Transport – emission intensity

Internal LPP transport [t CO_2e/t]

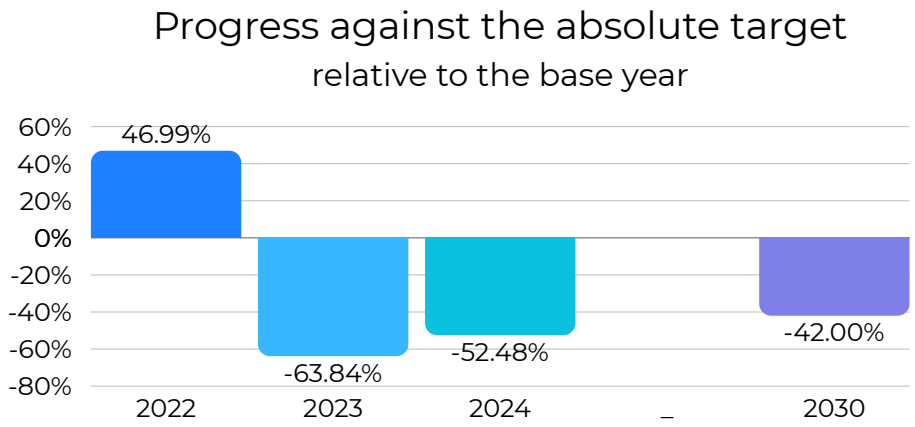


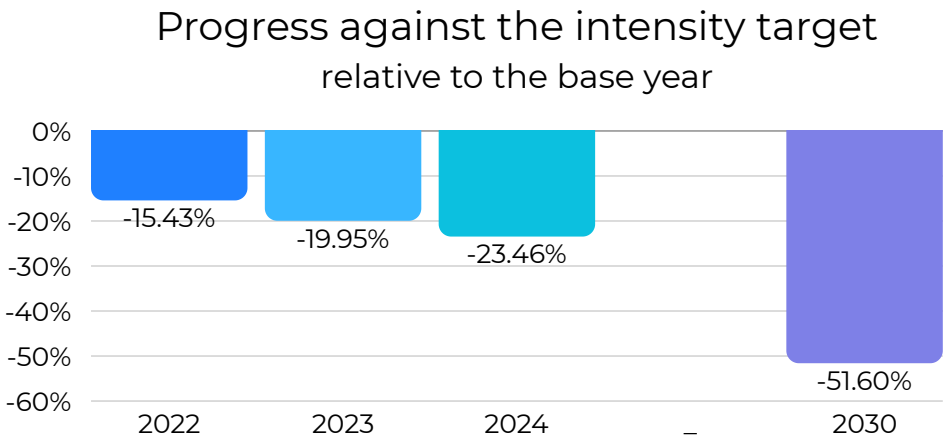
Retail stores – emission intensity

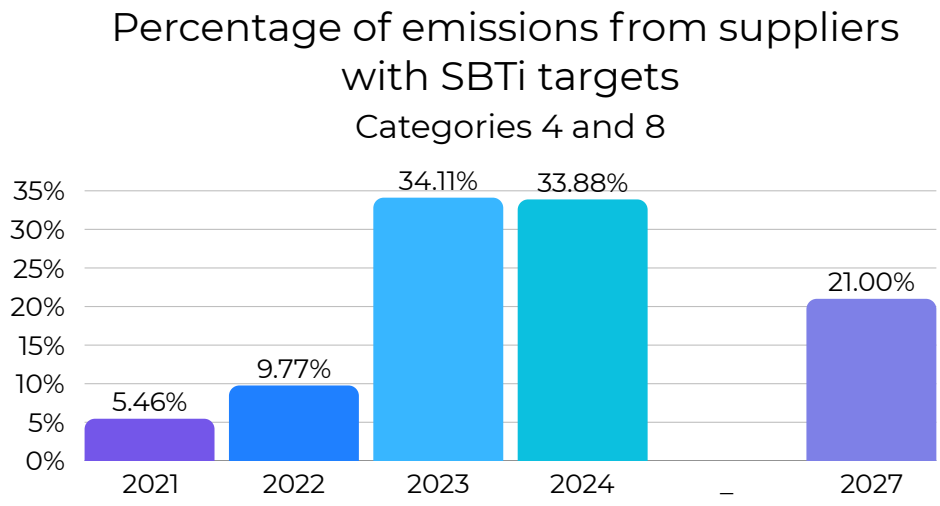
[t CO_2e/m^2]



Charts showing progress in the achievement of SBTi targets







3. ACTIONS

Our activities related to climate transition focus on limiting the impact of our own operations through the use of energy derived from low- and zero-emission sources and through improving energy efficiency. At the same time, we strive to ensure that the products we offer are more environmentally friendly, from the stage of raw material sourcing, through the production process, logistics and sales, to the manner of use and management at the end of the product life cycle.

3.1 ENERGY

Our objectives related to energy management cover both operational processes and the company's infrastructure. A key assumption is increasing the share of low-emission energy across all areas of our activity. We gradually implement renewable energy sources in offices and warehouses and use them wherever lease conditions allow. One of LPP's long-term goals is to ensure that all newly constructed owned buildings are covered by BREEAM certification.

Optimisation of energy consumption in LPP brand stores

We implement energy-efficient lighting and air-conditioning systems that allow for a significant reduction in energy consumption in stores. Thanks to telemetry systems, we are able to monitor and optimise energy consumption on an ongoing basis. Since 2023, such systems have been installed in every newly opened store, and by January 2025 they had been installed in 76% of all stores.

The use of LED lighting in stores allows for a reduction in energy consumption of 40% and reduces the heat generated by lighting, which lowers the demand for air conditioning. Since 2023, LED technology has been the standard in new stores and is currently used in 94% of existing facilities.

Energy-efficient solutions in warehouse and office facilities

When designing new facilities, we place strong emphasis on sustainable solutions. Intelligent lighting systems equipped with motion detectors activate lighting only when needed, thereby reducing energy consumption. The integrated Building Management System (BMS) enables the monitoring and regulation of lighting, heating and air conditioning, thereby increasing the energy efficiency of buildings.

At the warehouse in Brześć Kujawski, the design of hundreds of skylights on the roof allows us to maximise the use of natural daylight, reducing the need for artificial lighting.

Use of energy from renewable sources

The use of renewable energy sources is one of the key pillars of our decarbonisation strategy. When designing new buildings, we invest in modern and efficient solutions such as photovoltaic panels, energy storage systems and heat pumps. As a result, LPP not only reduces its carbon footprint, but also increases resilience to fluctuations in energy prices and the risk of fuel unavailability.The transition to renewable energy also allows us to better control operating costs, particularly in the context of managing warehouses in the face of rising electricity prices.

Financing of the energy transition

In 2021, we signed an agreement for the supply of wind energy with FIGENE Energia, under which, from 1 January 2023, we will use wind energy for a period of 10 years. Since January 2023, the majority of existing owned buildings in Poland, including the distribution centres in Pruszcz Gdański and Brześć Kujawski, have been powered by wind energy. From 2024, every new owned LPP building is powered by wind energy, which significantly reduces the company's carbon footprint and ensures energy stability.These actions cover the company's own operations.

3.2 MATERIALS - RAW MATERIALS (SCOPE 3)

The starting point for emission reduction is responsible material selection. For this reason, we actively monitor the raw materials market and gradually introduce certified and preferred materials across the offer of all our brands. We focus primarily on solutions with a lower carbon footprint and on materials derived from recycling, which supports the achievement of our climate objectives.

One of the preferred raw materials used by LPP is cotton sourced in partnership with Cotton made in Africa (CmiA) - a globally recognised standard for sustainable cotton cultivation in Africa. The selection of this certified cotton not only supports local communities and more sustainable agricultural practices, but also contributes tangibly to emission reductions. The emission factor associated with sourcing CmiA cotton is 34.7% lower than that of conventional cotton, making it an important element of our decarbonisation strategy.

In addition to CmiA cotton, we also use organic cotton, licensed cellulosic fibres and recycled raw materials certified under RCS (Recycled Claim Standard) and GRS (Global Recycled Standard). We also cooperate with the organisation Canopy, which promotes sustainable forest management and the protection of valuable ecosystems. As a result, we minimise the risk that the cellulosic fibres we use originate from endangered forests.

We use fibres certified under the following standards:

RCS - RECYCLED CLAIM STANDARD A standard applicable to textiles containing fibres derived from recycling.
GRS - GLOBAL RECYCLED STANDARD A standard applicable to textiles containing fibres derived from recycling, such as polyester. It is based on environmental and social criteria.
OCS - ORGANIC CONTENT STANDARD A standard applicable to organic materials.
GOTS - GLOBAL ORGANIC TEXTILE STANDARD A standard applicable to organic materials, such as cotton and linen. It sets extensive environmental and social criteria.
RDS - RESPONSIBLE DOWN STANDARD A standard aimed at sourcing down in a manner that ensures the humane treatment of animals.

3.3 PRODUCTION PROCESSES (SCOPE 3)

The vast majority of our emissions originate from production processes within Scope 3. For this reason, we actively monitor new technologies supporting emission reductions and seek alternative fibre production methods. We cooperate with industry organisations, experts and advisors in order to select the most effective solutions supporting the decarbonisation of our value chain.

Cooperation with the organisation Cascale
One of our partners in these activities is Cascale (formerly the Sustainable Apparel Coalition) - an organisation that among others develops and promotes industry standards and policies supporting emission reductions in the apparel industry and related sectors. Its initiatives focus on systemic solutions in the areas of decarbonisation, environmental efficiency improvement and energy transition.

Cooperation with Cascale allows us to accelerate actions aimed at reducing emissions within the supply chain, implement innovations and introduce positive changes across the entire industry. Starting from 2025, we plan to measure our carbon footprint using the Facility Environmental Module (FEM) tool, which forms part of the Higg Index - a set of standardised tools developed by Cascale.

3.4 PACKAGING

In order to reduce emissions related to packaging, we undertake a range of actions aimed at optimising processes and reducing the amount of waste generated during the packing, repacking and shipment of products. Efficient use of packaging and its reprocessing allow us to limit the consumption of natural resources, reduce waste generation and, as a result, reduce our carbon footprint.

All cartons purchased for our Fulfilment Centres (FC) and Distribution Centres (DC) in Poland are made from 100% recycled material.
In 2023, we implemented carton standardisation, which enabled the reuse of packaging in which garments are delivered from warehouses to retail stores. As a result, we reduced the need to order new cartons while simultaneously improving the efficiency of cargo space utilisation during transport.

Thanks to the optimisation of the packing process and the implementation of a packaging reuse system, in 2024 we recovered 3 708 889 cartons, significantly reducing demand for new packaging materials. In addition, in 2024 99 573 cartons were reused for shipments from retail stores.
In total, in 2024 we used more than 14 million cartons, of which nearly 4 million originated from secondary circulation, resulting in a recovery rate of 26%.

3.5 TRANSPORT

We continuously seek the most environmentally friendly transport solutions, striving to minimise the impact of our logistics activities on the climate and the surrounding environment. We invest in solutions that are beneficial both for the environment and for our customers.

The implementation of standardisation and reinforcement of shipping cartons has enabled more efficient product packing and the reuse of packaging. By standardising carton sizes, we are able to make better use of cargo space in transport vehicles.

3.6 USE PHASE

Everyday consumer decisions and habits - including the manner of using and caring for clothing - have a significant impact on the environment. For this reason, we actively educate our customers on garment care and extending the life of clothing, which directly contributes to reducing the carbon footprint.

Care for Clothes
In 2022, we implemented the educational campaign “Care for Clothes”, promoting a responsible approach to garment care. We provided customers with a dedicated website, **www.dbajoubranie.pl,** which contains practical tips supporting everyday decisions related to clothing care and environmental protection. The website remains active and available to users.

Wear Your Story
A further step involved expanding the message through the “Wear Your Story” campaign, the objective of which was to promote a responsible approach to fashion and to share knowledge related to clothing repair and reuse.
The website **www.dbajoubranie.pl** attracted 64,000 users seeking practical guidance. Promotional videos supporting the campaign achieved 236,000 views, while activities on TikTok - presenting creative ways of upcycling garments - reached 22 million recipients. Publications prepared by Practice Masters and campaign experts encouraging the extension of garment life reached 662,000 people.

In total, more than 550 publications were released, reaching 66.5 million recipients. Video materials prepared by the Reserved and Sinsay brands as well as influencers were viewed by nearly 2.5 million viewers, while educational posts - including video guides published on LPP channels - accumulated more than 6 million views.

An integral part of the campaign was also an initiative promoting clothing repair, organised in cooperation with the company woshwosh. Customers received vouchers for free garment repairs at selected tailoring points in Poland, including locations in Gdańsk, Kraków, Warsaw, Katowice, Radom, Łódź and Poznań.
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3.7 END OF PRODUCT LIFE

Managing the end of a product's life cycle is a key element of the circular economy. At LPP, we strive to ensure that our products do not end up in landfill sites, but instead gain a second life - through reuse, recycling or processing. For this reason, we develop programmes that enable customers to responsibly dispose of unwanted clothing and accessories.

Collection of used clothing

We strive to close the textile loop and extend the life of garments; therefore, since 2018 we have been operating a programme for the collection of clothing, footwear and accessories that customers no longer need. This initiative not only reduces the amount of textile waste, but also supports social initiatives. All LPP brand stores in Poland participate in the programme, donating clothing in good condition for social purposes. Since its launch, the programme has been systematically expanded - in 2023 it covered all stores nationwide, and in 2024 it was extended to international markets: the Czech Republic, Slovakia and the United Kingdom. The initiative's partners include: Ubrania do Oddania (Czech Republic), Ekocharita (Slovakia) and Yellow Octopus Group (United Kingdom). At the beginning of 2025, the programme was also launched in Lithuania in cooperation with the organisation Refabrik, and in Bulgaria an agreement was signed with the local partner TexCycle.

Used clothing, footwear and accessories can be brought to any store of any LPP brand in Poland. The collected items are transferred to the Social Integration Centre in Gdynia, where, as part of the Sortownia project, participants in occupational therapy divide textiles into two main categories:

- clothing suitable for reuse,
- clothing that does not meet quality requirements.

Clothing suitable for reuse is donated to the St. Brother Albert Aid Society, which distributes it to people in need. The remaining textiles are sorted according to material composition and then subjected to upcycling, downcycling or recycling - in line with the textile waste hierarchy. LPP's partner responsible for the appropriate processing of these textiles is the company Wtórpol. By the end of 2024, in Poland we collected over 25 tonnes of clothing, of which more than 22 tonnes entered a second circuit. Across the entire LPP Group, in 2024 we collected nearly 15 tonnes of textiles. Thanks to cooperation with local partners in Poland and abroad, as much as 81.91% of items donated through the collection programme gained a second life - including as tangible support for people in need.

3.8 CIRCULAR ECONOMY

We continuously develop solutions that will allow us to move away from the use of primary resources and to increase the use of secondary resources (derived from recycling). As a result, we will be able to reduce the amount of textile waste and our environmental footprint.

Use Waste
Currently, only approximately 1% of used textiles are subject to full recycling; therefore, we invest in innovative solutions that can change this situation. Collected garments and product samples that are not suitable for wearing are used, among other purposes, in work on clothing recycling technology carried out in cooperation with the start-up Use Waste.

The first stage of the project resulted in the production of a polyester thread. In 2025, the second stage was successfully completed, the objective of which was to extend the technology to polyester blends (containing cotton, viscose or elastane). The developed method makes it possible to extract and separate raw materials from such blends - which to date have constituted one of the greatest barriers to recycling - while at the same time being commonly used in the textile industry.

Thanks to this solution, fibres from commonly used blended materials can be separated into fractions and recovered as raw materials which, in line with the textile-to-textile concept, will become a valuable resource rather than waste.
The project opens the way to developing and implementing, on a large scale, an effective method of recycling not only polyester materials, but also the most commonly used textile blends.

Yellow Octopus Group
In the United Kingdom, thanks to the innovative technology of the collection programme partner, all clothing not suitable for reuse was subjected to upcycling. Textile waste is ground in a specialised mill and then processed into fine granulate. This granulate is added to a substance patented by Yellow Octopus Group, creating a unique mixture.

The finished mass is transferred to appropriate moulds, enabling the production of products - most often home accessories. The finished products are suitable for further processing, creating a truly circular production cycle.

Internal carbon pricing
LPP does not apply internal systems for charging fees for greenhouse gas emissions.

4. SUPPLIER COOPERATION

We support our suppliers in their efforts to achieve environmental objectives, reduce their carbon footprint and contribute to climate protection at a global level. We develop and improve forms of communication, support and guidelines that may foster the decarbonisation of the entire value chain.

4.1 SUPPORT FOR SUPPLIERS IN DECARBONISATION

vFEM Ready

In 2025, we commenced the implementation of the vFEM Ready initiative, the objective of which is to gradually prepare our suppliers for the obligation to report the environmental impact of production facilities based on the Higg Facility Environmental Module (FEM). The programme includes information activities and support in understanding and completing the FEM environmental self-assessment, as well as encouraging its verification (vFEM) by an independent third party.The objective of the programme is to increase transparency regarding the environmental impact of our supplier network and to support suppliers in their efforts towards more sustainable production.

In the first stage, we focus on factories located at Tier 1, i.e. those directly involved in the production of our products. In subsequent years, we plan to extend the programme to further tiers of the supply chain. Thanks to FEM reporting, we will gain access to accurate data on energy and fuel consumption as well as greenhouse gas (GHG) emissions directly from our suppliers, which will significantly increase the precision of our carbon footprint calculations across the entire supply chain.Ultimately, starting from 2027, we plan to introduce the obligation for Tier 1 factories producing for our key suppliers to hold a verified environmental report (vFEM).

ESG Academy

As part of the ESG Academy, we organise training sessions for direct suppliers, including, for example, the course “Following the carbon footprint: from its calculation to SBTi targets”, which covers topics related to decarbonisation, compliance with EU directives such as the Corporate Sustainability Due Diligence Directive (CSDDD) and the Corporate Sustainability Reporting Directive (CSRD), as well as the implementation of climate targets.
The training sessions increase suppliers’ knowledge of low-emission practices and support them in implementing such practices, which leads to a systemic reduction of Scope 3 emissions.

ESG newsletter
At LPP, we regularly publish an ESG newsletter, which serves as a source of knowledge on sustainability-related topics and on our activities in this area. One ESG newsletter is addressed to our suppliers, while another is directed to company employees.

Each issue addresses a different topic, including carbon footprint, responsible supply chain management and the circular economy. In this way, we increase awareness among both suppliers and employees, promoting good practices and a shared approach to responsible business.

4.2 DECARBONISATION REQUIREMENTS FOR SUPPLIERS

Environmental Policy
As part of our Environmental Policy, we commit to reducing the impact of our own operations - including stores, offices and warehouse facilities - on the environment. At the same time, we set the objective that the products we offer are manufactured in accordance with the principles of sustainable production - from raw material sourcing, through production, logistics and sales, to the use phase and end of life.

The policy identifies five main environmental areas, distinguished in the double materiality assessment, around which we focus our actions:

- climate;
- pollution in production;
- water;
- biodiversity and ecosystems;
- waste and circular economy.

The implementation of the policy is supervised by the Vice-President of the Management Board responsible for financial matters. At the operational level, responsibility for coordinating the implementation process within the LPP Group lies with the person managing the ESG department, supported by directors of other departments, in particular purchasing, logistics, leasing, expansion and administrative and technical departments.

The policy applies to both own operations and the entire LPP Group value chain. It is publicly available on the website www.lpp.com in Polish and English. Its implementation is accompanied by communication activities, both within the LPP Group and across the value chain.

Code of Conduct

The Code of Conduct constitutes the foundation of LPP's relationships with suppliers and subcontractors. All factories and all suppliers wishing to cooperate with LPP are required to accept and implement the Code.
In accordance with the principles of the Code, we expect our business partners to comply with the highest ethical standards and legal requirements and to conduct their activities fairly. The Code imposes obligations relating to the protection of workers' rights, occupational health and safety, respect for human rights and environmental protection.

Suppliers and subcontractors are required to comply with fair competition principles, eliminate corrupt practices and ensure transparency of their operations. The Code is a set of guidelines based on local and international legal regulations and industry best practices.

It obliges all business partners, manufacturers and suppliers of products and services to comply with defined principles supporting sustainable development and establishes standards of conduct in areas such as:

- minimising negative environmental impact;
- sustainable resource management;
- reduction of greenhouse gas emissions;
- compliance with principles of sustainable production and responsible sourcing of raw materials.

The Code of Conduct supports the promotion of responsible practices throughout the supply chain, contributes to the achievement of environmental objectives and supports climate and biodiversity protection at a global level.

5. CLIMATE RISKS AND OPPORTUNITIES

In 2024, we conducted a comprehensive identification and assessment of climate-related risks without taking mitigation measures into account. The process of identifying and assessing climate-related risks is based on the standards indicated in the ESRS and is integrated with LPP's overall risk management process.

The materiality of climate-related risks is assessed based on a combination of the likelihood of occurrence and the potential scale of financial impacts, in accordance with the assumptions set out in the LPP Group Risk Management Procedure and the LPP Group Climate Risk Assessment Methodology adopted in 2024, dedicated to climate-related risks. The analysis of climate risks is carried out for the Group's own operations as well as along the upstream and downstream value chain.

Risks are identified across three time horizons:

- short-term (mandatory: 1 year, corresponding to the reporting period in the financial statements);
- medium-term (from 2 to 5 years);
- long-term (from 6 to 15 years).

The time horizons were defined in order to take into account transition risks affecting the business environment, as well as to enable the analysis of physical risks.

The identification of climate-related risks was based on a climate scenario analysis, taking into account:

- for transition risks - a scenario limiting global warming to 1.5°C;
- for physical risks - a high-emissions scenario resulting in an increase in average temperature of more than 4°C,

with consideration given to:

- the results of the double materiality assessment, including impacts, risks and opportunities (IRO) arising from topics identified as material;
- significant changes in the LPP Group's business environment, including regulatory changes;
- the latest scientific data, research and information on climate change;
- opinions of internal and external experts and stakeholders.

In the case of physical climate-related risks, we identified areas of exposure of our key assets, taking into account their location and the occurrence of 28 physical climate hazards indicated in the EU Taxonomy (Commission Delegated Regulation (EU) 2021/2139).

Subsequently, the degree of exposure of assets and the elements supporting their operation (transport connections, power lines, etc.) was analysed by examining the sensitivity of these elements to physical events.

Transition risks are identified based on an analysis of the relationships between key areas of activity and climate transition events classified by the Task Force on Climate-related Financial Disclosures (TCFD).

<table>
<tr><th>IMPACTS</th><th>RISKS</th><th>OPPORTUNITIES</th></tr>
<tr><td>Monitoring of climate risks.</td><td>Potential mismatch of collections due to unpredictable weather changes.</td><td rowspan="5">Inclusion of climate risk in the Risk Book enables the management of this risk. This provides an opportunity to increase the company’s competitiveness by early identification of potential risks and reducing other operating costs.</td></tr>
<tr><td>Generation of CO2 emissions during clothing and footwear production.</td><td rowspan="2">Extreme weather events and lack of natural protective barriers that can disrupt production processes.</td></tr>
<tr><td>Generation of CO2 emissions during the use of clothing and footwear.</td></tr>
<tr><td>Reducing climate impact by developing and implementing the decarbonisation strategy.</td><td rowspan="2">Risk of limited availability of raw materials for textile manufacturing and their increasing price as a consequence of progressing climate change.</td></tr>
<tr><td>Energy-intensive production.</td></tr>
</table>

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

Progressive climate change causes, among others, the reduction in the availability of water, which negatively affects the cultivation of cotton – the key raw material used in the production of clothing. The occurrence of extreme weather events, such as periods of water deficit and drought or intensive rainfall, significantly reduces yields in regions where most of the global cotton production is concentrated – India, China, Pakistan, Uzbekistan or Kazakhstan. In addition, excessive use of water can lead to conflicts with local communities, increasing the risk of lack of availability of the resources and an increase in its price. Adaptation measures in response to risk:

- constant monitoring of prices and availability of critical raw materials used in the production of collections, in order to respond quickly to market fluctuations;
- increasing the share of preferred materials demonstrating more sustainable extraction or processing phases;

- inwestowanie w rozwój rynku materiałów preferowanych, pochodzących z recyklingu, w tym współpracę ze start-upem zajmującym się nowoczesnymi technologiami, takimi jak recykling poliestru;
- budowanie długoterminowych partnerstw z dostawcami materiałów preferowanych, aby zwiększyć stabilność ich dostaw i kontrolować koszty w perspektywie długoterminowej.

Risk of disruption to production processes due to extreme weather events.

Extreme weather events, such as floods or cyclones, occurring in regions where production takes place, can damage crops, lead to power cuts, flooding and thus disrupt production processes. As a result, it may generate loss of revenue. With regard to sourcing of raw materials, natural fibre crops such as cotton are particularly exposed. On the other hand, from the manufacturing point of view – production facilities located in floodplains are most vulnerable. Adaptation measures in response to risk:

- relocating operations to countries with lower risk of extreme weather events in order to diversify production markets;
- spreading the production of a given product group across different markets in order to mitigate the risk of interruptions in supply.

Risk of potential collection mismatch due to unpredictable weather changes.

the collection planning process is done in advance. Raw materials and materials are ordered from which the number of garments in a given collection (e.g., summer/winter) will be produced, as specified for sale. Therefore, any unforeseen and sudden changes in the weather in a given season, will result in a mismatch between the garments displayed in stores and the prevailing weather. Adaptation measures in response to risks:

- analyzing and recognizing customer behavior depending on changing weather conditions, allows to adjust the appropriate range of assortment to the customer's needs;
- possibility of changing the method of transport from sea to air in case of necessity of faster delivery of assortment;
- verification of the collection model through a greater share of multi-season or transitional models, thanks to which there is a possibility of selling the product in the next season.

6. SUSTAINABILITY GOVERNANCE

Thanks to our ESG and sustainability governance structure, we effectively integrate environmental, social and corporate governance objectives into our long-term strategy. Within our organisation, a system of oversight operates across key business areas.

MANAGEMENT STRUCTURE OF ESG ISSUES

The Supervisory Board approves the directions of development and strategy, performs an advisory and opinion-forming function with regard to ESG activities, and consults the content of sustainability statements.The Management Board supervises the implementation of the strategy, monitors the integration of ESG activities with business objectives, approves directions of action, oversees progress and manages strategic targets.

The Vice-President of the Management Board (CFO) is responsible for financing ESG projects, cooperating with the Internal Control and Risk Management Department, which identifies risks and opportunities in cooperation with the ESG Committee and the Director for Purchasing and ESG.

The Director for Purchasing and ESG develops sustainability objectives and strategy, analyses risks and chairs the ESG Committee, which consists of managing directors of brands and key functional areas.

The Sustainability Manager, together with the department, is responsible for implementing the strategy, monitoring its execution and ensuring production safety, while supporting environmental initiatives, including emission calculations, decarbonisation, energy management and supply chain management.

The Sustainability Expert identifies climate- and nature-related opportunities and challenges, advises on risk mitigation and cooperates with the Director for Purchasing and ESG.The Due Diligence Team assesses risks related to human rights and labour issues, implements corrective measures and monitors their effectiveness.

The Sustainable Reporting and Social Relations Team cooperates with social organisations, implements diversity and inclusion policies, analyses the company's social impact and prepares annual reports. Other organisational units in Poland and abroad, together with brand managers, carry out operational tasks and social initiatives at local level and report their results to the headquarters.