

MODERN SLAVERY STATEMENT

LPP SA

This statement concerns all companies belonging to the LPP Group, further referred to as LPP.

INTRODUCTION

While developing our business, we become an organisation that is more and more mature and conscious. We also want to be a reliable and responsible partner for those around us.

For 25 years, owing to the passion and engagement of our people, we have built one of the largest fashion companies in Europe, becoming an undisputed leader of the Polish clothing industry. The open business culture of our organisation enables us to react immediately to changes taking place in the clothing industry and the entire world around us. What is also important is that each of us has the possibility of individual development. Despite the scale and scope of our business activity, we avoid unnecessary procedures, we take key decisions boldly and build friendly and partner relations within the company. We know and respect each other, and, thanks to our common passion for fashion and design, we consider the development of LPP and our brands not only as a shared task but also as a common source of pride, joy and satisfaction.

Openness, diversity, responsibility for our shared development and mutual respect create our company's unique culture. Yet, the most important foundation of our work is freedom. **We fully, completely and unconditionally oppose any form of forced labour.** This objection is made known along with the company's values and is an intrinsic part of our DNA. In this document, you will find information on actions we take to counteract modern slavery.

LPP STRATEGY

We are a company dealing with the design and distribution of clothing. Our sales network covers the whole of Poland, as well as the countries of Central, Eastern and Western Europe, the Balkans, and the Middle East. To the millions of customers visiting the showrooms and shops on-line, we offer the clothing, accessories and footwear of five popular brands: Reserved, House, Cropp, Mohito and Sinsay. LPP has a local representative unit in every country where its products are available. The foreign LPP units are managed by professionals from the fashion industry who successfully run businesses in their countries.

Our designers, graphic designers and technologists prepare each season collections of LPP brands, taking into account the latest fashion trends. The LPP philosophy is think locally and act globally, therefore, building our business, we adjust the offer of individual brands to customers in different countries.

We do not have our own production facilities – the execution of a collection, as in the case of our global competitors, is commissioned to outside companies in Poland, as well as in other countries in Europe and Asia. We invest in both the expansion of the sales network in the countries where our brands are already known, as well as in new prospective markets. Currently, we are focussing primarily on strengthening the visibility of our flagship brand, Reserved, in Europe.

At the same time, we are investing in modern sales channels and their mutual integration, that is, omnichannel. Soon, our on-line shops will operate in all markets where we have our own physical network. We are aware of the importance of e-commerce in the apparel industry in which we see a great potential for further development. Thanks to significant investments, our Internet sales are growing at a pace of 100 percent a year.

In implementing our strategy we also want to ensure that our growth is stable, balanced and consistent with the principles of socially responsible business.

Business model

From design to sale



*The duration of the production cycle varies depending on the model, size of the order and country of production. Our models reflect the latest trends (the so-called must-haves) and are manufactured as quickly as 30 days. The rest of the collection is manufactured in approx. 90-100 days.

Our business model determines and is identical to our supply chain.

Characteristics of the LPP SA Capital Group

The LPP SA Capital Group (Capital Group, Group) consists of:

- LPP SA – as the parent company,
- 4 domestic subsidiaries,
- 19 foreign subsidiaries.

LPP SA has no parent company.

The list of companies forming the Capital Group is presented below.

No	Company name	Registered office	Date of taking control
1.	LPP Retail Sp. z o.o.	Gdańsk, Poland	26.09.2001
2.	DP&SL Sp. z o.o.	Gdańsk, Poland	26.09.2001
3.	IL&DL Sp. z o.o.	Gdańsk, Poland	26.09.2001
4.	AMUR Sp. z o.o.	Gdańsk, Poland	09.05.2003
5.	LPP Estonia OU	Tallinn, Estonia	29.04.2002
6.	LPP Czech Republic SRO	Prague, the Czech Republic	16.09.2002
7.	LPP Hungary KFT	Budapest, Hungary	18.10.2002

8.	LPP Latvia LTD	Riga, Latvia	30.09.2002
9.	LPP Lithuania UAB	Vilnius, Lithuania	27.01.2003
10.	LPP Ukraina AT	Peremyshliany, Ukraine	23.07.2003
11.	RE Trading OOO	Moscow, Russia	12.02.2004
12.	LPP Romania Fashion SRL	Bucharest, Romania	12.08.2007
13.	LPP Bulgaria LTD	Sofia, Bulgaria	14.08.2008
14.	LPP Slovakia SRO	Bańska Bystrzyca, Slovakia	30.10.2008
15.	LPP Fashion Bulgaria LTD	Sofia, Bulgaria	26.08.2011
16.	Gothals LTD	Nicosia, Cyprus	22.07.2011
17.	LPP Croatia DOO	Zagreb, Croatia	22.01.2014
18.	Reserved GmbH	Hamburg, Germany	03.03.2014
19.	IPMS Management Services FZE	Ras Al Khaimah, UAE	15.07.2015
20.	LPP Reserved UK LTD	Altrincham, UK	15.10.2015
21.	LLC Re Development	Moscow, Russia	22.04.2016
22.	LLC Re Street	Moscow, Russia	02.09.2016
23.	LPP Reserved doo Beograd	Belgrade, Serbia	26.12.2016

OUR POLICIES AND COMMITMENTS

In 2017, LPP adopted the Sustainable Development Strategy for the years 2017-2019, which makes it clear that the control of the supply chain and care for the rights of the staff of LPP and our suppliers are key priorities for LPP. In spring 2018, we will publish the first integrated report of LPP SA, comprising a whole set of information on the company's non-financial activities.

Examples of steps we are taking to mitigate the modern slavery and forced labour risks identified in our Sustainable Development Strategy 2017-2019:

- Introduction line of an assortment made from sustainable sources (e.g. organic cotton, recycled materials, etc.).
- Continuously raising standards of fire safety and fire protection in LPP manufacturing plants.

- Conducting factory audits in Bangladesh to ensure our suppliers comply with LPP's Code of Conduct, including timely payment of wages and overtime and not employing minors.
- Start working with new suppliers in Bangladesh, provided they are covered by an Accord audit.
- Joining an international organization supporting supply chain control globally.
- Implement a separate code of conduct for sewing suppliers for LPP in Poland.
- Acceptance of the Code of Ethics along with Whistleblowing.
- Establishment of ethics ombudsman skills, phone / mail box reporting irregularities.
- Educational campaign among employees of LPP SA on Code of Ethics.
- Ethics training for managers on anti-corruption and abuse.
- Adopt and implement a sustainable development strategy.
- Sustainable development meeting for managers with presentation of the progress of the strategy.

CODE OF CONDUCT

We have written down our values and rules in the form of the Code of Conduct to be received by all our suppliers.

We outsource the manufacturing of LPP brand clothes to factories located in Asian countries and in Europe, including Poland. Our Code of Conduct sets out the requirements which LPP's suppliers must meet, as well as the values and standards we expect to be observed. It is also used to verify whether these rules are observed in our suppliers' day-to-day business practice. The Code of Conduct incorporates the key provisions of the convention of the International Labour Organisation and the Universal Declaration of Human Rights as well as recommendations of international social organisations monitoring working conditions in the textile industry.

The Code of Conduct covers the following most important issues:

- wage policy and formal employment requirements
- unconditional ban to employ children and regulations governing employment of youth workers

- **voluntariness of work**
- freedom of association
- equal treatment of all workers irrespective of sex, age, disability, origin, race, marital status, sexual orientation, political beliefs, membership (or non-membership) in organisations or caste or religious affiliation
- health and work safety standards
- suppliers' environmental duties.

For us, verification of observance of the Code of Conduct is a key element. We reserve the right to carry out unannounced audits in all factories we cooperate with.

AUDITS

We are proud of what we have achieved so far both in terms of improving working conditions in factories manufacturing our clothes and in the very attitude of our company to the control of the supply chain. LPP is the only company in Central and Eastern Europe, which has been engaged in the process of changes to such an extent and that is why I believe we will be followed by other fashion companies.

- **Marek Piechocki**

President of the Management Board of LPP S.A.

The Code of Conduct by itself is not enough; as set out above, it is also necessary for us to support our suppliers in implementing the Code of Conduct and to ensure that our suppliers comply with its provisions. LPP applies three verification methods – our internal structures including the three units discussed below, external specialists with expertise in social issues and, in terms of safety, cooperation with an international association of textile companies.

Three units formed in recent years within LPP's structure are engaged, on a regular basis, in the control of working conditions at our suppliers' factories:

- the Audit Department operating in our head office is responsible for developing standards and requirements for suppliers and for their effective verification

- LPP's representative office in Dhaka, the capital city of Bangladesh, is responsible, amongst other things, for auditing factories to which we outsource our production and
- the Communications and Sustainable Development Department deals with setting key directions of the company's CSR policy and communicating the results of actions in this area to the public.

Furthermore, in the factory auditing process, we are given support by renowned professional external companies specialising in such activities. At present, we are working with SGS, an international audit company, covering the assessment of risks relating to the observance of LPP's Code of Conduct by factories to which we outsource the production of our collections.

LPP's activity as part of the BANGLADESH ACCORD

We joined the Accord on Fire and Building Safety in Bangladesh four years ago. This is an international agreement signed by global clothing companies which is aimed at verifying and improving the condition of fire safety equipment, power supply installations and the structures of factory buildings. It therefore focuses on issues closely related to the safety of people employed in the clothing industry in Bangladesh.

When developing a remediation plan for a given factory, those members of Accord which are the key customers of that factory have responsibility for supervising the implementation the remediation plan. The representatives of LPP also take part in that process in the factories for which LPP is the biggest client. Eighty factories manufacturing our brand clothing are under the close supervision of the Bangladesh Accord.

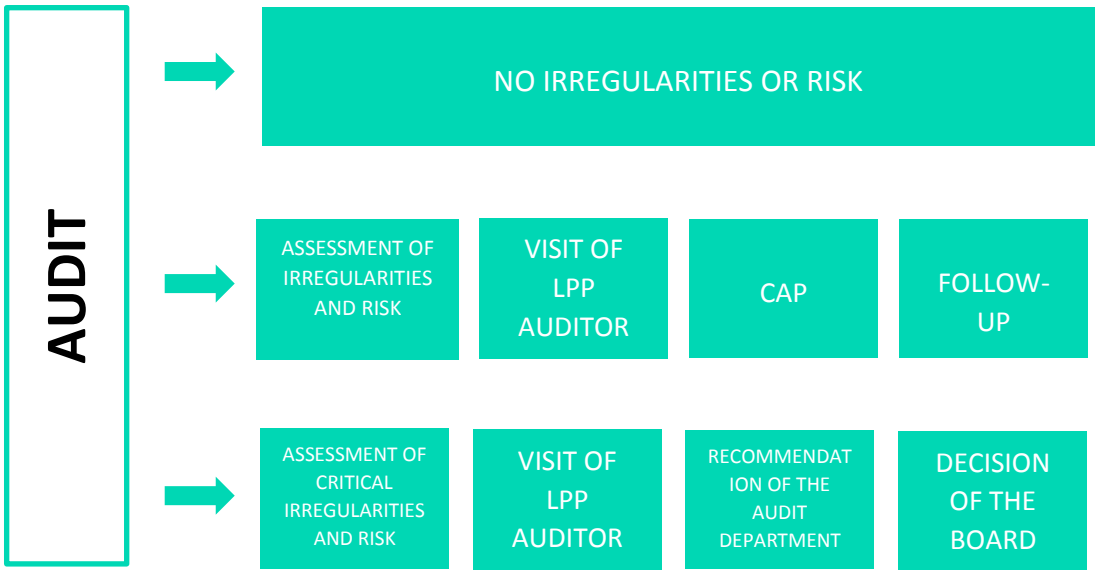
GRIEVANCE MECHANISM IN ACCORD

Apart from controlling health and work safety conditions, an important aspect of the activity of the Bangladesh Accord is also the know-how support of factories' owners and the education of ordinary workers in respect of health and work safety and their rights. The factories for which LPP is a key client participate in educational projects. The Bangladesh Accord provides for a grievance mechanism which is more and more often applied by workers. In cases where issues involving forced labour are raised, companies cooperating with a given factory are notified immediately.

SOCIAL AUDITS

On a regular basis, we carry out unannounced audits covering social issues. These audits may be carried out by our internal audit department or by SGS, an international audit company, on LPP's behalf.

Verification is based on documentation, factory inspections and interviews with workers. Information on any defaults and threats is given by SGS auditors forthwith to LPP. Based on information received and following a meeting with a factory owner, LPP makes a decision, if need be, to implement a corrective action plan in that factory. The progress in executing the corrective action plan is verified on a regular basis. In case of identifying risk in critical areas such as voluntariness of work, the audit department will take, together with the Management Board of LPP, individual decisions on further cooperation with the supplier. We focus on executing remediation actions together with our business partners whenever possible. Each case is analysed individually. The first series of audits will be completed in 2017. Any further audits and actions will follow depending on their results. We consider this project as the next natural step to secure transparency of our supply chain.



IMPORTANT

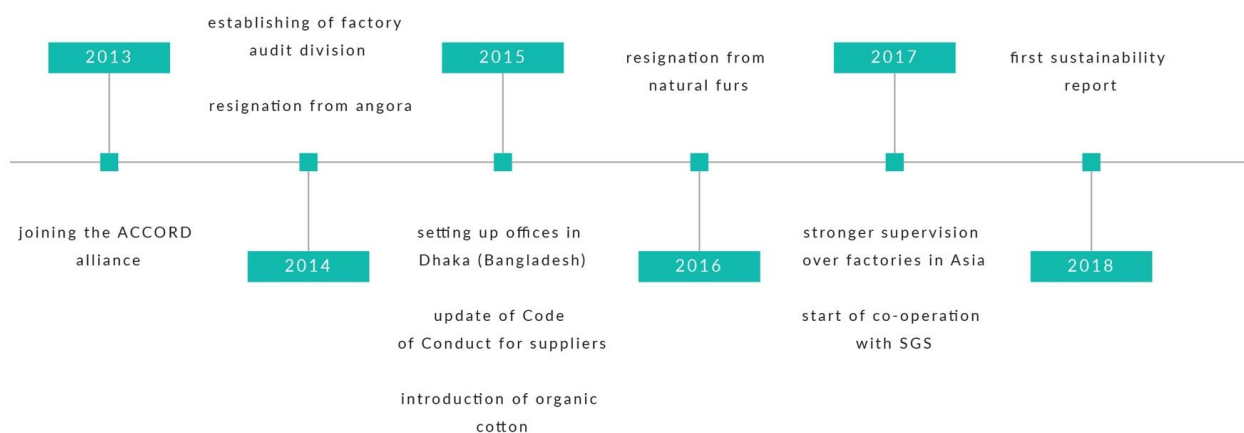
- 100% of factories manufacturing clothes for LPP in Bangladesh are covered by the Bangladesh Accord.
- In total, in the years 2013-2017, there were 6,500 audits carried out at the factories of LPP suppliers.
- Audits involve verification of all aspects of voluntariness of work.

- During audits, auditors talk with chosen workers, with anonymity assured.
- One of the criteria for auditing voluntariness of work is verification of whether workers have been deprived of documents or charged for tools, accommodation or workwear.
- The issues of voluntariness are critical – it means that, regardless of the full outcome of the audit, if any such threat is identified, a given supplier is subject to an immediate investigation procedure, with the audit findings being assessed as negative.

INCREASING AWARENESS

LPP has developed staff training in accordance with external expert auditors, which includes information on how to counteract forced labour. The training is being rolled out to all employees in LPP's audit department and the office in Bangladesh who will be required to complete the training this year.

We plan further CSR actions



BOARD APPROVAL

This slavery and human trafficking statement for the financial year ending [●] 2017 has been approved by the board of directors of LPP SA on behalf of LPP SA and all members of the LPP Group, in accordance with section 54 of the Modern Slavery Act 2015.

PRZEMYSŁAW LUTKIEWICZ

VICE-PRESIDENT OF THE MANAGEMENT BOARD LPP SA

August 2017