



# LPP

## MODERN SLAVERY STATEMENT 2017



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.

## The world of LPP in numbers and actions

LPP Group: a Polish company with global aspirations

We are a Polish company dealing in the design, production 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. Millions of our customers visiting stores buy the clothing, accessories and shoes of five popular brands: Reserved, Cropp, House, Mohito and Sinsay.

- **25+ years** of experience in the industry
- **Over 25,000 jobs**
- **170 million** items of clothing sold each year
- **over PLN 360 million** – e-commerce revenues in 2017
- **1.001 million m<sup>2</sup>** – the total area of all the stores of the LPP Group
- **+ 1,700 stores** in 20 countries on 3 continents

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.



### STEP 1: DESIGNING

**3** design offices in Poland

Over **250** designers

**5** different brands

The clothing designs are created in the LPP design offices located in Gdańsk (at the company's head office), Krakow and Warsaw.



### STEP 2: SEWING

Over **1,000** suppliers

**2** representative offices in Asia  
(China and Bangladesh)

**4,2 million** pieces produced annually in Poland

The designs are then passed on to buyers who commission production of individual models. The LPP Group does not have its own production plants and uses a very popular model in the fashion industry, based on cooperation with suppliers from Asia and Europe, including ones in China, Bangladesh, Turkey, and Poland. Production placement in China runs inter alia through the office located in Shanghai, while our employees in Dhaka are responsible for the coordination and supervision of production in Bangladesh. The second important task of the Bengal office is to control the observance of human rights throughout the country.



### STEP 3: SHIPPING

**1,2 million** products a day sent from the Distribution Centre in Pruszcz Gdański

**3** distribution centres in the world

We are the owner of the largest and most modern clothing distribution centre in Central and Eastern Europe located in Pruszcz Gdański. Thanks to the modernisation and use of advanced technologies completed in 2015, it currently handles 1,743 stores at one time, sending up to 1,200,000 products to our sales network daily.



### STEP 4: SELLING

**1,743** stores in 20 countries on 3 continents

**170,000,000** items sold each year

**688,822,605** - total number of visits to stores in 2017. (↑ 26%)

The basic distribution channels that provide the LPP Group with the possibility of development are the Reserved, Cropp, House, Mohito, Sinsay chain stores and online stores of each of the listed brands. The recipients of the products in both stationary and online stores are individual customers. In every country where products of our brands are available, there is a local LPP representative cell, or franchise cooperation with a local partner is established. At the head of foreign LPP companies, there are the best specialists in the fashion industry who successfully manage our business in their countries.

# The companies of the LPP Group and the scope of their activity

The LPP Capital Group consists of:

- LPP SA as the parent company,
- 4 dependent domestic companies,
- 20 dependent foreign companies.

LPP SA deals with the design and distribution of clothing in Poland and in Central, Eastern and Western Europe, the Balkans and the Middle East. Foreign companies included in the Group are entities dealing in the distribution of goods under the Reserved, Cropp, House, Mohito and Sinsay brands outside of Poland.

List of companies included in the LPP Capital Group

No.	Name of company	Seated in
1.	LPP SA	Gdańsk, Poland
2.	LPP Retail Sp. z o.o.	Gdańsk, Poland
3.	DP&SL Sp. z o.o.	Gdańsk, Poland
4.	IL&DL Sp. z o.o.	Gdańsk, Poland
5.	AMUR Sp. z o.o.	Gdańsk, Poland
<b>No.</b>	<b>Foreign subsidiaries:</b>	
5.	LPP Estonia OU	Tallinn, Estonia
6.	LPP Czech Republic SRO	Prague, Czech Republic
7.	LPP Hungary KFT	Budapest, Hungary
8.	LPP Latvia LTD	Riga, Latvia
9.	LPP Lithuania UAB	Vilnius, Lithuania
10.	LPP Ukraina AT	Przemyślany, Ukraine
11.	RE Trading OOO	Moscow, Russia
12.	LPP Romania Fashion SRL	Bucharest, Romania
13.	LPP Bulgaria EOOD	Sofia, Bulgaria
14.	LPP Slovakia SRO	Banská Bystrica, Slovakia
15.	LPP Fashion Bulgaria EOOD	Sofia, Bulgaria
16.	Gothals LTD	Nicosia, Cyprus
17.	LPP Croatia DOO	Zagreb, Croatia
18.	LPP Deutschland GmbH	Hamburg, Germany
19.	IPMS Management Services FZE	Ras Al Khaimah, UAE
20.	LPP Reserved UK LTD	Altrincham, UK
21.	LLC Re Development	Moscow, Russia
22.	LLC Re Street	Moscow, Russia
23.	LPP Reserved doo Beograd	Belgrade, Serbia
24.	P&L Marketing & Advertising Agency SAL	Beirut, Lebanon

# 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 May 2018, we published 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.

## LPP MORE. LPP Sustainable Development Strategy for the years 2017–2019

In 2017, we adopted the LPP Sustainable Development Strategy for the years 2017–2019, which is built on 4 pillars:

- 1. MORE SAFE.** Our product: covers our practices related to the design of clothes and accessories, with the way they are designed and manufactured.
- 2. MORE CARE.** Our employees: includes our practices related to relations with employees, including potential and former employees.

**3. MORE MINDFUL.** Our environment: includes our practices related first to consumer education, and secondly to the fashion industry in its broadest sense, including designers and influencers. Thirdly, it includes our presence in the local community in the places where our branches and stores are.

**4. MORE ETHICAL.** Our principles: includes our management practices and how we approach business.

## 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.

Documents regulating issues of cooperation with suppliers:

- Code of Conduct for suppliers,
- LPP Quality Guidebook,
- Sustainable Development Strategy for LPP – LPP MORE.

## 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.

**1,118** – the number of factories inspected by LPP for safety at work, working conditions, and observance of human rights in 2017.

## Made in Poland

Since 2016, production for our brands in Poland has grown hugely. We are planning to commission domestic plants to produce up to 5 million items of clothing per year. However, today we are probably the largest customer in the industry. In our country, we cooperate with 72 entities employing a total of 1,000 people. Due to the ever-changing trends and the shorter time in which we provide our customers with 'must have' models, the development of cooperation with Polish suppliers is very important to us. We are constantly looking for new contractors in the country, because our strategy assumes that the percentage of LPP orders in Poland will increase dramatically in the coming years. To this end, in 2017, a new position was created in the purchasing department – Coordinator for Polish production.

- **Over 4.2 million items of clothing and accessories** were produced in Poland in 2017.
- **72** production partners in Poland, employing over **1,000** employees
- **11.2%** of the total Mohito collection is produced in Poland.

## LPP's activity as part of the BANGLADESH ACCORD

We joined the Accord on Fire and Building Safety in Bangladesh in 2013. 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. Under the strict control of ACCORD there are 94 factories in which the production of our brands' clothing takes place, including 22 entities for which the company is the main customer. In 2017, we ended cooperation with two suppliers that did not meet our requirements.

In January 2018 LPP joined Transition ACCORD. The legally-binding document goes into effect when the original agreement expires in May, and extends the Accord's protections until 31 May 2021.

## How we control work conditions



### 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.

**64** plants, or **72,000 employees** currently producing for LPP participate in the training programme, which is intended to ensure employee education in the field of health and safety, to establish permanent safety committees and to implement a mechanism for reporting violations .

## 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.

## CONTROL OF THE LPP SUPPLY CHAIN: KEY ACTIVITIES AND PLANS

### 2013

- Accession of LPP to the ACCORD Agreement (The Bangladesh Accord on Fire and Building Safety) – active, permanent membership in the work of the Agreement
- Voluntary donation to the victims and families of the victims of the collapse at the Rana Plaza complex in Bangladesh

### 2014–2016

- Developing, publishing and implementing the Code of Conduct
- Establishment of the LPP Audit Department
- Establishment of the Communication and Sustainability Department
- Starting the operation of the LPP facility in Dhaka, the capital of Bangladesh (The tasks of the facility include, among others, auditing factories.)
- Regular cooperation within ACCORD – reporting and undertaking recommended actions

### 2017

- Cooperation with SGS – assessment of risks of violations of the Code of Conduct in Bangladesh
- Completion of a series of dialogue activities (questionnaires, interviews, panel) preceding the adoption of the Sustainable Development Strategy
- Adoption of the Sustainable Development Strategy by the Management Board of LPP: LPP MORE

Since 2018

- Reporting non-financial data (including on control in the supply chain) according to the international GRI Standards standard

## 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*

June 2018

