LPP

LPP GROUP CONSOLIDATED ANNUAL REPORT FOR 2024

2 APRIL 2025

This report covers the financial year of LPP Group, lasting from 1 February 2024 to 31 January 2025 (further referred as 2024 financial year).
This document is not an official version. The report in inline XBRL format can be found at the following link:
https://www.lpp.com/en/investor-relations/reports/financial-reports/

RESERVED CROPP HOUSE MOHITO sinsay

Table of contents

01

LETTER OF THE CEO TO SHAREHOLDERS

Dear Shareholders,

Promises I made a year ago and can proudly announce today as successfully fulfilled include over 20% sales growth (in constant currencies) for LPP Group in 2024, the dynamic development of Sinsay brand, over 600 new stores in only 12 months and a 50% increase in warehouse floor area.

2024 was an ambitious, busy year full of enthusiasm, although also full of challenges. In mid-March last year, LPP Group was attacked in an unprecedented way on the Polish capital market after the American intelligence agency Hindenburg Research had published a report full of false allegations about us. Open communication, market confidence in LPP, for which we have worked for years, and above all facts, allowed us to restore the price of our shares quickly and effectively and today, as after every storm, we are emerging even stronger. Another exciting chapter is ahead of us, which will mark the beginning of a new phase in the Group's operations with a strong and unique Design&Value concept on the retail market.

The success of Sinsay and its spectacular revenue growth in 2024, which amounted to nearly +47% in constant currencies, was a clear incentive for us to build LPP's further development on this sales formula, which redefines retail in smaller towns and will provide the Group with a competitive advantage in the coming years. Therefore, we used 2024 to build key resources and thoroughly analyse Sinsay concept in order to accelerate LPP's development exponentially starting from 2025.

We also used the past 12 months to work on the dynamic expansion of our sales network, with the highest increase in floor space in Sinsay brand, where we opened over 570 stores. Our growth has mainly been concentrated in Central and Southern Europe, where there the level of retail chain saturation in smaller towns and cities is low. At the same time, we remained focused on the second important branch of the omnichannel model: the online channel, where we significantly expanded the product range of our brands and, as in 2023, continued to develop mobile apps. Today, all our brands are equipped with this tool and its range is systematically expanded to include more European countries.

Dynamic development in both sales channels, improvement of gross margin once again translated into record results – in 2024, the Group's revenue exceeded PLN 20 billion, operating profit amounted to PLN 2.4 billion, while net profit closed at PLN 1.7 billion.

At the same time, we invested in the expansion of our distribution network, which grew by more than 50% in the previous year. In January, we opened our first foreign distribution centre in Romania, and just a few months later, we expanded it by another 40 thousand m^2. We also strengthened the potential of e-commerce warehouses by adding two more facilities to our network – one in Poland and one in Romania. We also started the expansion of the distribution centre in Brześć Kujawski by 85 thousand m^2. This is our response to the historic development of Sinsay brand to be continued for the next few years.

As a consequence, investment expenditure increased in 2024 to its all-time high of PLN 1.8 billion, the majority of which (PLN 1.2 billion) was spent on expanding the brick-and-mortar store chain. However, the amount of the dividend (PLN 610 per share) that we paid to our shareholders last year was equally historic. We want to share LPP's success, especially that our financial foundations remain strong and stable even with such an ambitious development plan.

We face the Group's largest capacity expansion plan in our history, for which we have been preparing for many months by investing in key resources in every area of the organisation. Consequently, we will double the network of our youngest brand this year by opening 1,500 new Sinsay stores and around 100 stores of other brands from our portfolio, so that we will operate a sales network of approximately 4,400 stores by the end of 2025.

As in the previous year, we will focus on three pillars of growth: in addition to expanding the potential of our traditional sales channels, we will strengthen the online presence of our brands, mainly by increasing the geographical coverage of our mobile apps and expanding their functionality. We will support this process by continuing to increase the potential of our logistics, not only by expanding the warehouse floor space, which will exceed 700 thousand m^2 this year, but also by enhancing its operational efficiency. To this end, we have focused on the implementation of innovative automated solutions and by the beginning of 2025, we will have completed the first stage of robotisation of our largest e-commerce warehouse in the country. Ultimately, this will be one of the most robotised warehouse facilities in our sector in Europe, with a fleet of over 1,400 robots.

We expect further challenges in new markets. This year, we will open our first shops in Kosovo and Albania. It is a response to the exceptional popularity of LPP brands on the Balkan Peninsula. This year, we will allocate a record amount of PLN 3.5 billion for our ambitious development programme, including PLN 2.3 billion for the expansion of the brick-and-mortar store chain. Regardless of the extent of capital expenditure, we intend to remain a dividend-paying company, especially given the very good business outlook and our strong financial foundation. As early as in January this year, we announced the payment of a dividend advance, the amount of which for 2024 is recommended by the Management Board of LPP at a level of PLN 660 per share.

I believe that 2025 will be an important period for LPP and a strong accelerator for the development of our Group. A double-digit growth in online sales, positive results in comparable stores, PLN 25-26 billion in sales revenue and a gross margin of 53-54 percent are the results we plan to achieve by the end of the year. I am convinced that our unique sales concept, which works regardless of the region of Europe, our ambitious development plan, the Group's strong financial standing and our dynamic and experienced team provide a solid foundation for the future of LPP and a good outlook for the year ahead.

Marek Piechocki
The CEO of LPP

02

REPORT OF THE MANAGEMENT BOARD ON THE OPERATIONS OF LPP GROUP

(with due consideration of disclosure requirements for the report on the operations of the parent company)

This Report of Management Board on the operations of the LPP SA Group for 2024 contains information the scope of which has been determined in §70-71 of the Regulation of the Minister of Finance of 29 March 2018 on current and interim information provided by issuers of securities [...] (the Regulation).

Pursuant to §71(8) of the Regulation, this report also comprises disclosures required for the Report on the operations of the Parent Company, referred to in § 70(1)(4) of the Regulation.

This Report also includes disclosures on the LPP Group's sustainability reporting for the 2024 financial year and corporate governance statement.

MANAGEMENT BOARD OF LPP SA

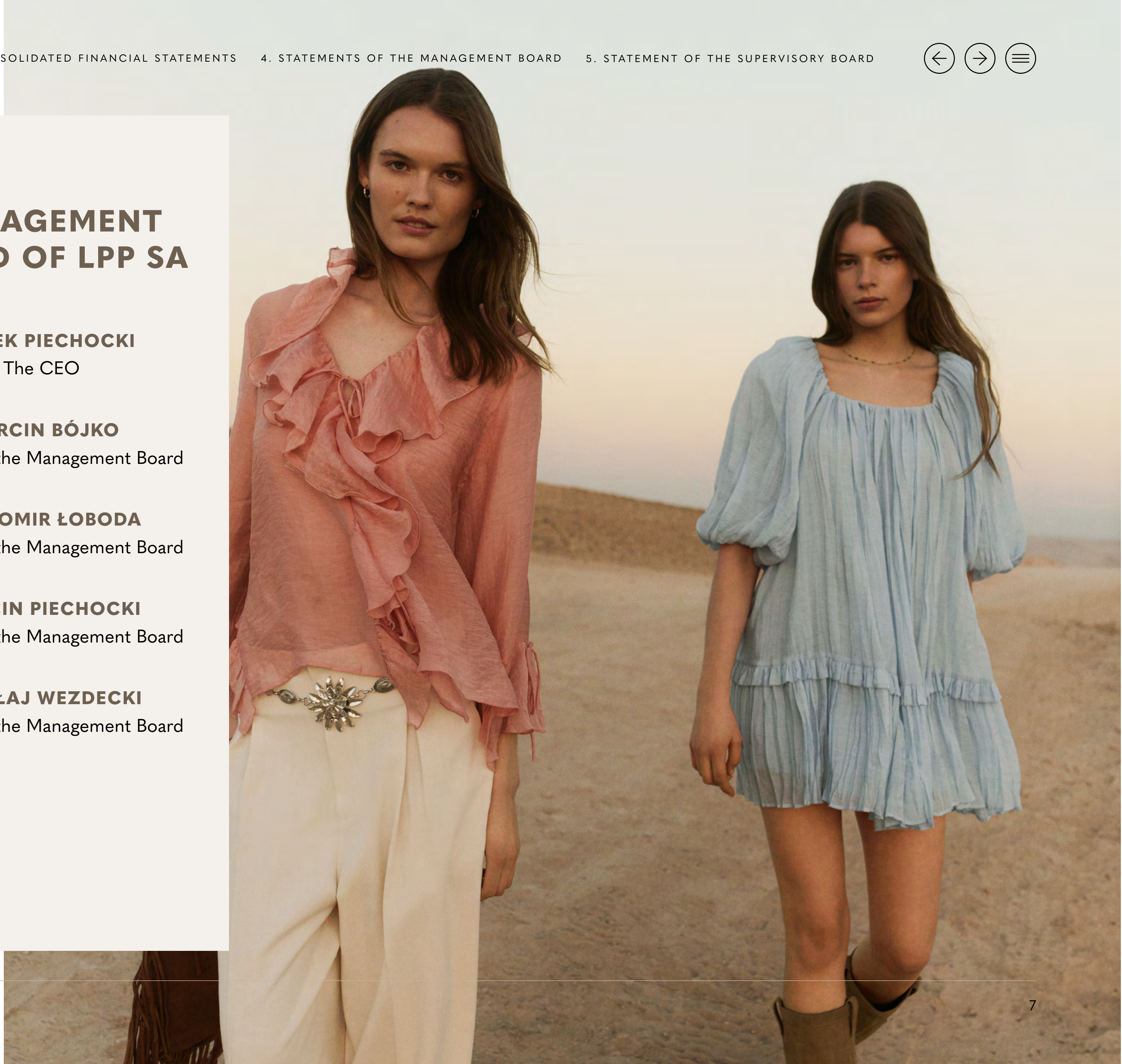
MAREK PIECHOCKI
The CEO

MARCIN BÓJKO
Member of the Management Board

SŁAWOMIR ŁOBODA
Member of the Management Board

MARCIN PIECHOCKI
Member of the Management Board

MIKOŁAJ WEZDECKI
Member of the Management Board



GDAŃSK, 2 APRIL 2025

BASIC INFORMATION ABOUT LPP GROUP

LPP is a Polish, family-owned company specialising in the design, manufacturing and distribution of apparel. It has over 30-year experience in the clothing industry. The sales network comprises entire Poland, countries of Europe and the Middle East. The Group operates based on the omnichannel concept model where traditional and online sales are fully integrated.

It has five own recognised brands: Sinsay, Reserved, Cropp, Mohito and House. The concepts for brand collections are developed in Poland, while sewing of models already designed is outsourced (mainly to companies from Asia).

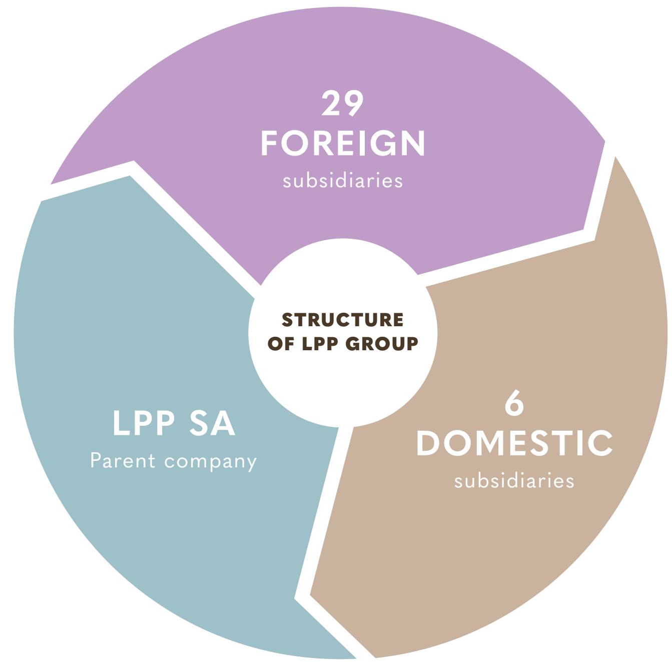
The headquarters of organisation are located in Gdańsk where LPP history started. This is where the designs for Sinsay, Reserved and Cropp collections are created. The Group also has the office in Cracow, which serves as a design facility for House and Mohito brands and Reserved product office in Warsaw, which supports the brand's Gdańsk team in special projects.

In addition, the Group has its foreign offices, i.e. in Shanghai, Dhaka and Istanbul. These offices coordinate the production of collections in the local factories, are responsible for quality control and also for auditing adequate working conditions and suppliers' respect for human rights.

At the same time, a local subsidiary operates in each country where the Group's traditional stores are located.

The Group comprises 29 foreign subsidiaries. These are mostly entities involved in the distribution of LPP products outside Poland. The Group also comprises six domestic companies, which are involved in, among others: operating stores on the territory of Poland, sales of promotional clothing, logistics services, managing IT projects for the Group. The detailed structure of the Group and the changes that took place in its composition in 2024 are presented in the *Consolidated Financial Statements*.

In total, the team of LPP Group comprises approximately 54 thousand people working in offices as well as in sales and distribution structures in Poland, countries of Europe and Asia.



GROUP OFFICES

LPP BUSINESS MODEL

1 designing

- **3 design offices in Poland** (Gdańsk, Cracow, Warsaw).
- Almost **400 designers, 5 diversified brands.**

Our designers follow fashion fairs in fashion capitals around the world and, on a daily basis, follow street fashion and social media. On such basis, original collections are developed which creatively match given-season trends (colours, patterns, models) with our customers' needs.

2 manufacturing

- Over **2,200 suppliers from Asia and Europe**.
- **3 offices** coordinating manufacturing abroad (Shanghai, Dhaka, Istanbul).

The Group does not have its own plants and outsources sewing of designed collections to external companies (mainly from Asia). Accordingly, individual elements of our collections are manufactured in plants specialising in specific types of clothing.

3 dispatch and logistics

- **Imports** – maritime transport accounts for 86%.
- **Exports** – road transport accounts for 100%.
- **644 thousand m² of the total warehouse floor space.**
- Logistics centres **in Poland and in Europe.**
- **Almost 54 million e-commerce orders executed in the financial year.**

The Group has a distribution network that operates traditional stores (Distribution Centres) and online sales (Fulfilment Centres) located in Poland and in Europe, i.e. in Romania and Slovakia. At the same time, the Company invests in new technologies and artificial intelligence facilitating the entire process of product distribution to brand stores and in the e-commerce channel.

4 sale

- Availability of our collections (in traditional stores and online) in **40 countries on 3 continents**.
- **2,847 brand stores** of the total floorspace of **2,448.7 thousand m² in 29 countries**.
- **Online sales in 35 countries.**
- Ca **687 m of clothing items and accessories sold annually.**

In response to changing customer preferences and behaviour and technological transformation in retail trade, the Group puts emphasis on the omnichannel. The Group takes a holistic approach to both sales channels (traditional and online) offering its brand products in a constantly developing store chain and online. Simultaneously, it focuses on the highest-quality customer service, implementing state-of-the-art Fashion Tech solutions.

PORTFOLIO OF BRANDS

The Group owns five recognisable brands: Sinsay, Reserved, Cropp, House and Mohito. Each of them is dedicated to a different group of customers representing various lifestyles, having different needs and expressing themselves in their own ways.

Reserved, Cropp, House and Mohito brands fall within a moderate price range while Sinsay offers products in the afordable segment. At the same time, due to the omnichannel model adopted by LPP, all brands are currently available in both the traditional and online sales channels.

The figures in brand descriptions are provided as of the end of the 2024 financial year.

Sinsay is the youngest brand in the LPP Group's portfolio. It debuted with its first shops in Poland on 1 March 2013. Originally targeted at teenagers. At present, the brand's offer also includes comfortable and functional clothing for women, men as well as products and accessories for children. Sinsay's offer is complemented by home and interior design products, pet accessories and a line of make-up and beauty products.

Sinsay is the Design&Value brand where price is one of the key determinants in the shopping process. It operates on the basis of an extensive traditional sales network commprising almost 1,512 traditional stores located in 20 countries, mainly in small towns in retail park formats. The brand's operation is based on an omnichannel model. Its widespread accessibility in the online channel is a factor distinguishing Sinsay from its competitors in this segment.

Its current revenue of ca 51% accounts for the highest share of the Group's total portfolio.

The Group's first brand, launched in 1998 and over the years operating as the flagship brand in the LPP portfolio. Its network of traditional sale currently comprises 361 stores located in 28 countries, especially in Europe, but also in Africa and Asia, mainly in large cities, shopping centres and along the streets of fashion capital cities.

In addition to the traditional network, the brand's assortment is also available in the online channel, where sale in selected markets is supported by, among others, a mobile application.

Reserved collections represent the global leading trends. The brand draws inspiration from the catwalks and the style of fashion capitals. The brand's offer comprises both a range dedicated to formal and casual styles. Although Reserved's customer is a more demanding client who appreciates fashionable collections, the brand's proposals fall into the middle price range.

In addition to its own fashion collections, Reserved is also known for establishing cooperation with external designers or craftsmen, forming joint limited edition capsules. Its collections are dedicated to both women, men and children.

Reserved's share of the LPP portfolio amounts to ca 29%, ranking it the second brand in terms of revenue generated in the Group.

The brand designs clothing, shoes and accessories targeted mainly at teenagers. It represents a casual, urban, sporty style inspired by the hip-hop and pop culture. It also learns from trends present in street fashion. It frequently relies on the street art style, broadly reflected in original graphics, which represent the brand's distinctive feature.

Cropp was created in 2004 as the second brand in the LPP Group's portfolio, following Reserved.

Its retail network currently comprises 373 stores located in 18 European markets.

It accounts for ca 6% of the Group's revenue.

The brand's range includes clothing, shoes and accessories for men and women. It is inspired by the world of pop culture, including music, films, TV series, art and sport. Mainstream trends that are currently in the focus of attention of young people (especially Gen Z) provide the starting point for House projects. Social media serve as a main source of inspiration, along with design styles based on new technologies.

The brand was launched in 2001. It became part of the LPP Group's portfolio in 2008 following the acquisition of House from the Artman company established in Cracow.

The brand relies on the omnichannel model with a traditional offer available in 371 stores in 18 European countries. The brand accounts for 6% of the Group's revenue.

Mohito, like House brand, has been included in the Group's portfolio since 2008, marking LPP's merger with Artman.

The brand is addressed to modern women who are aware of their femininity and enjoy combining classic styles with the latest trends. It designs both casual collections for daily and office wear as well as collections for special occasions. The extensive range of accessories completes the collection and emphasises its distinctive nature.

It is the brand representing the highest mid-price ratio of the Group's entire portfolio. It offers its collections through the offline channel, but also online, ranking among the top LPP brands in terms of its share of e-commerce sale. Traditionally present in 19 European countries and 230 stores.

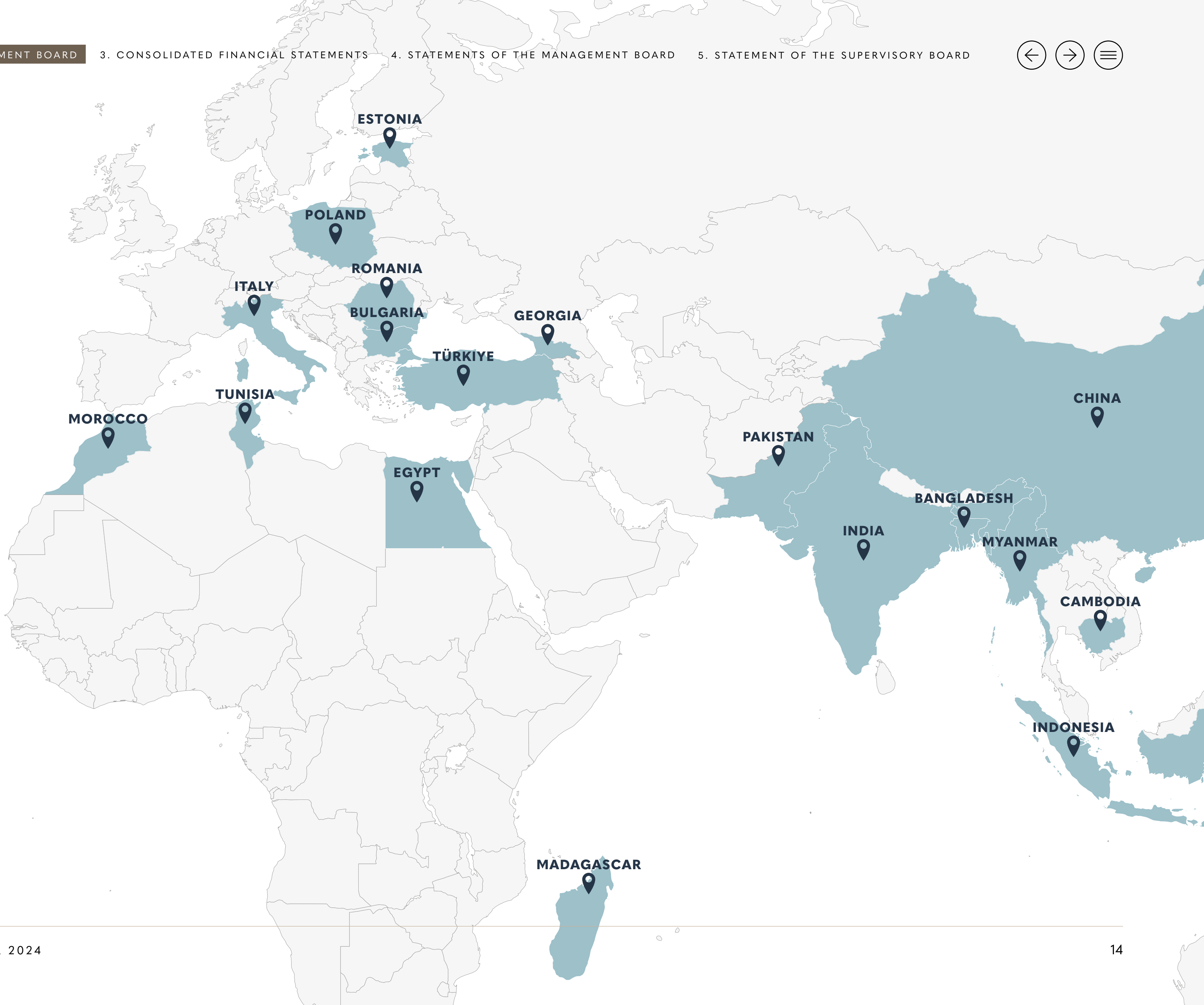
It accounts for 7% of the Group's revenue.

SUPPLIERS

The Group does not own any manufacturing plants and it outsources sewing of designed collections. It is a very popular model in the apparel industry. In 2024, ca 94% of the brands' collections were ordered from Asia, mainly China, Bangladesh, Myanmar, Pakistan, India, Cambodia. At the same time, the value of goods purchased from any single supplier does not exceed 5% of total purchases.

SHARE OF PURCHASES IN MARKETS IN 2024

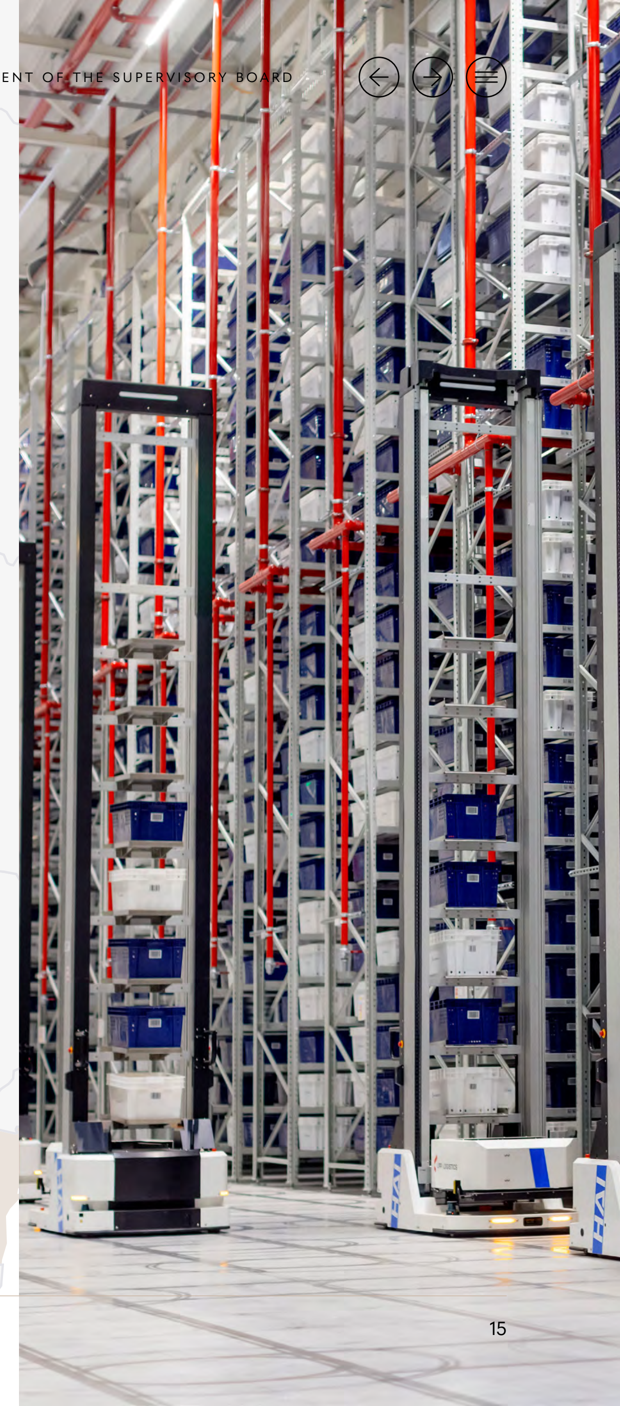
Country	Share of purchases (%)
China	32.6%
Bangladesh	28.7%
Myanmar	15.8%
India	7.7%
Pakistan	5.8%
Türkiye	5.2%
Cambodia	2.9%
Poland	0.6%
Other countries	**0.8%**



DISTRIBUTION NETWORK

In addition to the successful collection, the quality of the logistics service plays a major role in the purchasing process for customers. Consequently, the Group is systematically expanding its distribution network. In Pruszcz Gdański, one of the most state-of-the-art distribution centres in this part of Europe operates while other warehousing facilities are located in Brześć Kujawski, the Podkarpacie region and abroad: in Romania (Bucharest) and Slovakia (Bratislava). The Group also invests in new technologies facilitating the entire process of product distribution to brand stores and in the e-commerce channel.

Distribution Center (DC) Fulfillment Center (FC)

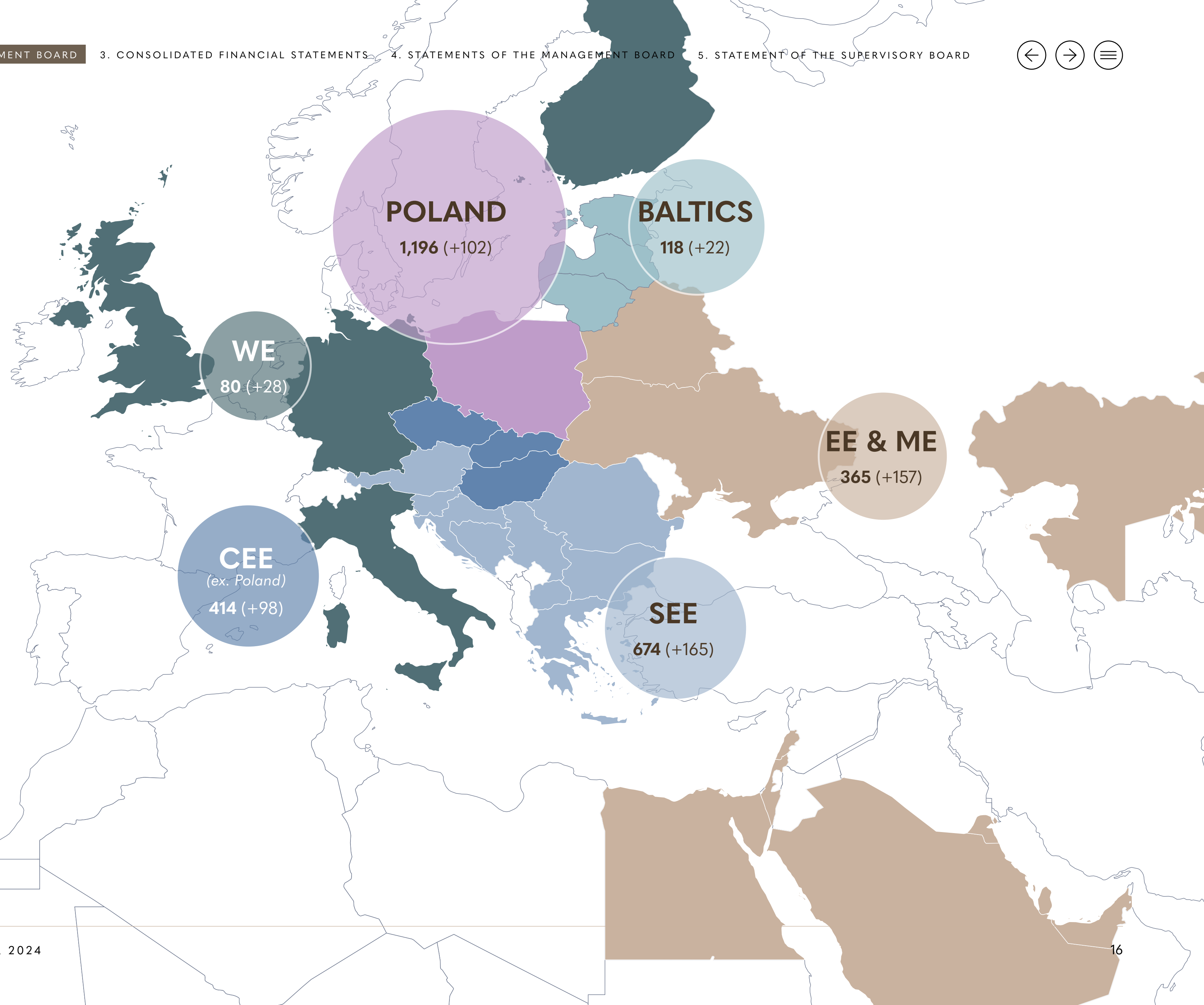


MARKET PRESENCE

The Group offers its products to customers in traditional stores and online stores located in total in 40 countries on 3 continents.

Our offline network comprises 2,847 stores of the total floorspace of 2,448.7 thousand m² in 29 countries.

The Group is present online on 35 markets.



CUSTOMERS

Final customers of the Group's products both in traditional and in online stores are individual clients preferring clothing purchases within a moderate price range.

On the other hand, direct customers buying products of LPP SA (parent company) are mainly subsidiaries (foreign companies) and, to a lesser extent, non-related parties (mainly franchise partners).

The subsidiaries build the network of stores of individual brands locally and are supplied with trading goods by LPP SA, the parent company.

The franchise model results from the specific nature of some local markets and involves outsourcing the sale of LPP collections to local business partners, more experienced in this area (a model applied for Reserved in the Middle East countries with two partners of this region).

FINANCIAL SITUATION, RESULTS AND KEY EVENTS IN 2024

NUMBER OF OUR BRAND STORES AND FLOORSPACE

Number of stores	31.01.2025	31.01.2024	YoY change
Sinsay	1,512	978	534
Reserved	361	361	0
Cropp	373	355	18
House	371	353	18
Mohito	230	228	2
Total	**2,847**	**2,275**	**572**

Floorspace in thousands m^2	31.01.2025	31.01.2024	YoY change
Sinsay	1,366.6	954.6	43.2%
Reserved	613.6	594.5	3.2%
Cropp	183.4	172.3	6.5%
House	181.9	171.3	6.2%
Mohito	103.1	100.9	2.2%
Total	**2,448.7**	**1,993.7**	**22.8%**

SALES OF OUR BRANDS (OFFLINE AND ONLINE)

PLN m	2024	2023	YoY change
Sinsay	9,875	6,995	41.2%
Reserved	5,587	5,342	4.6%
Cropp	1,239	1,247	-0.7%
House	1,230	1,137	8.2%
Mohito	1,357	1,304	4.0%
Other	118	192	-38.5%
Trade agents	787	1,188	-33.7%
Total	**20,194**	**17,406**	**16.0%**

ONLINE SALES

PLN m	2024	2023	YoY change
Online sales (PLN m)	5,404	4,286	26.1%
Share of online sales in total revenues	26.8%	24.6%	2,2 pp.

REVENUES BY COUNTRIES AND REGIONS

Region	Country (PLN m)	2024	2023	YoY change (%)
Central and Eastern Europe (CEE)	Poland	8,729	7,385	18.2%
	Czech Republic	1,077	1,025	5.1%
	Slovakia	718	634	13.2%
	Hungary	706	618	14.2%
Baltics Sea Region (BSR)	Lithuania	358	324	10.5%
	Latvia	250	242	3.3%
	Estonia	183	191	-4.2%
The Eastern Region	Ukraine	1,488	1,184	25.7%
	Belarus	150	142	5.5%
	Kazakhstan	107	103	3.6%
South-Eastern Europe (SEE)	Bulgaria	569	474	20.0%
	Romania	1,759	1,449	21.4%
	Croatia	571	501	14.0%
	Serbia	577	460	25.3%
	Slovenia	199	168	18.3%
	Bosnia and Herzegovina	341	228	49.9%
	Northern Macedonia	152	90	69.7%
	Greece	195	110	77.9%
Western Europe (WE)	Germany	720	570	26.2%
	Great Britain	130	75	73.7%
	Finland	138	119	15.5%
	Italy	184	52	253.0%
	Other European countries	64	41	54.2%
	Middle East	41	33	24.2%
	Trade agents	787	1,188	-33.7%
	Total	**20,194**	**17,406**	**16.0%**

Middle East revenues encompass sales to franchisees.

Region/ country (PLN m)	2024	2023	YoY change
Poland	8,729	7,385	18.2%
Other countries	10,677	8,834	20.9%
Trade agents	787	1,188	-33.7%
Total	**20,194**	**17,406**	**16.0%**

OPERATING EXPENSES

	2024	2023	YoY change
Operating costs (PLN m)	8,259	6,565	25.8%
Operating costs per m^2/month	318	300	5.9%
Operating costs/revenues	40.9%	37.7%	3.2 pp.

CAPITAL EXPENDITURE

PLN m	2024	2023	YoY change
Stores	1,191	930	28.1%
Offices	43	69	-37.2%
Logistics	410	25	1,546.6%
IT & Other	174	67	161.7%
Total	**1,818**	**1,090**	**66.8%**

INVENTORY

	31.01.2025	31.01.2024	YoY change
Inventory (PLN m)	4,669	3,040	53.6%
Inventory per m^2 in PLN	1,918	1,534	25.0%

INDEBTEDNESS

PLN m,	31.01.2025	31.01.2024	YoY change
Short-term bank loans	817	49	1,567.3%
Long-term bank loans	182	490	-62.9%
Bonds	0	310	-100.0%
Finance leases	4,771	3,907	22.1%
Cash	846	1,076	-21.4%
Deposit and investment funds	865	561	54.2%
Net debt	**4,059**	**3,119**	**30.1%**
Net debt/ EBITDA (4Q)	**1.0**	**0.9**	**16.2%**

BASIC ECONOMIC AND FINANCIAL FIGURES OF LPP GROUP AND SELECTED INDICATORS

PLN m	2024	2023 (restated)	YoY change
Revenue	20,194	17,406	16.0%
Gross profit on sales	10,719	8,966	19.6%
Costs of stores, distribution and general costs	8,259	6,565	25.8%
EBITDA	4,104	3,666	11.9%
Operating profit (loss)	2,415	2,283	5.8%
Net profit (loss)	1,747	1,612	8.4%
Equity	5,302	4,717	12.4%
Liabilities and provisions for liabilities	12,199	9,085	34.3%
Long-term liabilities, including:	3,746	3,431	9.2%
– bank loans	182	490	-62.9%
Short-term liabilities, including:	8,453	5,654	49.5%
– bank loans	817	49	1,567.3%
– trade and other liabilities	5,676	4,185	35.6%
Non-current assets	9,872	7,973	23.8%
Current assets, including:	7,629	5,829	30.9%
Inventory	4,669	3,040	53.6%
Trade receivables	757	810	-6.5%

PROFITABILITY RATIOS

	2024	2023	YoY change (pp)
Gross profit margin on sales	53.1%	51.5%	1.6
Operating profit margin	12.0%	13.1%	-1.2
Return on sales (ROS)	8.7%	9.3%	-0.6
Return on assets (ROA)	11.2%	12.1%	-0.9
Return on equity (ROE)	34.9%	37.1%	-2.2

Gross profit margin on sales *– gross profit on sales divided by revenues from sales of goods and services*
Operating profit margin *– operating profit divided by revenues from sales of goods and services*
Return on Sales *– net profit divided by revenues from sales of goods and services*
Return on Assets *– net profit divided by average assets during the financial year*
Return on Equity *– net profit divided by average equity during the financial year*

LIQUIDITY RATIOS

	2024	2023	YoY change (%)
Current liquidity ratio	0.9	1.0	-12.5%
Quick liquidity ratio	0.4	0.5	-29.0%
Inventory turnover (days)	148	138	7.2%
Receivables turnover (days)	14	18	-22.2%
Trade liabilities turnover (days)	189	161	17.4%

Current liquidity ratio *– current assets divided by the carrying amount of short-term liabilities*
Quick liquidity ratio *– current assets less inventory divided by the carrying amount of short-term liabilities*
Inventory turnover ratio (days) *– average inventory divided by costs of goods and products sold and multiplied by the number of days in a given period*
Receivables turnover ratio (days) *– average trade receivables divided by revenues from sales and multiplied by the number of days in a given period*
Trade liabilities turnover ratio (days) *– average trade liabilities divided by costs of goods and products sold and multiplied by the number of days in a given period*

ASSET MANAGEMENT RATIOS

	2024	2023	YoY change (pp)
Fixed assets to equity ratio	53.7%	59.2%	-5.5
Total debt ratio	69.7%	65.8%	3.9
Short-term debt ratio	48.3%	41.0%	7.3
Long-term debt ratio	21.4%	24.9%	-3.5

Fixed assets to equity ratio *– shareholders' equity divided by fixed assets*
Total debt ratio *– long – and short-term payables divided (including provisions for liabilities) by the balance sheet total*
Short-term debt ratio *– short-term debt divided by the balance sheet total*
Long-term debt ratio *– long-term debt divided by the balance sheet total*

FACTORS AND EVENTS (INCLUDING EXTRAORDINARY EVENTS) WITH A MATERIAL IMPACT ON THE OPERATIONS AND FINANCIAL STATEMENTS OF THE GROUP, INCLUDING THE RESULTS ACHIEVED

EXPANSION

At the end of the 2024 financial year, the network of traditional Group's stores was present in 29 countries and comprised 2,847 stores with the total floorspace of 2,448.7 thousand m^2. 1,651 stores (1,506.6 thousand m^2) operated outside Poland.

The total floorspace and number of stores compared to 2023 increased by 22.8% and 572 shops. The Sinsay brand recorded the greatest increase in the number of stores and floorspace, as a result of the Group's intensive and ambitious development plan for this brand both in the country and abroad.

SALES REVENUES

The Group achieved revenues of PLN 20.2 billion in the 2024 financial year, 16.0% more than in the previous year, and over 20% more in constant currencies. At the same time, in its core business (excluding sales to trade agents), the Group generated revenue of PLN 19.4 billion due to sales of five brands from both their traditional and online stores, with the result higher by approx. 24% YoY in constant currencies.

Revenue increases in constant currencies were recorded by all Group brands, while Sinsay recorded the highest increases in nominal terms. This brand also achieved its highest YoY sales growth rate of approx. 41%. Sinsay's high revenue growth is the result of both brand development in both the traditional channel (traditional stores) and online (development of the apps and the Sinsay Club loyalty programme, as well as expanding the brand offer by introducing new product lines). In addition, the successful and tailored collections and the continued popularity of products from the value-for-money segment where the brand belongs had a positive impact.

The Group's revenue from online sale in the financial year amounted to PLN 5.4 billion, up by approx. 26% compared to the previous year (approx. 31% in constant currencies). The high growth rate of the online channel can be attributed to the development of mobile apps for the Group's brands (all brands had their own apps by October 2024), the expansion of the online product range and the aforementioned Sinsay loyalty programme. Online sales accounted for approximately 27% of the Group's sales in the financial year.

The Group's revenue in 2024 was also affected by like-for-like sales (LFLs), which amounted to +4.7%.

In 2024, revenues from Poland accounted for approximately 43% of revenues for the entire Group. In addition to the domestic market, the Group recorded its highest sales in Romania, Ukraine, the Czech Republic and Germany.

At the same time, in 2024 two brands, Sinsay and Reserved generated more revenue from their international operations than in Poland, which demonstrates their international nature.

GROSS PROFIT MARGIN ON SALES

Despite the higher share of the Sinsay brand with lower margins diluting the total gross margin, in 2024, the Group generated a higher YoY gross profit margin on sales reaching 53.1% i.e. 1.6 pp. higher than in the previous year.

The higher profit margin in the financial year resulted from: lower YoY collection purchase costs, favourable USD/PLN exchange rate and sale of larger parts of collections at full prices due to lower YoY promotional campaigns.

OPERATING COSTS

The Group's operating costs consist of store costs (rents, wages and other costs such as energy and depreciation), distribution costs (logistics and e-commerce) and overheads (marketing and head office as well as foreign subsidiaries).

In the 2024 financial year, the Group recorded a YoY increase in operating costs by 25.8%. Higher operating costs result from the Group's development strategy, i.e. accelerating the development of the Sinsay sales network, mainly by expanding to locations in smaller towns, while providing strong support through the online sales channel. The implementation of this strategy required strengthening of the logistics facilities and acquiring new talents (both in departments directly related to the implementation of brand development and in the so-called back office departments). This has led to an increase in distribution and overhead costs. At the same time, the higher YoY number of new store openings resulted in an increase in YoY store costs in the 'other' item related to new openings. In addition, a rise of the minimum wage in 2024 contributed to an increase in personnel costs in stores.

Consequently, the share of operating costs in the Group's revenue in 2024 increased to 41% from 38% in the previous year.

OPERATING PROFIT AND EBIT MARGIN

The operating profit generated by the Group in 2024 amounted to PLN 2.4 billion, representing an increase of 5.8% compared to the previous year and an increase of 18.5% YoY compared to the operating profit generated by the core business, i.e. excluding sales to trade agents. The operating margin generated in 2024 amounted to 12.0%, i.e. 1.2 pp. less than in the previous year, due to higher YoY costs incurred in connection with the Group's new development strategy.

NET PROFIT AND NET PROFITABILITY

As a consequence of the foregoing factors, in the settlement period, the LPP Group generated net profit of PLN 1.7 million compared to PLN 1.6 million in the previous year, with net profitability at a level of 8.7%.

ASSETS (STRUCTURE OF ASSETS AND LIABILITIES)

The Group's assets consisted of two main components:

1. fixed assets, including fixed elements and equipment for stores and right-of-use assets (leases); as at the end of 2024, the value of these components amounted to PLN 8.8 billion;
2. trade inventories with a value of PLN 4.7 billion as at the balance sheet date.

Due to the development of the sales network and the number of stores, the value of fixed assets and trade inventories increased, which depends on the size of the floorspace and the development of online stores.

The Group pursues a conservative liabilities management policy, maintaining a secure financing structure (under IFRS 16, the aim is to maintain the share of equity in liabilities above 20%). In the 2024 financial year, the Group continued to maintain its balance sheet management discipline. At the end of 2024, the share of equity in liabilities was 30.3%, with equity of PLN 5.3 million.

INVENTORIES

The Group's inventories consisted of goods in stores, warehouses (including those supporting online stores) and goods in transit – from the manufacturer to the distribution centre.

In the 2024 financial year, the Group increased the level of its inventory by 53.6% YoY, i.e. by PLN 1.6 billion to PLN 4.7 billion.

At the same time, the level of inventory per square metre at the end of 2024 amounted to PLN 1,918, up by 25.0% compared to the previous year. The increase in YoY inventory levels is the result of the accelerated development of the Sinsay brand sales network.

CAPITAL EXPENDITURE

The value of capital expenditures incurred by the Group in 2024 amounted to PLN 1.8 billion, up by 66.8% compared to the previous year. The increase in the value of investments stemmed from higher outlays on stores and logistics, which was directly related to the Management Board's decision to accelerate the Group's expansion. The Company invested in the development of stores (mainly the Sinsay brand) and, at the same time, in the distribution network, expanding its logistics space and implementing modern technological solutions.

INDEBTEDNESS

At the end of 2024, the Group held PLN 846 million of cash. Additionally, PLN 865 million was deposited in money market funds, which are not recognised in the cash item. Net debt amounted to PLN 4.1 billion compared to PLN 3.1 billion in the previous year.

The Company also had short-term and long-term bank loans. In the financial year, the level of short-term debt increased YoY as a result of the Group's intensive expansion in 2024. The use of loans as at 31 January 2025 is presented in note 24 of the consolidated financial statements and in note 25 of the separate financial statements.

Despite the investments and costs related to the expansion strategy, in the financial year, the Group maintained a very safe level of indebtedness, i.e. net debt/EBITDA of 1.0.

BASIC ECONOMIC AND FINANCIAL FIGURES OF LPP GROUP (PARENT COMPANY)

	2024	2023	YoY change (%)
Revenue	16,408	14,253	15.1%
Gross profit on sales	6,898	5,906	16.8%
Costs of stores, distribution and general costs	5,123	4,059	26.2%
EBITDA	2,306	2,270	1.6%
Operating profit (loss)	1,716	1,773	-3.2%
Net profit (loss)	1,642	1,626	1.0%
Equity	5,303	4,790	10.7%
Liabilities and provisions for liabilities	8,196	6,239	31.4%
Long-term liabilities, including:	1,694	1,514	11.9%
– bank loans	619	524	18.1%
Short-term liabilities, including:	6,502	4,725	37.6%
– bank loans	550	32	1,618.8%
– trade and other liabilities	5,174	4,144	24.9%
Non-current assets	5,860	5,410	8.3%
Current assets, including:	7,639	5,619	35.9%
Inventory	3,894	2,452	58.8%
Trade receivables	2,114	1,664	27.0%

HIGHLIGHTS OF 2024

1Q24

LAUNCH OF EXPANSION OF THE DISTRIBUTION CENTRE IN BRZEŚĆ KUJAWSKI

The purpose of the warehouse extension is to strengthen the logistics facilities, allowing for the handling of a larger sales volume in the Central and Southern European markets.

The total area after the extension of 85,000 m² will amount to 160,000 m².

MOHITO DEBUT IN ITALY

Following Mohito's debut in the online channel in Italy, the Company decided to open also the brand traditional stores in this country. The first store started its operations in Marcon near Venice, the other one in Milan.

EXTENSION OF COOPERATION WITH THE USE WASTE START-UP IN TEXTILE WASTE RECYCLING TECHNOLOGY

LPP decided to continue its work on clothing recycling technology with the Use Waste start-up. In connection with the success of the first stage of the research project implemented jointly, which resulted in the production of a polyester thread, the decision was made to extend the cooperation and start working on the recycling of material mixtures.

OPENING OF THE FIFTH RESERVED STORE IN THE UNITED KINGDOM

In continuation of its expansion in Western Europe, LPP has opened its fifth Reserved store in the United Kingdom. The newly opened store is located in the Westfield London shopping centre.

2Q24

RESERVED DEBUTE IN BAHRAIN

Reserved debuted in Bahrain by opening its first store (with an area of 1,028 m²) in this country and, at the same time, the fifteenth one in the Middle East region.

OPENING TWO WAREHOUSES FOR E-COMMERCE SERVICE

LPP opened two Fulfilment Centre warehouse facilities, in Bydgoszcz (Poland) with the floor area of over 100,000 m² and in Bolintin-Deal (Romania) with the floor area of 40,000 m².

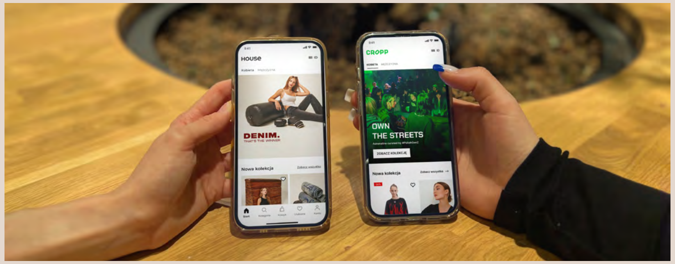
The aim of the FCs opened is to increase operational capacity and improve order delivery in Poland and in Central Europe as well as in the region of Southern and Eastern Europe.

HIGHLIGHTS OF 2024

3Q24

DEBUT OF CROPP AND HOUSE APPS

In response to the growing share of m-commerce in online sales, LPP has launched mobile apps for its successive brands, i.e. Cropp and House.



EXTENSION OF THE DISTRIBUTION CENTRE IN ROMANIA

The Distribution Centre located at CT Park Bucharest West near Bucharest has been expanded by additional 42,000 m^2, increasing the Group's ability to operate its network of traditional stores in the rapidly growing region of Southern and Eastern Europe.

NEW EMPLOYER BRANDING STRATEGY

Following the Group's announced strategy of further strong growth in Europe, the Company has introduced a new employer branding strategy aimed at attracting and retaining talent across the organisation and perceiving LPP in the retail industry as the first choice brand in the job market.

PAYMENT OF DIVIDEND

In accordance with the resolution of the General Meeting of Shareholders, the Company paid a dividend for the financial year 2023 in the total amount of PLN 610 per share.

ONLINE DEBUT IN NORTH MACEDONIA

The Group has opened online stores of all its brands in North Macedonia.

4Q24

CREATING AN OFFICE IN TÜRKIYE

The company has created an office in Istanbul (Türkiye) to control production and quality and to test the supply chain.

IMPLEMENTATION OF ROBOTIC SOLUTIONS AT THE FULFILMENT CENTRE NEAR BYDGOSZCZ

The facility has been equipped with advanced automated technologies and artificial intelligence-based solutions to increase its operating efficiency.

Ultimately, the FC will become one of the most automated warehouses in the fashion sector in Europe, with a fleet of more than 1,400 robots and the capacity to store up to 16 million items of assortment.

INFORMATION ON KEY ACHIEVEMENTS IN RESEARCH AND DEVELOPMENT (R&D)

The Group's several years' engagement in Fashion Tech research, i.e. application of new technologies in the entire value chain, from clothing design through logistics to omnichannel sales and customer after-sales service, allows it to adjust to new reality in the industry dynamically changing the behaviour and expectations of contemporary customers through the ubiquitous digitalisation of life.

In the last financial year 2024, the Company's most important achievements in the field of research and development were related to the area of optimisation of logistics processes, implementation of innovative solutions based on artificial intelligence, technology in omnichannel, implementation of a mobile app for successive brands, i.e. Cropp and House, as well as the research and development project on the opportunities for recycling fabrics.

Key projects: Stock Availability, a virtual photo shoot, automation of photo cropping (AI Crop) and a chatbot for the Investment Department, have delivered tangible benefits, contributing to enhanced operational efficiency, cost reduction and improved service quality. The projects are described in detail below.

STOCK AVAILABILITY

As part of the Stock Availability project, a number of improvements were developed for the allocation and replenishment processes in the e-commerce area. The project aimed to optimise stock management to ensure high availability of goods while minimising costs of logistics.

Key elements of the project included:

- **The demand min/max algorithm**
  This mechanism only activates the backhaul when the quantity falls below a preset minimum. It optimises the logistical process of transferring goods from the main warehouse to the e-commerce warehouses (FCs), translating into reduced costs and increased efficiency.
- **The demand cooling algorithm**
  After one-day promotions aimed at selling out of the inventory, the algorithm reduces the level of shipments to avoid overstocking of FC warehouses. Accordingly, inventory management is optimised and warehouses are not overloaded with goods that are no longer in high demand.
- **Multifaceted monitoring**
  Advanced monitoring tools have been introduced allowing to take care of high sales while maintaining optimum levels of inventories. In addition, new measures of KPIs have been developed which enable better tracking of potentially lost sales, allowing for a faster response to changing market conditions.

The Stock Availability project has significantly improved the efficiency of logistics processes, reduced storage costs and increased customer satisfaction through better product availability.

VIRTUAL PHOTO SHOOT

As part of the development of innovative solutions based on artificial intelligence, the Company has implemented a system for conducting virtual photo shoots. This solution enables the creation of sessions with AI-generated models in various settings and lighting options. In addition, in the case of photographs taken using traditional methods, a tool was used that allows for replacement of the background by any AI-generated background.

The project represents one of the first steps in the process of optimising and disseminating AI solutions in the area of product photography, providing significant savings by reducing the costs associated with arranging traditional photo shoots.

AUTOMATED IMAGE CROPPING – AI CROP

At the same time, the AI Crop tool has been introduced to automate the process of creating additional photo frames to enhance the attractiveness of the visual offer. The algorithms applied identify key product elements (e.g. garment details), generating optimal shots tailored to the end customer's preferences.

This solution improves the quality of product presentation, while significantly reducing operating costs and the time required for manual preparation of photo materials. Due to minimum financial expenditure, the implementation of the AI Crop tool generates tangible benefits in terms of effective management of the visual content creation process.

CHATBOT IN THE INVESTMENT DEPARTMENT

For the Investment Department, an innovative chatbot was developed and implemented to support communication among project managers responsible for the implementation of investment projects. The solution enables a fast and precise verification of the applicable standards and providing answers to subcontractors' questions on, among others, the way of conducting the investment work and the interpretation of documentation.

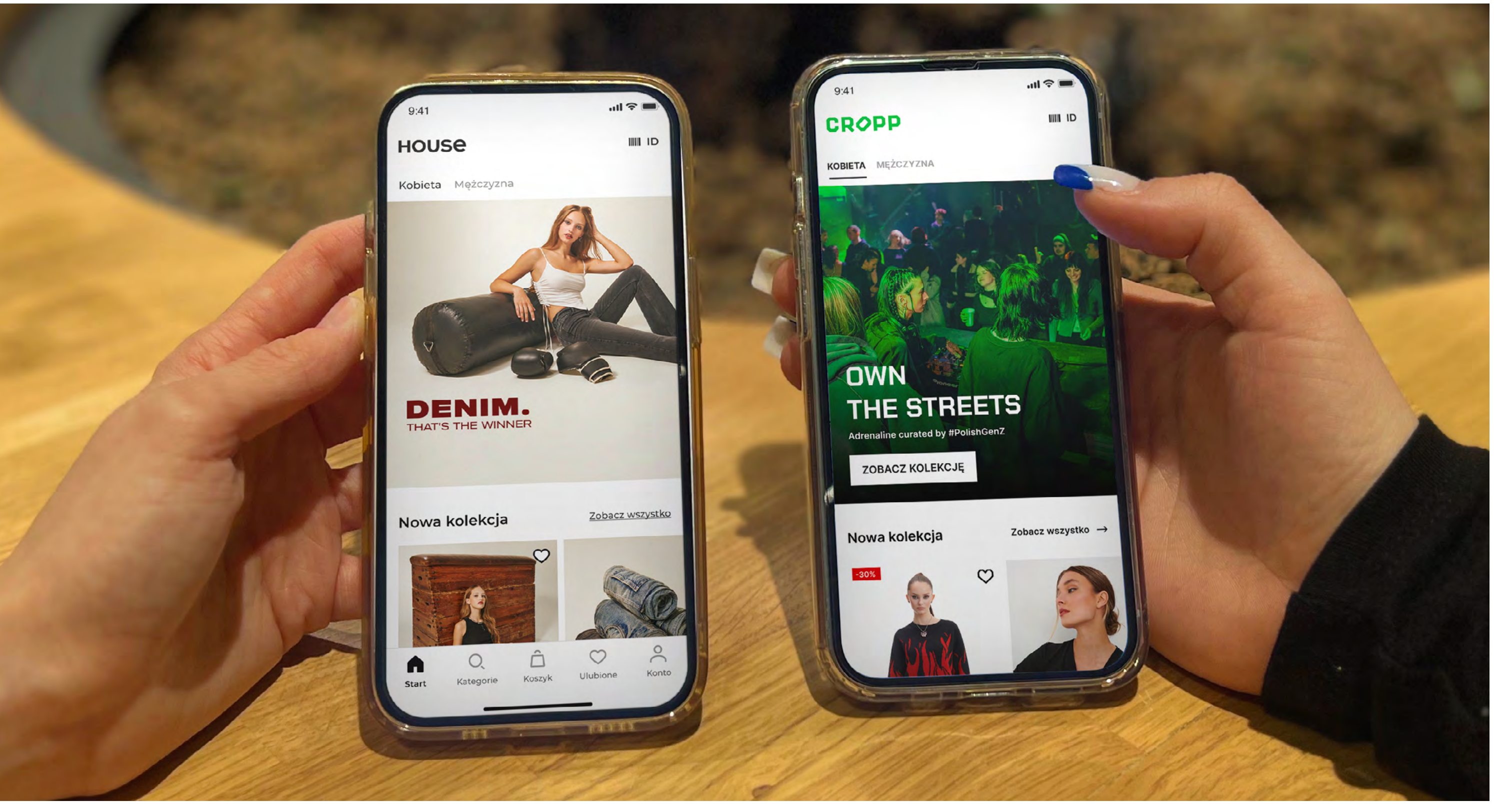
Consequently, the need to involve staff in handling routine queries and concerns has been significantly reduced, saving time and resources. The implemented tool is an important element supporting the strategy of intensive expansion announced by the Company, comprising a record number of store openings to date.

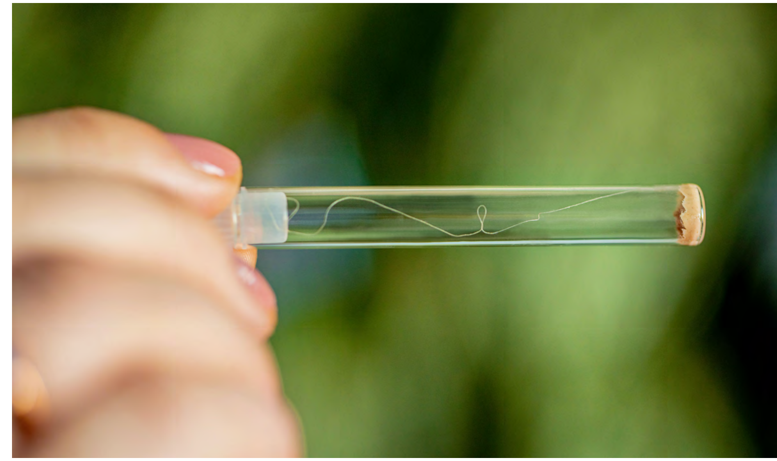
MOBILE APPLICATION

Oneof the most important R&D achievements in the last financial year was the creation of mobile apps for Cropp and House. The apps strengthen the growth potential of these brands in the online channel and provide the Group with data on, among others, customer preferences, which provides their better understanding, allowing to tailor the offer accordingly. Through the apps, the Group is increasing its brand recognition and building customer loyalty.

RECYCLING RESEARCH AND DEVELOPMENT PROJECT

For years now, the clothing industry has been coping with the lacking access to technology enabling to use in full textile waste to manufacture new fabrics (at present, due to the lack of relevant technology, less than 1% of textiles is recycled). As part of R&D projects, in 2024, the Company continued its work with a Polish start-up Use Waste on garment recycling technology.





In connection with the successful first stage of the research project implemented jointly, which resulted in the production of a polyester thread, the Company extended the cooperation and started working on the recycling of material mixtures. The research aims to develop a technology that will enable the separation of fibres from materials most commonly used in the textile industry into fractions and the extraction of raw material that will become a resource (full-value material for the remanufacture of clothing), instead of waste, according to the textile-to-textile idea.

The R&D achievements described above are examples of how advanced data science and artificial intelligence technologies can influence business efficiency. Through the use of machine learning algorithms, process automation and data integration, the Group has been significantly strengthening its position in a competitive market. Further development of these solutions is planned in the next few years in order to respond even better to dynamic business needs and to prepare the Group for further challenges related to expansion and competitiveness.

MANAGEMENT OF FINANCIAL RESOURCES

Management of financial resources in the LPP Group involves making decisions about raising funds and using them in the operation and development of the company.

To pursue its operations, the Group must hold both in-kind resources (inventory) and funds i.e. financial resources. In-kind and financial resources are inter-related. The requirement of holding financial resources is associated with financing of the Group's current transactions (among others, payment for goods and services) and investment (brand stores, distribution centres, technology), supporting ongoing operations and indirectly providing the source of cash inflows for the Group. The funds raised increase the Group's financial resources and are used in a subsequent cycle of its operations. The cash flow timing and intensity are significant, which requires adequate management.

The management of financial resources in the Group consists in controlling the level of debt, timely payment of liabilities as well as monitoring of the level and structure of the Company's current assets. Due to effective management of financial resources, gaining profits and implementation of the adopted strategy by the Group is possible.

The basic business model based on retail sale allows to receive immediate payments for the goods sold. The proceeds generated and bank loan agreements signed fully secure the discharge of the liabilities incurred.

BORROWINGS

The internal policy of incurring and settlement of borrowings is centralised and implemented by the parent company and, at the same time, entails debt minimising to maintain the Group's financial safety.

As part of its short-term borrowings, LPP may utilise multi-purpose credit facilities which may be used for bank guarantees, letters of credit or as a revolving loan used occasionally and depending on the needs, with repayments made from current inflows. The company uses short-term liabilities mainly to cover short-term fluctuations in liquidity, resulting mainly from the seasonality in the sale or the goods order cycle.

In 2024, with regard to this type of lending, LPP had access to multi-purpose facilities with 7 banks, with the total value of ca PLN 2.2 billion at the end of the year. The utilisation of the multi-purpose facilities for individual products under the facilities amounted to: PLN 147 million for bank guarantees, PLN 107 million for letters of credit, PLN 306 million as the overdraft facility and PLN 200 million as part of the revolving working capital facility.

The only exception to the centralisation rule is the subsidiary, LPP Ukraine which uses short-term lending in the form of revolving loans from a local bank in Ukraine. This company settles its liabilities to lenders from its current proceeds. However, in the financial year 2024, the company did not use the borrowing.

LPP also uses a supplier financing programme the so-called reverse factoring, through which it can negotiate more favourable deferred payment terms with suppliers, reduce financing costs and increase LPP's financial liquidity. The use of reverse factoring as at 31 January 2025 amounted to PLN 3.3 billion.

In addition, GK LPP has long-term debt used for investment projects (e.g. warehouses, expansion of headquarters). At the end of the financial year, the value of investment loans amounted to PLN 492 million (PLN 89 million for LPP SA, PLN 403 million for LPP Logistics).

BONDS

In order to diversify its sources of funds, in 2019, the Company issued 300 thousand unsecured ordinary 5-year bearer bonds of the A series. The total value of the bonds amounted to PLN 300 million (PLN 1 thousand per share) while the interest rate is WIBOR 6M increased with a margin of 1.1%. Bonds were issued as part of non-public placement and were offered to specific qualified investors.

Bonds had no paper form and were registered in the depository of securities kept by Krajowy Depozyt Papierów Wartościowych SA, were introduced to trading on the Catalyst bond market in the Alternative Trading System operated by Giełda Papierów Wartościowych w Warszawie SA (Warsaw Stock Exchange).

The bonds matured on 12 December 2024 and were repaid on that date.

At present, the Company does not plan any further issues of these instruments.

FINANCIAL SURPLUSES

The Company allocates the generated financial surpluses primarily for the repayment of overdrafts. Subsequently, it allocates its financial resources for negotiated bank deposits and monetary funds. In line with the internal policy, financial resources are allocated with due consideration of geographic and currency diversification as well as diversification regarding entities accepting cash deposits.

At the end of 2024, the Group held PLN 0.8 billion of cash and PLN 0.9 billion in money market funds, which are not recognised in the cash item.

TRANSFER PRICING POLICY AND CENTRALISED CURRENCY MANAGEMENT

The Group applies a centralised liquidity management model, i.e. the Parent Company (LPP SA) purchases goods and distributes them to subsidiaries and, subsequently, subsidiaries pay the parent company for those goods in a local currency. The parent company is vested with decision-making functions in the scope of the flow of receivables, foreign currency exchange and incurring of financial liabilities.

Through selling goods to subsidiaries and by applying the transfer pricing policy, LPP regulates their profitability and its flow of revenues by issuing invoices to subsidiaries. By centralising the cash flow received from a part of revenues generated by the subsidiaries, LPP gains its multi-currency revenue. The FX position is managed based on SPOT and futures transactions.

The Company performs its FX operations with financial institutions in Poland and abroad.

FINANCIAL PRODUCTS

The following financial instruments are applied in the Company: bank loans contracted, bank deposits, participation units in money market funds, bonds (repaid in the financial year), loans extended, intercompany loans, derivatives transactions i.e. forward FX contracts aimed at managing foreign exchange risk involved in the purchase of trading goods abroad.

LPP uses the services of a number of banks and financial institutions, selecting the optimal financial products for its needs.

In addition, the financial products themselves are regularly revised and compared. Furthermore, LPP actively participates in choosing institutions and their financial products utilised locally by its subsidiaries.

RISK MANAGEMENT

DESCRIPTION OF MAJOR RISK FACTORS AND THREATS, INCLUDING THE LEVEL OF THE GROUP'S EXPOSURE AND THE METHODS OF THEIR MITIGATION

The Enterprise Risk Management (ERM) process in the Group is coordinated by the Internal Controlling and Risk Management Department, which is responsible for the continuous identification and analysis of the threats and opportunities facing the Group in close cooperation with the area owners and risk owners. Risk management in the Company is supervised by the Management Board of LPP, whereas the Supervisory Board of LPP exercises control over the Internal Control and Risk Management Department.

The Company has the Risk Management Procedure in place providing a detailed description of the risk management process, defining the desired risk culture and stages of the risk management process and its participants. Furthermore, the procedure also defines the scope of responsibility and tools to be used.

Along with the Procedure, the Risk Log was created, dividing risks into the following main categories:
- strategic;
- operational;
- regulatory and compliance;
- financial;
- reputational.

The Risk Log describes selected risks and chances identified by the Company in key areas of the LPP Group's operations. They were selected in accordance with the level of their severity which is based on the likelihood of their occurrence and the scale of their impact if materialised. Reference is made to financial criteria (impact on the Group's financial performance) and reputational criteria (impact on the reputation of the Group, its brands and its management staff).

Parallel to the enterprise risk management, the Group manages climate risks. Both climate risks and risks identified as part of the ERM process are analysed in terms of their impact on the implementation of the LPP Group's strategy.

The current risks most significant to the Group's development are presented in detail below, bearing in mind that financial risks are described separately in the section on Goals and Methods of Financial Risk Management of this Management Board Report and climate and social risks – in the item of sustainability statement.

<table>
<tr><th>RISK</th><th>RISK MITIGATION MEASURES:</th></tr>
<tr><td>MACROECONOMIC RISK
Due to its presence on numerous markets, the Group is exposed to changes in the economic, regulatory, social and political environment, which may affect consumer demand, hinder its operations or reduce its profitability. LPP is aware of the increase in household costs affected by the growing inflation or high energy costs.
The Group's revenues and margins depend on the economic position of households. An economic growth or downturn in countries where our brand stores are located may translate into an increase or decrease in consumers' spending, including clothing expenses. Analogically, an economic growth or downturn in countries where our goods are manufactured may translate into an increase, decrease or stabilisation of manufacturing costs. In addition, the continuing energy crisis may result in an increase in energy prices in Poland and Europe, affecting an increase in store maintenance costs and other areas of the LPP Group's operations.</td><td>The Group mitigates the risk in several ways:
Sale of goods:
• presence in multiple European markets – diversification of risk across a number of countries with a diverse macroeconomic situation,
• sale of goods under several brands addressed to various groups of customers in order to spread the risk into several age groups,
• offering goods at a wide range of prices – from cheap and easily accessible to more expensive ones.
Purchase of goods:
• outsourcing the production of goods to multiple manufacturers in more than a dozen countries,
• long-term cooperation with selected suppliers, which allows the negotiation of advantageous product prices.
Operating costs:
• strict control of the company's operating costs (cost budgeting, analysis of work processes and their optimisation).
Investment in renewable energy sources
In 2021, the Group signed the agreement for the supply of green energy with FIGENE Energia, under which, starting from 1 January 2023, for 10 subsequent years, it will consume green energy in the majority of its office buildings across Poland and in the Distribution Centres in Pruszcz Gdański and Brześć Kujawski. Through this agreement, the Company will avoid high costs of conventional energy. Furthermore, the Group has technologically advanced systems for managing energy consumption in its warehouses. Energy consumption in offices is monitored and remote metering in all the Group's brand stores, for both energy and water consumption allows to detect inefficient consumption points.</td></tr>
<tr><td>FASHION TREND AND SALES RISK
The LPP Group operates on a highly competitive, demanding and changing fashion market and variable customer tastes.
In the LPP's sales model, a natural element is the cyclical nature of changing seasons, requiring the change of collections. A lack of customers' demand as a result of a mismatch between the collection and their tastes and demand may require the Group to introduce additional discounts and promotions, which will negatively affect the Group's gross margin, performance and financial stability.</td><td>The Group's design teams constantly look at global fashion trends, monitor market trends on an ongoing basis through participation in shows, fairs and fashion events, as well as through access to the latest global fashion publications (the so-called internet catalogues).
Several teams of designers, separate for each brand, work on the clothing designs, and their work is organised so as to minimise the influence of one designer on the entire collections.
Designers undergo constant assessment including, among others, margins they generate.
At the same time, the Visual Merchandising and Omnichanel departments continuously monitor changing shopping trends and the pricing policies of major competitors.
Strengthening the Group's presence in the digital area is also an important factor in mitigating the risk – on the one hand, promoting the Group's brands in social media and collaboration with influencers, and on the other hand, designers using inspiration from fashion trends present in those media.
In addition, the risk is also mitigated by targeting products at different age groups of end users (mainly through separate brands addressed to different target groups).</td></tr>
</table>

RISK	RISK MITIGATION MEASURES:
COMPETITION RISK Many players are active in the clothing market in Poland and in the European countries, including the world's leading companies from this sector. At the same time, the rise in popularity of online shopping has resulted in a global trend of sales migrating from traditional to online stores. On the one hand, this has created more sales opportunities, but on the other hand it has increased the share of competition. New players (including those from the value-for-money segment) have emerged in the e-commerce market, posing threat to the Group. The competition risk does not only affect the attractiveness and matching of the collection, but also the prices of the collection. If the Company increases prices of its products, a risk of losing competitiveness arises, especially in Sinsay brand, where the low price plays a key role for the brand's customers.	The Company's employees attend fashion fairs and shows and have access to publications and websites dedicated to the latest fashion trends. This reduces the risk of misguided and less competitive collections. The Company is successively developing organically by opening new stores and online stores, entering new markets in Europe and saturating its network of existing stores. By doing so, it builds recognition of its brands and becomes more competitive in the region. The success in each market depends on the collections and their acceptance by the customer. It is therefore important to identify the customers' habits, the response time to their needs and the quality of the so-called "customer experience" offered. By investing in the cutting-edge technologies, e.g. the implementation of brands' mobile apps, the Group gains increased customer satisfaction, thus enhancing its competitiveness. LPP focuses on competing with other players by offering fashion products at affordable prices and, in Sinsay brand, at competitively low prices. Therefore, the Company analyses the activities of its competitors by monitoring the market or comparing the commodity offers and price levels of its competitors.
GEOPOLITICAL RISK The occurrence of an armed conflict or even a war in the territory of countries where the Group has its sales and distribution networks but also in the areas where factories or our suppliers are located, may adversely affect the Group's operations. Therefore, the Group is exposed to the risk of imposition of an embargo or import or export restrictions on goods (services), the risk of appropriation of trade commodities, nationalisation of assets and, in consequence, the risk of losing such trade commodities or assets. The risk may also relate both to the ban on sales of goods in the territory of countries affected by an armed conflict as well as economic and financial sanctions imposed by external organisations on countries in conflict, where the Group pursues its business activity. Such actions may affect the continuity of our sales and the supply chain, hinder the transfer of cash and cause payment backlogs, which, in consequence, may affect the Group's liquidity. In extreme situations, there is the risk that the Group would have to cease operations in conflict territories. The Group recognizes the risk involving negative impact on its corporate image in cases where it conducts its business activity in the territory of a country that has initiated a conflict.	The elevated geopolitical risk increases the scale of challenges in business operations, however, in such circumstances, a flexible response to market changes and the safeguarding of the supply chains may create a significant competitive advantage. The risks associated with restrictions caused by the occurrence of political and economic crisis situations are difficult to mitigate due to the unpredictability of conflict situation development and consequential decisions made by institutions and international organisations. The Group takes proactive measures to mitigate the following risks: • operations on numerous markets (the Group operates in 40 countries and, therefore, it is possible to limit the consequences of occurrence of disturbances on specific territories); • limiting the Group's exposure to a given country (a share in a single country's sales may not exceed 20% of the Group's total sales, except Poland); • regular monitoring of the balance of financial settlements in the Group and exercising control so as to avoid excessive liabilities/receivables which might adversely affect the Group's liquidity; • monitoring the current political and economic situation and, following a comprehensive analysis, making by the Company's Management Board of decisions on a day-to-day basis; • selling goods through two independent distribution challenges, such as traditional stores and online sales.

RISK	RISK MITIGATION MEASURES:
RISK OF DISRUPTED SUPPLY CHAINS The Group outsources the production of its goods to independent external producers located most often in Asia. Goods are transported by sea or railway from Asia to Europe and are then distributed in Europe from its own logistics centres. The risk of disrupted supply chains negatively affects the possibility of the smooth supply of goods from manufacturers through warehouses to stores and, finally, to consumers. The pandemic, political disturbances and decreased competitiveness on the transportation market may result in increased congestions and delays in transportation, specifically from the Far East. At the end of 2023, due to the events in the Red Sea (Huti attacks), there was a sudden global shift in maritime transport. Due to the threat in the region, ships have been diverted to a route around the Cape of Good Hope. As a consequence, sea transport times have increased by ca 10-12 days, and the problems encountered with container availability and ship space, as well as the longer transport route, have led shipowners to introduce freight surcharges. The effect of this situation may have a negative impact on the Group's gross margin.	LPP responds to the risk of supply chain disruption by: • diversifying supplier countries, including shifting some production from Asia to Europe or Africa; • diversifying transportation means: guarantee of maritime, air, rail transport; • implementing a new ordering strategy that takes into account current delays in the supply chain and accelerated orders of parts (specific models) or whole collections – in such a way, the Company has partially neutralised the delays associated with the events in the Red Sea; • investments in the expansion of logistics facilities and technologies, including IT which allow for effective processing of supplies and reducing the impact of any delays; • diversification of countries where LPP has its logistics centres, e.g. the launch of a distribution centre in Romania enabling direct deliveries from manufacturers to the port of Constanta, thus optimising costs and reducing the so-called ‚last mile' in deliveries to stores located in southern European markets; • cooperation under long-term contracts with shipowners – any significant disruption in the global supply chain translates into container prices and the availability of space on ships, due to long-standing cooperation with logistics partners the Company is able to adequately secure both of these issues.
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 information about the Company referring to the sale of business in Russia. Faced with this threat, the Company published three exchange announcements 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 (WSE); • submission of notices to the public prosecutor's office on suspicion of committing a crime to the detriment of LPP SA and its shareholders; • organising a conference of the President of the Management Board of the Company and the CFO with investors and journalists; • convening a meeting of the Supervisory Board.

TARGETS ADOPTED AND FINANCIAL RISK MANAGEMENT METHODS

FINANCIAL LIQUIDITY RISK

Financial liquidity means the capacity of timely settlement of financial liabilities. This is closely related to the ability of the company to generate cash and manage its financial resources.

The business model adopted by our Group, i.e. the sale of goods for cash to an end customer ensures sustainable generation of daily cash proceeds and guarantees independence in relation to single large customers. Liquidity management involves goods management and determining adequate prices and margins as well as the strict control of costs and expenses and management of financial surpluses.

The liquidity of the Company is audited through current monitoring of the balance of bank accounts, creating cash flow forecasts in weekly and semi-annual periods and by planning cash flows between the subsidiaries and LPP SA.

Adequate working capital management is also important in liquidity management, which is facilitated by the Company's use of the supplier financing programme (reverse factoring). Due to the programme, the Company maintains higher trade liabilities which improves financial liquidity.

CREDIT RISK

Generating profits on a long-term basis by the Group enhances the financial safety and enables to obtain creditworthiness on the market, which is an important element of the company's image and a warranty of its development and stability.

The priority of the LPP Management Board in the finance area is the generation of the Group's profits at a level enabling the daily servicing of credit liabilities and ensuring funds for the Group's further development. LPP maintains its creditworthiness at a high level – by paying, on an ongoing basis, all of its liabilities, by increasing sale and optimising costs but also by adequate planning of future activities to detect any emerging risks in advance. To that end, budgets, financial plans, cash flow forecasts and stress tests are prepared. Financial ratios, including debt ratios, are monitored. The Company has assumed that the maximum level of net debt according to IFRS 16 should not exceed 2.5x EBITDA.

INVESTMENT RISK

Investment risk is related to the failure to achieve the anticipated results from investments in new stores and logistics warehouses or the extension of completing an investment. This may result from a lack of in-depth knowledge of the investment area, inappropriate location of the store or the financial commitment that is too high in relation to the Group's capabilities. In addition, investment risk may arise from external factors beyond the Company's control, e.g. operational and technical delays on the part of the tenants of the premises.

The Group focuses on investments from its field of competence, which increases the likelihood of success, a significant part of which is related to building a sales network in Poland and abroad. At the same time, in order to mitigate the risk of misplaced store locations and time delays, the Company is strengthening its key teams responsible for these investments. It has a Leasing Department, where leasing managers present in each country actively search for the best locations and the Investment Department where project managers supervise the implementation of projects and the physical opening of new locations.

At the same time, the Management Board of the Company assesses on an on-going basis both the investment opportunity and the adequacy to the needs (distribution centres) and monitors the financial results of the newly opened stores.

INTEREST RATE RISK

The interest rate risk is related to the use of bank loans by the Company, bonds issued and, to a lesser extent, loans extended.

Bank loans taken out by LPP bear a floating interest rate dependent on changes in market interest rates. According to the Management Board, the planned interest rates cuts will not have a material impact on the Company's financial performance due to low credit exposure in business financing.

FOREIGN EXCHANGE RISK

At present, the Group generates ca 43% of sales inflows in PLN. On the other hand, the basic settlement currency for the majority of transactions involving the purchase of trading goods is USD. A minor part of settlements on this account is processed in EUR. The Company hedges the USD/PLN exchange rate by entering into forward contracts for payments in USD to suppliers. The aim of the transactions is to minimise the level of foreign exchange differences in financial operations (i.e. below the operating profit). Apart from the foreign exchange risk relating to the settlement currency used for purchasing of trading goods, there is also a risk related to the settlement of rents under floorspace lease agreements in EUR, partially mitigated by inflows on operating activity in this currency.

STRATEGY, PLANS, PERSPECTIVES AND DEVELOPMENT DIRECTIONS OF THE LPP GROUP

GROUP'S STRATEGY

The Group's goal is to develop on an on-going basis, improve its offer, adapt it to changing customer expectations, increase the availability of collections by expanding the network of traditional stores and online stores, develop in line with the omnichannel concept so that customers have full access to products regardless of the sales channel.

In order to pursue such a development plan for the coming years, the Group has founded its strategy on three pillars: the omnichannel model, the technological transformation and sustainability.

1. OMNICHANNEL ORGANISATION

LPP is an omnichannel organisation where traditional and online sales are fully integrated. We are committed to providing our customers with the best possible shopping experience, whether they choose to purchase collections in traditional stores or in online stores. Therefore, the Company concurrently develops both these channels taking care of a consistent presentation of our offer.

The priorities include:
changing the retail landscape in small towns, with the Group focusing on developing the family apparel segment offering year-round, aesthetically pleasing clothing for the whole family at a reasonable price. This will materialise through the intensive expansion of the retail network and online availability of Sinsay brand, whose clothing range is complemented by home furnishings, pet accessories, a line of make-up and grooming cosmetics and sports accessories. The unique nature of this concept is determined by its omnichannel nature, attractiveness in terms of price and proximity to the customer regardless of where they live.

At the same time, the aim is to maintain the current position of Reserved, Cropp, House and Mohito brands dedicated to different target groups and to ensure the availability of their assortment through the strong and location attractive stationary retail network and a broad online offer. In this way, the Group intends to ensure that its customers are exposed to the brands where, when and how they want, through integrated sales channels.

EXPANSION THROUGH BRANDS

The Group focuses on attracting new customers and increasing the satisfaction of existing customers. The Group started building its portfolio with Reserved brand which opened its first store in 1998. At present, it already manages five brands, each dedicated to different target groups. The offer includes collections for men and women (Reserved, Mohito and Sinsay), but also clothing for children (part of Reserved and Sinsay brands) and teenagers (Cropp, House, Sinsay).

Reserved, Cropp, House and Mohito fall within a moderate price range while Sinsay offers products in the Design&Value segment.

At present, LPP has no plans related to creating any new brands. It focuses its activities on the development of the brands currently included in the portfolio, with particular emphasis on Sinsay. Initially dedicated to teenage girls, the brand gained a new expanded concept in 2019, complemented by a clothing range for the whole family, as well as home furnishings and a make-up and skincare line. Market's positive response to the new Sinsay concept and the accompanying intensive development of its traditional network, mainly in small towns, will have an impact on a regular increase of the brand's share in LPP portfolio in the consecutive years.

EXPANSION THROUGH BRANDS

1998 RESERVED

2004 CROPP

2005 ESOTIQ
(sold in 2010/2011)

2008 HOUSE, MOHITO
(both brands acquired due to the acquisition of Artman)

2013 sinsay

2016 TALLINDER
(brand closed in 2017)

2019 *Strategic change of Sinsay brand*

EXPANSION INTO NEW MARKETS AND INCREASING THE PRESENCE IN SMALL TOWNS

The development through brands would not be complete if it is not accompanied by the expansion of the sales network, both traditional and online. The goal is to diversify the Group's revenues, i.e. to maintain the current position on the domestic market but also to increase the share of overseas sales, especially in region of Southern and Central Europe. Today, apart from Poland, the Group is present in six geographic territories, each of them having different development outlook:

Poland is our domestic and simultaneously most important market generating the major part of the Group's revenue. Due to its high maturity and dense sales network in larger cities, the Group focuses here on maintaining the existing position of its brands, as well as expanding Sinsay brand's traditional sales network in smaller towns.

Central and Eastern Europe (CEE) comprises countries such as: the Czech Republic, Slovakia and Hungary. Just like in Poland, the Group focuses mainly on developing the traditional store chain in smaller towns where the development potential for Sinsay brand is identified. It is expanding its traditional network mainly based on retail parks.

Baltic Sea Region (BSR) countries where the Company's brands are present are: Lithuania, Latvia and Estonia. All these three countries are considered by the Group as mature, with emphasis put mainly on developing brands especially in smaller agglomerations, in retail spaces such as retail parks.

Eastern Europe, i.e. Ukraine, Belarus and Kazakhstan, is the region where the Company identifies expansion potential for Sinsay brand in the Ukrainian and Kazakh markets and has therefore resumed the development of the brand's floorspace in these two countries.

South Eastern Europe (SEE), i.e. Romania, Bulgaria, Croatia, Serbia, Slovenia, Bosnia and Herzegovina, Northern Macedonia Greece, Albania and Kosovo are markets with a large growth potential for all LPP brands, but especially for Sinsay brand. In this region, the Group is successively expanding its traditional network, strengthening its presence in the Balkans.

Western Europe (WE), i.e. Germany, Great Britain, Finland and Italy, are the countries where the expansion of the sales network will be carried out conservatively. The exception is the Italian market, where the Group expects to accelerate the development of Sinsay brand in the coming years.

Middle East (ME) i.e. Egypt, Qatar, Kuwait, the United Arab Emirates, Israel and Bahrain. The Company's presence with Reserved brand in that region is based on the cooperation with a franchise partner. At the same time, the Company continues its online sale through external sales platforms.

In response to changing customer preferences and behaviour as well as the omnipresent digitalisation and retail trade transformation, the omnichannel strategy assumes a holistic approach to both sales channels, i.e. the traditional and the online channel. As a result of the circumstances surrounding the outbreak of the COVID-19 pandemic, the qualitative and quantitative development of the online channel became a priority for LPP. The Company relies on developing the accessibility of its online offering to customers through the brands' mobile apps, which it intends to develop in consecutive markets. It also plans to enhance it successively by adding further functionalities which will aim to increase the sales potential of brands, their recognition in the country and abroad, but also to improve the user-experience, including, among other things, more effective personalisation of communication with a customer and recommendation of product offers.

At the end of 2024, the offer of the Group's brands was available in a total of 40 markets, including offline in 29 countries and online in 35 countries.

EXPANSION BY COUNTRY

1998	Poland
2002	Russia, Latvia, Estonia, Czech Republic, Hungary
2003	Ukraine, Slovakia, Lithuania
2007	Romania
2008	Bulgaria
2014	Croatia, Germany
2015	Egypt, Qatar, Kuwait, Saudi Arabia
2016	United Arab Emirates
2017	United Kingdom, Belarus, Serbia
2018	Kazakhstan, Slovenia, Israel
2019	Bosnia and Herzegovina, Finland
2021	Northern Macedonia
2022	Italy
2023	Greece
2024	Bahrain

EXPANSION OF E-STORES BY COUNTRY

2011	Poland
2014	Germany
2015	Czech Republic, Slovakia, Romania
2016	Hungary
2017	Latvia, Lithuania, Estonia, United Kingdom, Russia
2018	Middle Eastern countries by franchise partner: Bahrain, Kuwait, United Arab Emirates, Saudi Arabia, Oman
2019	Croatia, Ukraine, Reserved online pan-European shop – European Union countries (12 countries)
2020	Slovenia, Israel
2021	Bulgaria, Qatar
2022	Serbia, Lebanon
2023	Bosnia & Herzegovina
2024	Northern Macedonia

2. TECHNOLOGICAL TRANSFORMATION OF THE ORGANISATION

The Group operates in the fashion sector, but at the same time, in response to the revolution observed in the fashion industry, it is a technology company. It develops IT solutions adjusted to its format itself, but also uses off-the-shelf innovative solutions adapting them to its needs. It implements modern technologies, the so-called Fashion Tech, throughout the entire value chain, from product to logistics and sales. The Group has its own analytical facilities that allow it to understand mega trends and customer expectations. This enables it to respond flexibly and quickly to changes in shopping preferences and design collections tailored to the current needs of its customers, accelerate the delivery process of e-commerce orders or shorten the communication path with the customer. Without the technological transformation of the organisation, the implementation of LPP's business strategy would not be possible.

As part of our Fashion Tech activities, the Group focuses on utilising modern technology with the aim of:

- continuous refinement of collections according to customers' expectations,
- expanding its range of sales and after-sales services in line with global retail trends,
- increasing the flexibility and efficiency of the distribution network,
- full integration of the traditional and online channels reflecting the omnichannel strategy.

The implementation of Artifical Intelligence solutions and the automation of key logistics processes have become an integral part of supporting the Group's growth, which determines increased efficiency in both online and traditional channel sales. For this reason, the Company focuses its activities on the simultaneous expansion of its distribution network (distribution centres and warehouses dedicated to e-commerce services, i.e. fulfilment centres) in Poland and abroad, as well as on the successive increase in the share of innovative solutions, including those in the area of AI. In the near future, it plans to increase investment in the development of robotisation and automation of logistics processes based on the goods-to-person model, with the aim of making the distribution process more agile, providing better comfort for warehouse employees, but also optimising the use of storage space in its facilities.

3. SUSTAINABLE DEVELOPMENT

In the era of increasing awareness of the importance of responsible business, the LPP strategy reflects the care for the environment and humans. The Company's development is based on sustainable rules governing all its processes.

The Group's sustainable development strategy is founded on responsible fashion i.e. thinking of the collections not only in terms of designing clothing, its manufacturing, distribution and utilisation but also in terms of extending clothes' life when no longer used by customers.

Such a comprehensive approach is a response to current climate and social challenges. Each year, the Group wants to limit efficiently its adverse environmental impact and also educate its customers and business partners how to join efforts in taking care of our planet both for our sake and for the sake of future generations.

In 2019, the Company announced the second LPP Sustainable Development Strategy „For People For Our Planet" scheduled for implementation in 2020-2025, based on four pillars: design and production, elimination of plastics, chemical safety as well as infrastructure and buildings. It is a programme of activities and goals that the Group has set for the near future, but also a manifestation of its responsibility for its environment.

At the same time, in 2023 it became the first Polish apparel company to receive positive verification of its plan to reduce greenhouse gas emissions by 2030 in the categories that are most responsible for its carbon footprint. Among other things, the adopted plan will seek to reduce Scope 1 and Scope 2

greenhouse gas emissions by 42 per cent by 2030 compared to a base year of 2021. At the same time, it plans to reduce emissions from the purchase of goods and services in Scope 3 by 51.6% during this period, calculated per product unit purchased (compared to 2021).

Sustainable development also means the company's pro-social activities, the vast majority of which are implemented through our LPP Foundation established in 2017. It helps disadvantaged children and young people and the sick. It also supports medical facilities and organisations caring for people at risk of social exclusion. At the same time, it does not forget about the supply chain and due diligence for the respect of human and workers' rights, so it will gradually increase the number of local branches, which will allow it to better monitor supplier conditions, carry out its auditing activities more effectively and remain closer to the challenges faced by its business partners and their employees.

SHORT-TERM FINANCIAL TARGETS AND INVESTMENT PLANS

In the coming years, the Group plans to strengthen its sale through the omnichannel model which, by combining online markets with traditional stores, offers a possibility of achieving the best profitability. It also perceives great opportunities in its diversified business model, combining Design&Value segment (Sinsay brand) with the lifestyle brand segment (other Group brands) and a strong online channel for both these segments.

The Group perceives opportunities for further growth of the traditional sales network especially in Sinsay brand and its locations in retail parks of smaller towns.

In the years 2025-2027, the Group will focus on the expansion of this brand in Poland, Southern and Central and Eastern Europe, while the development in Western Europe will be carried out conservatively.

The target for 2025 is to open 1,500 Sinsay stores and 100 stores of the other brands and thus increase the floorspace by ca 35-40% YoY.

Sales plans for 2025 envisage the achievement of revenue of PLN 25-26 bn (due to the growth in retail space, positive LFLs and double-digit growth in online sale), margin in the range of 53-54%. At the same time, the Group assumes maintaining cost efficiency, i.e. the operating cost-to-sale ratio in the range of 41 – 42%. EBITDA margin ranging from 19 to 20% and net debt/EBITDA at a level of 1.6 is expected.

Our plans for 2025 are strengthened by the good outlook for 1Q 2025 resulting from the positive response to the Spring/Summer collection and the Group's sales growth ca. 23% y/y in cc (constant currencies) in the period from February 1 to March 31, 2025. Meanwhile, in the online channel during the period, the Group recorded y/y growth ca. 32% in cc, while in comparable stores (LFL) +1.4% y/y.

At the same time, for 2026 and 2027 the Group assumes:

- average annual growth rate (CAGR) in the traditional channel of 25%-30% and in the online channel of 20%-25%;
- gross margins of 51%-52%;
- operating expenses/sales ratio in the range of 41%-42%;
- EBITDA margins 18%-19%;
- stable y/y net profit margins.

The investment plans of the Company for the nearest financial year assume the amount of PLN 3.5 bn, including ca PLN 2.3 bn for the development of the network of traditional stores. On the other hand, it plans to allocate an amount of PLN 1.0 bn for logistics-related projects.

The Company is fully capable of financing the ongoing and planned investment projects. These investment projects will be financed from own resources and bank loans. The table below presents the investment plan for the nearest year.

CAPEX (PLN bn)	2025
Stores (in Poland and abroad)	2.3
Logistics	1.0
Other	0.2
Total	**3.5**

SUPPLEMENTARY INFORMATION

INFORMATION ON THE POLICY PURSUED WITH REGARD TO CHARITY, SPONSORSHIP OR OTHER SIMILAR ACTIVITIES AND THE STATEMENT OF EXPENDITURE INCURRED

In the Group, the LPP Foundation established by the Company has been responsible for charitable initiatives since 2017. The aim of the LPP Foundation is to work for the benefit of people and communities at risk of social exclusion and for the protection of health and the environment. The Foundation pays special attention to projects aimed at supporting marginalised people, mainly children and young people, in-kind aid and projects supporting the Company's partners in its immediate vicinity.

Expenditure incurred in 2024 by the Group to support charities and community organisations is presented in the table.

(PLN thousand)	
Cash donations	6,232.3
In-kind donations	13,961.4
Total value of support	20,193.8

Method adopted:
Data comprises the amounts allocated to social activities by LPP Group companies in Poland and abroad and the LPP Foundation

Range of LPP Foundation activities in 2024	
Value of cash donations made	4,898.6
Including:	
Amount for social equalization activities	2,209.0
Amount for healthcare	1,452.4
Amount for mental health support for children and youth*	1,187.2
Amount for pro-environmental projects	50.0
Market value of in-kind donations	13,381.8
Number of organizations financially supported by the LPP Foundation	62
Number of LPP Group volunteers involved in projects	833
Number of hours worked by volunteers	11,217
Number of clothing items donated for social purposes	172,265
Number of entities that received clothing in the form of in-kind donations	139
Political contributions (LPP does not support political activity) (PLN)	-

**Support area set aside by the LPP Foundation in 2024*

INFORMATION ON MATERIAL CONTRACTS CONCLUDED, INCLUDING CONTRACTS BETWEEN SHAREHOLDERS, INSURANCE CONTRACTS, COOPERATION AGREEMENTS

In 2024, the Group concluded:

- a contract for the provision of insurance guarantees for the payment of customs debts;
- insurance contracts – a global policy covering all the Group's assets, including real estate, goods, machinery and equipment, and a cyber risk insurance contract;
- lease agreements and annexes to agreements amending the terms of existing lease agreements with owners of space in retail facilities in Poland and abroad;
- bank agreements (including annexes to existing agreements) with:
  - Pekao SA (annexes to supplier financing agreement, annex to multi-purpose facility agreement),
  - BNP Paribas Bank Polska SA (annexes to the multi-purpose facility agreement),
  - Citi Bank Handlowy SA (annex to the overdraft agreement),
  - Santander SA (multi-facility agreement, annexes to the factoring agreement),
  - PKO Bank Polska SA (annexes to the multi-purpose facility agreement, annexes to the factoring agreement),
  - ING SA (annex agreement to the multi-purpose facility).
- agreements for lease of warehouse space.

INFORMATION ON BORROWING AND LENDING AGREEMENTS ENTERED INTO AND TERMINATED DURING THE FINANCIAL YEAR, PROVIDING AT LEAST THEIR AMOUNT, TYPE AND INTEREST RATE, CURRENCY AND MATURITY DATE

Information on borrowings as at 31 January 2025 and their maturities was included in the LPP Group's financial statements (note 24) and in LPP financial statements (note 25).

INFORMATION ON SURETIES AND GUARANTEES GRANTED AND RECEIVED IN THE FINANCIAL YEAR, INCLUDING THOSE GRANTED TO THE ISSUER'S RELATED PARTIES

Information on sureties and guarantees granted and received during the financial year (including those granted to related parties) was included in the financial statements of the LPP Group (note 29) and in the financial statements of LPP SA (note 30).

INFORMATION ABOUT TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY WITH RELATED PARTIES ON TERMS OTHER THAN ARM'S LENGTH BASIS, INCLUDING THEIR AMOUNTS AND INFORMATION DESCRIBING THE NATURE OF THOSE TRANSACTIONS

All transactions concluded by LPP with related parties during the reporting period were concluded on arm's length basis.

Information on transactions with related parties was included in the financial statements of LPP Group (notes: 30.1) and in LPP financial statements (notes: 31.1 and 31.2).

INFORMATION ON THE CONTROL SYSTEM FOR EMPLOYEE SHARE SCHEMES

The Company does not operate an employee share scheme.

INFORMATION ON THE AUDIT FIRM AUDITING OUR FINANCIAL STATEMENTS

This information was included in the financial statements of the LPP Group (note 37) and in the LPP financial statements (note 32).

INFORMATION ON THE LOANS GRANTED DURING THE FINANCIAL YEAR, INCLUDING THOSE GRANTED TO RELATED PARTIES OF THE ISSUER, STATING AT LEAST THEIR AMOUNT, TYPE AND INTEREST RATE, CURRENCY AND MATURITY

Information on the loans granted was included in the financial statements of the LPP Group (note 18.1) and in the LPP financial statements (note 19.1).

DIFFERENCES BETWEEN THE FINANCIAL RESULTS DISCLOSED IN THE ANNUAL REPORT AND PREVIOUSLY PUBLISHED FORECASTS OF RESULTS FOR THE YEAR CONCERNED

The Company has not published forecasts of financial results.

CORPORATE GOVERNANCE STATEMENT, STATEMENT OF CORPORATE GOVERNANCE

The Management Board of LPP declares that, from 1 July 2021, the Company has been applying corporate governance principles incorporated in the "2021 Best Practice for WSE Listed Companies" (with exceptions) according to current EBI report no 1/2021 published by LPP on 27 July 2021 and 1/2025 published by LPP on 13 March 2025.

Corporate governance principles attached as Annex to Resolution No 13/1834/2021 of the Board of the Warsaw Stock Exchange of 29 March 2021, entitled "2021 Best Practice for WSE Listed Companies" (DPSN 2021), have been published on a website dedicated to best practice for companies listed on the stock exchange, Giełda Papierów Wartościowych w Warszawie SA, operated by Giełda Papierów Wartościowych w Warszawie SA, on the website https://www.gpw.pl/best-practice2021

INFORMATION ON THE STATUS OF THE PRINCIPLES CONTAINED IN THE 2021 BEST PRACTICE FOR WSE LISTED COMPANIES APPLIED BY LPP:

The Management Board of LPP SA declares that in 2024, the Company and its governing bodies applied the principles provided for in the 2021 Best Practice for WSE Listed Companies, except for the following five principles: 2.1, 2.2, 2.11.6, 4.1, 4.3:

2.1. The company should have a diversity policy for the Management and Supervisory boards, adopted by the Supervisory Board or the General Meeting, respectively. The diversity policy shall define the goals and criteria for diversity in areas such as gender, educational background, specialist knowledge, age and professional experience, and shall specify a timeframe and method for monitoring the achievement of the said goals. In terms of gender diversity, a condition for ensuring the diversity of the company's governing bodies is that the minority share in a given body is no less than 30%.
The Company does not apply this principle.
The Company's comment: For many years, the company has been convinced that the diversity of attributes and experience of its employees, its authorities and key managers is an asset. The company does not have in place a diversity policy for the management board and the supervisory board, however, the company's approach to diversity, including in relation to its governing bodies, is reflected in the conduct of the company. In terms of the gender diversity of its governing bodies, the Company complies with the guidelines laid down in Directive 2022/2381.

2.2. Persons making decisions on the election of members of the company's Management or Supervisory Board should secure comprehensiveness of these bodies by choosing

persons ensuring diversity, making it possible, inter alia to achieve the target ratio of the minimum proportion of minorities set at no less than 30%, in accordance with the goals set out in the adopted diversity policy referred to in principle 2.1.
The Company does not apply this principle.
The Company's comment: The key criteria for choosing members of the Management and Supervisory Boards in the Company are the candidate's education, knowledge and experience as well as competence in the required fields to perform the function. In terms of the gender diversity of its governing bodies, the Company complies with the guidelines laid down in Directive 2022/2381.

2.11. Apart from activities resulting from the provisions of law, once a year, the Supervisory Board shall prepare and present its annual report to the General Meeting of Shareholders. The above-mentioned report shall contain at least:
2.11.6. information on the advancement of execution of the diversity policy applying to the Management and Supervisory Boards, including attainment of the goals referred to in principle 2.1.
The Company does not apply this principle.
The Company's comment: Currently, the Company has no diversity policy applying to the Management Board and the Supervisory Board.

4.1. The company should enable its shareholders to take part in a General Meeting using electronic communication means (electronic general meeting) if justified in terms of shareholders' expectations communicated to the company, as long as it is able to provide technical infrastructure required to hold such Meeting.
The Company does not apply this principle.
The Company's comment: The above-mentioned principle is not applied by the Company as its implementation would involve technical risks. Providing the shareholders with an option to communicate in the course of the general meeting without being present at the meeting, using electronic communication means, involves both technical and legal hazards for the proper and efficient conduct of the general meeting. In particular, the foregoing poses a real risk of technical interference preventing continuous bilateral communication with shareholders present in venues other that the meeting room. Therefore, the Company is unable to guarantee the reliability of technical infrastructure. At the same time, in the Company's opinion, the currently applicable rules for participation in general meetings facilitate the proper and effective exercise of rights attached to shares and sufficiently secure the interests of all shareholders.

4.3. The Company will provide public broadcasting of the General Meeting in real time.
The Company does not apply this principle.
The Company's comment: As stems from the current practice of the Company's bodies, there is no need to record and publish the records of the General Meeting. In the Company's opinion, the information it publishes, as provided by law, on the announcement of the convening and the agenda of the General Meeting enables all shareholders to gain full knowledge of issues to be discussed at the Meeting.

Simultaneously, the Management Board of LPP SA declares that the Company does not apply corporate governance practices beyond requirements set forth in domestic law.

DESCRIPTION OF INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The Group has implemented a well-functioning internal control system, adapted to its needs and characteristics, which provides for the following:

- complete invoicing of revenue;
- appropriate cost control;
- efficient use of resources and assets;
- accuracy and reliability of financial information included in financial statements and interim reports;
- adequate protection of sensitive information and prevention of uncontrolled outflow of information from the Company;
- effective and prompt identification of irregularities;
- identification of, and appropriate response to, major risks.

Elements of the internal control system in our Company include:

- control activities taken at all levels and in all units of the Company, based on procedures (permits, authorizations, revisions, reconciliation, reviews of operational activities, distribution of duties) ensuring compliance with guidelines of the Company's Management Board and, at the same time, enabling to take actions necessary to identify and minimise errors and hazards for the Company;
- Workflow Guide – proper records and documentation circulation control system (to ensure the compliance of account records with accounting evidence);
- duly qualified auditing staff;
- distribution of duties excluding the possibility that one employee performs activities associated with execution and documentation of a business transaction from the beginning to the end;
- Inventory manual specifying the rules for the use, storage and stock-taking of assets;
- principles for balance sheet depreciation of intangible and tangible fixed assets;
- IT system – the Company's accounting books are kept using SAP systems ensuring credibility, reliability and accuracy of information processed. Access to SAP information resources is limited to authorised personnel, for performance of their duties only;
- accounting policy recognising the principles of the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) and related interpretations published in the form of implementing regulations of the European Commission;
- electronic system for document processing (invoices, parts of employee documentation, commissioning of equipment purchases, payment orders, etc.).

In the process of preparing the Company's financial statements, both separate and consolidated, the auditing of financial statements by an independent statutory auditor, i.e. the external control, is an element supporting the system of internal control.

The statutory auditor is appointed by the Supervisory Board of LPP. The tasks of the independent auditor include reviewing interim financial statements and auditing annual financial statements, controlling their accuracy and compliance with accounting principles.

Four departments are responsible for preparing the financial statements: CSC (the Common Services Centre), the Reporting Department, the Controlling Department and the Investor Relations Department headed, respectively, by the CSC director, Chief Accountant, the Controlling Director and the Investor Relations Manager. Before submitting financial statements to the independent statutory auditor, the Chief Financial Officer, responsible for the financial reporting process on behalf of the Management Board, verifies them in terms of completeness and correct recognition of all economic events.

In the Company, the strategy and business plan performance are reviewed semi-annually. This is due to cycles occurring in the clothing trade. After closing the first half of the year, senior and middle management staff review the Company's financial results. The operating results of the Company, individual trading departments or even individual stores are analysed each month.

The internal audit of, and closely related risk management in, financial reporting processes are matters of daily interest for the Company's Management Board. LPP analyses business risk factors related to the Company's operations. An important role in this respect is also played by management staff responsible for controlling the activities of their departments, including identification and assessment of risks associated with the process of preparing financial statements in an accurate, reliable and lawful manner.

In the Company, the In-House Controlling and Risk Management Department also operates It performs the audit duties and is responsible for regular identification and mitigation of risks in the Group.

The works of the Department are planned annually, giving recognition to the mitigation of risks occurring in LPP SA and their relevance. The audit plan is approved by a Management Board Member and is also reported to the Supervisory Board. The Supervisory Board exercises a control function over the In-House Controlling and Risk Management Department, which receives periodic reports from the auditor on the audit tasks performed.

The In-House Controlling and Risk Management Department operates in line with the document entitled "In-House Controlling System". It contains descriptions of all major financial and operating processes, specifying simultaneously relevant controlling processes. In audit plans for another period, their relevance and impact on the organisation are always taken into account.

The In-House Controlling and Risk Management Department carries out audits of departments located in the Company's head office and in foreign companies. Each audit is concluded with an audit report approved by the relevant Member of the Management Board. The In-House Controlling and Risk Management Department monitors also the implementation of post-audit recommendations.

In 2024, 17 audits were carried out: two in LPP SA departments, two in Polish companies and 13 in foreign subsidiaries) concluded with an internal audit report containing recommendations.

LPP SHAREHOLDERS AND SHARES

SHAREHOLDERS

Shareholder structure of LPP SA at the end of the 2024 financial year, i.e. as at 31 January 2025.

Shareholder	Number of shares held (pcs.)	Shareholding	Number of votes at the GM	Share in the total number of votes at the GM	Par value of shares
Semper Simul Foundation*	578,889	31.2%	1,978,889	60.8%	1,157,778
Other shareholders	1,277,001	68.8%	1,277,001	39.2%	2,554,002
Total	**1,855,890**	**100.0%**	**3,255,890**	**100.0%**	**3,711,780**

**The Semper Simul Foundation is closely associated with Mr Marek Piechocki (Article 3(1)(26)(D) of the MAR).*

Shareholder structure of LPP SA at the end of the 2023 financial year, i.e. as at 31 January 2024.

Shareholder	Number of shares held (pcs.)	Shareholding	Number of votes at the GM	Share in the total number of votes at the GM	Par value of shares
Semper Simul Foundation*	578,889	31.2%	1,978,889	60.8%	1,157,778
Other shareholders	1,276,301	68.8%	1,276,301	39.2%	2,552,602
Total	**1,855,190**	**100.0%**	**3,255,190**	**100.0%**	**3,710,380**

**The Semper Simul Foundation is closely associated with Mr Marek Piechocki (Article 3(1)(26)(D) of the MAR).*

In 2024, a change in the structure of LPP major shareholdings has taken place, involving the direct acquisition of LPP shares by Semper Simul Foundation from the subsidiary, i.e. Sky SPV Foundation, as part of the liquidation of this subsidiary (CR 10/2024). Additionally, there was a change in the share capital and the number of shares following the increase of the share capital by PLN 1,400 and the issue of 700 ordinary bearer shares of the M series of the nominal value of PLN 2 per share. The increase of the share capital was related to the performance of the incentive scheme for members of the Management Board of the Company (CR 12/2024).

LPP shares are also held by the key management and supervisory officers of the Company. The tables below show their status as at the end of financial years 2024 and 2023.

In the financial year there was change in the structure of LPP shareholdings held by management officers, consisting in the acquisition of the Company shares by members of the Management Board under the incentive programme for 2023 (CR 15/2024).

At the same time, the structure of LPP shares held by management officers has changed as a result of Mr Marcin Bójko joining the body and Mr Przemysław Lutkiewicz resigning from the Management Board holding shares in the Company.

Apart from the information contained in this section, key management and supervisory officers do not hold shares in LPP subsidiaries.

INFORMATION ON AGREEMENTS WHICH MAY RESULT IN FUTURE CHANGES IN THE PROPORTIONS OF SHAREHOLDINGS HELD BY THE CURRENT SHAREHOLDERS

The Company has no knowledge on any agreements which could give grounds for any future changes in proportions of shareholdings held by current shareholders.

Shareholdings of key management and supervisory officers as at 31 January 2025.

Shareholder	Number of shares held (pcs.)	Number of votes at the GM	Par value of shares
Marek Piechocki – President of the Management Board	1,952	1,952	3,904
Marcin Bójko – Management Board Member	6	6	12
Sławomir Łoboda – Management Board Member	650	650	1 300
Marcin Piechocki – Management Board Member	889	889	1 778
Mikołaj Wezdecki – Management Board Member	1	1	2
Alicja Milińska – Member of the Supervisory Board	732	732	1 464
Jagoda Piechocka – Member of the Supervisory Board	103	103	206

Shareholdings of key management and supervisory officers as at 31 January 2024.

Shareholder	Number of shares held (pcs.)	Number of votes at the GM	Par value of shares
Marek Piechocki – President of the Management Board	1,702	1,702	3,404
Przemysław Lutkiewicz – Management Board Member	493	493	986
Sławomir Łoboda – Management Board Member	500	500	1 000
Marcin Piechocki – Management Board Member	739	739	1 478
Mikołaj Wezdecki – Management Board Member	1	1	2
Alicja Milińska – Member of the Supervisory Board	732	732	1 464
Jagoda Piechocka – Member of the Supervisory Board	103	103	206

TREASURY SHARES

Currently, the Company has no treasury shares.

LPP SHARE QUOTATIONS

LPP SA shares have been quoted on the main market of the Warsaw Stock Exchange (WSE) since 2001.

On the debut date, the price of the Company shares amounted to PLN 48.00. The lowest value of the Company's shares in the history of listings in the amount of PLN 47.00 was recorded by LPP SA on 18 May 2001 and the highest in the amount of PLN 18,900.00 on 26 February 2024.

In the 2024 financial year, prices of shares ranged between PLN 11,450.00 and PLN 18,900.00 (at closing prices). The share quotation during the last session (at closing prices) in the financial year, i.e. 31 January 2025, was PLN 16,460.00.

At the end of 2024, the Group's net profit attributable to shareholders of the parent company per share was PLN 941.46, a year earlier it was PLN 866.27.

As at 31 January 2025, LPP SA shares were included in the following stock indices:

DOMESTIC:

WIG – an index comprising shares listed on the main market. It shows the total relative value of companies quoted on the Warsaw Stock Exchange (WSE) compared to their value since the beginning of quotation (on 16 April 1991, the index equalled 1,000 points). It is a price index. As at 31 January 2025, the share of LPP SA in WIG was 4.8%.

WIG20 – an index calculated on the basis of the value of the portfolio of 20 largest and most liquid companies from the main market of the WSE. LPP SA has been a constituent of the said index since 2014. As at 31 January 2025, LPP's share in the index accounted for 6.8%.

WIG Poland – a national index comprising only shares in Polish companies listed on the main market of the WSE, which meet basic criteria for participation in the index. As at 31 January 2025, the share of LPP SA in WIG-Poland was 4,9%.

WIG20TR – a total return index taking into account dividends paid by 20 largest and most liquid companies listed on the Polish stock exchange and share issues with pre-emptive rights. As at 31 January 2025, the share of LPP SA in WIG20TR was 6,8%.

WIG30 – index comprising 30 largest and most liquid companies listed on the main market of the WSE. As at 31 January 2025, the share of LPP in WIG30 was 6.5%.

WIG30TR – a total return index taking into account dividends paid by 30 largest and most liquid companies listed on the Polish stock exchange and share issues with pre-emptive rights. As at 31 January 2025, the share of LPP SA in WIG30TR was 6.5%.

WIG140 – a return index comprising 140 companies participating in WIG20, mWIG40 and sWIG80 indices, taking into account revenue on dividends and pre-emptive rights. As at 31 January 2025, the share of LPP in WIG140 was 4.9%.

WIG Clothes – a sector index including WIG constituents which simultaneously belong to the "clothes and cosmetics" sector. As at 31 January 2025, the share of LPP in WIG-Clothes was 69.7%.

CEEplus – an index published from 4 September 2019, based on the value of the portfolio of the largest and most liquid listed companies from the Central European region. As at 31 January 2025, LPP's share in the index was 2.3%.

GPWB Centr – index has been published since April 5, 2024 based on the value of the portfolio of the largest and most liquid companies listed on stock exchanges from the Central Europe region. As at 31 January 2025, LPP's share in the index was 2.8%.

In addition, the Company has been qualified as a member of the segment of family-owned companies listed on the WSE, launched in 2021.

FOREIGN:

MSCI Poland Index covering over 20 key countries listed at the WSE. LPP SA has been a constituent of the said index since 2014.

CECE index of the Vienna Stock Exchange, comprising companies from Poland, the Czech Republic and Hungary. LPP SA has been a constituent of the said index since mid-September 2017.

STOXX Europe 600 an index representing large, medium and small companies from 17 countries of the European Union. The index is a part of Deutsche Boerse Group. LPP SA has been included in this index since September 2018.

FTSE Russell Index of the London Stock Exchange, covering developed countries. LPP SA has been a constituent of the said index (in the category of medium companies) from 24 September 2018, i.e. from the time when Poland was transferred from the index of developing countries to the index of developed countries.

SHARE-RELATED LIMITATIONS AND SHAREHOLDERS WITH SPECIAL CONTROLLING RIGHTS

The sale or pledging of registered shares requires the Company's consent. Permits for selling or pledging registered shares are granted by the Supervisory Board in writing, otherwise being null and void, within 14 days from the date of a relevant application. If the Company refuses to give such a permit, it should, within 30 days, designate another buyer and define the date and place of payment of the price. If, within the above-mentioned time frame, the Company fails to indicate another buyer, shares may be sold without any limitations.

At the same time, registered shares carry voting rights of 5 votes per share at the General Meeting of Shareholders. Registered shares are held by a single entity i.e. the Semper Simul Foundation (associated with Mr Marek Piechocki, Article (3)(1)(26)(d) MAR). The said entity holds (directly and indirectly) 350,000 registered shares giving right to 1,750,000 votes at the General Meeting.

Apart from the foregoing, there are no other securities giving any special controlling rights.

ISSUANCE OF SECURITIES – ALLOCATION OF PROCEEDS FROM THE ISSUANCE OF SECURITIES IN THE REPORTING PERIOD

In the financial year, the Company issued no securities.

LPP GOVERNING BODIES

LPP MANAGEMENT BOARD – RULES OF APPOINTING AND DISMISSING KEY MANAGEMENT OFFICERS AND THEIR COMPETENCE

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 term of office of the Management Board is joint and it is calculated in years from the date of appointment. The General Meeting of Shareholders of LPP also determines the number of LPP Management Board members.

The Management Board consists of: the President of the Management Board and from one and five Management Board Members. The LPP Management Board represents the Company at court and in out-of-court proceedings.

THE SCOPE OF COMPETENCE AND RULES OF PROCEDURE OF THE LPP MANAGEMENT BOARD ARE DEFINED IN THE FOLLOWING DOCUMENTS:

- LPP SA Articles of Association available on the Company's website
- Rules of Operation of the Management Board available on the Company's website
- Commercial Companies Code.

The LPP Management Board is responsible for any matters not falling within the scope of competence of other governing bodies of LPP SA.

At the same time, the Management Board is not authorised to make any decisions on the issuance or buy-out of shares.

No agreements were concluded with key management officers which would provide for a compensation in case of their resignation or dismissal from their position otherwise than for important reasons or if they are recalled or dismissed as a result of the issuer's merger by acquisition.

Values of any remuneration of key management officers are presented in the consolidated financial statements (notes 30.2 and 30.3) and in the separate financial statements (notes 32.3 and 32.4).

In the financial year, changes in the composition of the Management Board of the Company took place. The changes resulted from the resignation of Mr Jacek Kujawa from his position of a member of the Management Board of the Company on 17 October (CR 25/2024) and the appointment of Mr Mikołaj Wezdecki as a member of the Management Board to act in the capacity of Executive Vice-President of the Management Board by the EGM on 15 November (CR 30/2024).

In 2024 the LPP Management Board held 40 meetings with the attendance of 93%.

The composition of the Management Board as at 31 January 2025, profiles of the individual members and their responsibilities are presented below.

The composition of the Management Board of the as at 31 January 2025
Marek Piechocki – President of the LPP Management Board
Marcin Bójko – Management Board Member
Sławomir Łoboda – Management Board Member
Marcin Piechocki – Management Board Member
Mikołaj Wezdecki – Management Board Member

MAREK PIECHOCKI

PRESIDENT OF THE LPP MANAGEMENT BOARD

Creator and co-founder of LPP, currently the President of the Management Board of the Company. Since the beginning of his professional career focused on developing his own business; involved in the clothing industry since 1989. In 1991, together with Jerzy Lubianiec, he established the Mistral enterprise. Four years later, this company was transformed into LPP.

In his capacity as the President of the Management Board, he is responsible for all aspects of the Company's operations – from fashion brand management, through product development and sales operations in the omnichannel model. He supervises the Company's strategic actions in the scope of ESG and manages teams responsible for outsourcing production of the collections worldwide. In 2013, recognised by the prestigious Harvard Business Review magazine as the most effective CEO in Poland.

Marek Piechocki was born in 1961. He is a graduate of the Faculty of Civil Engineering at the Gdańsk University of Technology.

MARCIN BÓJKO

MANAGEMENT BOARD MEMBER

Marcin Bójko, associated with LPP since August 2023, was initially responsible for the controlling and finance area, overseeing the Group's liquidity and developing management reporting optimising the cost and profitability area. Since June 2024, he has also been managing the accounting and reporting teams.

Previously, in the years 2012-2023, he was associated with the Orlen group where, among others, he supervised subsidiaries from various industries, while in the years 2021-2023, as the Controlling Director, he was responsible for the financial reporting area of the Czech Unipetrol group. He implemented a comprehensive scope of financial management in the production, logistics and sales areas. He has extensive experience in the development of strategic initiatives (investment, recovery plans, structural optimisation, implementation of best practice), M&A projects and the development of business synergies.

He was born in 1985. He is a graduate of the Faculty of Management at the Białystok University of Technology and is certified in management accounting by CIMA, as well as has successfully passed the exam for candidates for members of supervisory bodies organised by the MAP (Ministry of State Assets) (formerly by the Chancellery of the Prime Minister – KPRM).

SŁAWOMIR ŁOBODA

MANAGEMENT BOARD MEMBER

He has been associated with LPP since 1997. For many years, he was responsible for the LPP legal services, which he performed as the managing partner, representing Krzyżagórska Łoboda and Partners law office. In addition, since 2005 he has also been responsible for the lease and expansion department of the Company.

As Management Board Member, since October 2015, he has been responsible for the development of LPP, i.e. for the acquisition of new floorspace, market analyses, as well as for the legal department.

During his cooperation with LPP, he has implemented many projects including the creation of the franchise network, listing of the Company on the stock exchange, merger with Artman SA, disposal of the Esotiq brand and development of the company's own store chain.

Born in 1965, he is a law graduate of the University of Gdańsk. In 1995, he passed the bar examination for legal advisors.

MARCIN PIECHOCKI

MANAGEMENT BOARD MEMBER

He started his career path within LPP structures in 2017, initially as the assistant merchant and subsequently as the merchant of Reserved brand. Until 2018, he was responsible for the merchandise purchasing process, price negotiations with suppliers, timely deliveries and analysing the sales results of the Group's flagship brand.

From 2018, he managed the process of opening and operating the largest Reserved brand stores in the region. In the same period, he was entrusted with supervising and co-creating the new concept for Sinsay, the youngest brand in the LPP Group's portfolio. He was responsible for Sinsay product, sales of collection and the brand's expansion in new locations.

In the following years, he served as the managing director of Sinsay and Mohito and was responsible for the company's internal communications and LPP's external relations. In 2021, he was appointed to the company's governing bodies to the position of the management board member.

Marcin Piechocki's professional career began in 2013, when he joined Citibank International, managing its IT team until 2017.

He was born in 1989. He is a graduate of the Faculty of Electronics and Information Technology at the Warsaw University of Technology.

MIKOŁAJ WEZDECKI

MANAGEMENT BOARD MEMBER

He has been working at LPP since 2022, in charge of the digitalisation process and the development policy of the Group's e-commerce area, as well as the establishment of new standards and synergies in the development of the brands' online platform, as Director of Digitalisation.

Previously, in the years 2006-2019, he was affiliated with RTV EURO AGD, an electronics and household appliances retailer, where he built one of the largest online retail stores for consumer electronics and household appliances in Poland.

Since 2019, he has been involved with the Modivo Group as a member of the management board and director for the e-commerce area, where he launched the new Modivo.pl sales platform, one of the leading online platforms in Central and Eastern Europe. At the same time, he actively participated in the development of the company's strategy and in the process of acquiring an investor for the company, eventually SoftBank, the world's largest investment fund.

He was born in 1983. He graduated from the Higher School of Management and Marketing in Warsaw and the Academy of Leadership Psychology at the Business School of the Warsaw University of Technology. He also graduated as the Executive MBA at the Warsaw University of Technology.

RESPONSIBILITY DISTRIBUTION SCHEME

Areas of LPP's activity, starting from managing the development of the Company's products and associated brands, through finance, investment activity, logistics, administration or technology development, have been distributed competently among the individual members of the Management Board.

MAREK PIECHOCKI

PRESIDENT OF THE MANAGEMENT BOARD (LPP CO-FOUNDER)

- Reserved, Cropp, House – omnichannel development and sales
- HR
- Purchasing and ESG
- Sales operations
- Logistics
- Investments
- Administration

MARCIN BÓJKO

MANAGEMENT BOARD MEMBER

- Reporting
- Controlling
- Human Resources, Payroll and Accounting
- Investor relations
- Internal control and risk management
- Investor relations
- Central Purchasing
- Treasury

SŁAWOMIR ŁOBODA

MANAGEMENT BOARD MEMBER

- Reserved, Cropp, House, Mohito – rental and expansion
- Legal services
- Market analyses
- Management of foreign subsidiaries

MARCIN PIECHOCKI

MANAGEMENT BOARD MEMBER

- Sinsay, Mohito – brand and product development and omnichannel sales
- Sinsay – Rental and expansion
- Internal communication
- Social Media
- Employer Branding
- Relations with community

MIKOŁAJ WEZDECKI

MANAGEMENT BOARD MEMBER

- Contact Center
- Data Science
- IT Operations
- IT Core
- Business Value Services IT

LPP SUPERVISORY BOARD AND ITS COMMITTEE

The supervisory functions at LPP are performed by the Supervisory Board consisting of five members.

THE SCOPE OF COMPETENCE AND RULES OF PROCEDURE OF THE SUPERVISORY BOARD OF LPP ARE DEFINED IN THE FOLLOWING DOCUMENTS:

- LPP SA Articles of Association available on the Company's website
- By-Laws of the Supervisory Board, available on the Company's website:
- Commercial Companies Code.

Values of any remuneration of key supervisory officers are presented in the consolidated and separate financial statements (respectively, notes 30.2 and 31.3.

The composition of the LPP Supervisory Board as at 31 January 2025 and profiles of its individual members are presented below.

In the financial year, no changes in the composition of the LPP Supervisory Board took place.

At the same time, in 2024, the LPP Supervisory Board held 5 meetings (100% attendance).

Composition of the Supervisory Board of LPP as at 31 January 2025
Miłosz Wiśniewski – Independent* Chairman of the Supervisory Board of LPP
Alicja Milińska – Member of the Supervisory Board of LPP
Jagoda Piechocka – Member of the Supervisory Board of LPP
Piotr Piechocki – Member of the Supervisory Board of LPP
Grzegorz Maria Słupski – Independent* Member of the Supervisory Board of LPP

**independence criteria set forth in the Act on Statutory Auditors, Audit Companies and Public Supervision of 11 May 2017*

MIŁOSZ WIŚNIEWSKI

INDEPENDENT CHAIRMAN OF THE SUPERVISORY BOARD OF LPP

Born in 1964, a graduate of the Mikołaj Kopernik University in Toruń and Executive M.B.A. of École Nationale des Ponts et Chaussées in Paris.

He gained his experience in the area of finance and management in Cereal Partners Worldwide, where he worked from September 1992 to May 2012 holding, among others, the position of Regional Financial Controller for Western and South Europe, CPW Finance Director in Poland, Regional Director for Greece and the Balkans and Development Director for Central Europe.

From May 2012 to January 2015, he served as Chief Financial Officer of Boryszew SA. In March 2016, he was appointed as the President of the Management Board of Robod SA.

ALICJA MILIŃSKA

MEMBER OF THE SUPERVISORY BOARD OF LPP

Born in 1960, a graduate of the University of Gdańsk.

In the years 1985-1990 she gained experience in the field of human resources and payroll, working for such entities as worker cooperative "STOREM" with its registered office in Gdańsk, "Carot" Sp. z o.o. with its registered office in Gdańsk and "Tal" Sp. z o.o. with its registered office in Gdańsk. In 1990 she was employed at the "ETC" commercial enterprise in Gdańsk, where for five consecutive years she worked first as an accountant and then as a chief accountant.

From 1995 to 2021, she was employed at LPP SA as Chief Accountant. Member of the Management Board of LPP SA in the years 2000-2009.

JAGODA PIECHOCKA

MEMBER OF THE SUPERVISORY BOARD OF LPP

Born in 1996, a graduate of the Warsaw University of Technology and HEC Paris in Paris.

She has gained her experience in the IT sector, among others, as a business analyst in HURO Sp. z o.o. and a junior consultant in IT.integro in the years 2018-2020. Since September 2021, she has been employed as the IT Product Manager by Procter & Gamble, managing global IT projects.

Moreover, she also holds the position of the President of the Management Board of AMA Sp. z o.o. with its registered office in Sopot, pursuing advisory and investment activities in the area of real estate and Vice-President of the Management Board of Family Investments sp. z o.o. with its registered office in Sopot and Family Investments 2 sp. z o.o. with its registered office in Sopot, carrying out investment activities on the real estate and hotel services market.

Ms Jagoda Piechocka has connections with the Semper Simul Foundation, as a beneficiary of the foundation.

PIOTR PIECHOCKI

MEMBER OF THE SUPERVISORY BOARD OF LPP

Born in 1987, a graduate of the Warsaw School of Economics and IE Business School in Madrid. In the years 2010-2011, he completed his internship in, among others, Procter&Gamble and The Boston Consulting Group.

In the years 2012-2017, he co-founded and managed the e-commerce department in LPP SA. Piotr Piechocki was responsible for the entire sales in this channel and for the launch of online stores on new markets (Germany, the Czech Republic, Slovakia, Romania, Hungary).

At present, he acts as the President of the Management Board of Family Investment sp. z o.o. with its registered office in Sopot and Family Investment 2 sp. z o.o. with its registered office in

Sopot, both of which pursue investment activity on the real estate and hotel services market. This activity is not competitive to LPP SA.

Mr Piotr Piechocki has connections with the Semper Simul Foundation, as a beneficiary of the foundation.

GRZEGORZ MARIA SŁUPSKI

INDEPENDENT MEMBER OF THE SUPERVISORY BOARD OF LPP

He holds a PhD in economics and is an entrepreneur who successfully created and managed a number of companies mainly in the printing, retail and new technology sectors in Poland.

He has over 20-years' experience in housing cooperatives, including multiple years as the President of the Management Board and as the Chairman of the Supervisory Board. In the years 2008-2017 he acted in the capacity of the Vice-Chairman of the Supervisory Board of GIK sp. z o.o. in Gdańsk and in the years 2017-2020 as the Chairman of the Supervisory Board of GARG sp. z o.o. – Ivest GDA. Since 2000, the co-founder, the shareholder and the member of the Supevisory Board of Argo Card sp. z o.o. in Gdańsk and since 1995, the President of the Management Board of Argo SA in Gdańsk.

LPP SUPERVISORY BOARD COMMITTEE

Since 2017, within the Supervisory Board of LPP, the Audit Committee has been operating, composed of person listed below, meeting the independence criteria and other requirements defined in Article 129 of the Act on Statutory Auditors, Audit Companies and Public Supervision of 11 May 2017 (Journal of Laws of 2017, item 1089):

COMPOSITION OF THE AUDIT COMMITTEE:

Grzegorz Maria Slupski – Chairman of the Audit Committee, fulfils the statutory criteria of independence, has knowledge and skills in the scope of accounting and auditing of financial statements, has experience in performing supervisory duties in commercial companies and, at the same time, holds a PhD in economics.

Piotr Piechocki – Member of the Audit Committee, has industry knowledge and skills gained as the manager of the e-commerce department of LPP.

Miłosz Wiśniewski – Member of the Audit Committee, fulfils the statutory criteria of independence, has knowledge and skills in the scope of accounting and auditing of financial statements which he acquired as the Financial Director at Cereal Partners Worldwide and Boryszew SA.

In 2024, the Audit Committee held 5 meetings (100% attendance).

THE TASKS OF THE AUDIT COMMITTEE INCLUDE:

- monitoring the financial reporting process and provision of recommendations aimed at ensuring diligence of the said process in the Company;
- monitoring the effectiveness of in-house control and audit systems and the risk management system in the Company, including in terms of financial reporting;
- monitoring performance of financial audit activities in the Company, in particular carrying out of an audit by an audit company, with due consideration of any and all conclusions and findings of the Audit Supervision Commission, arising from the control procedure carried out in the audit company;
- control and monitoring of the independence of the statutory auditor and the audit company, specifically in cases where the audit company provides non-audit services to the Company;
- informing the Supervisory Board of audit results and explaining how such audit has contributed to the reliability of the Company's financial reporting and what was the Committee's role in the audit procedure;
- assessing the independence of a statutory auditor;
- granting consent for using permissible services other than the audit of financial statements, provided by the audit company or the statutory auditor;
- developing a policy for choosing an audit company for audit purposes;
- developing a policy for the provision of permissible non-audit services by an audit company carrying out the audit, entities affiliated with such an audit company and a member of the audit company's group;
- determining a procedure for choosing the audit company by the Company;
- providing the Supervisory Board with recommendations in accordance with Article 130(1)(8), 130(2) and 130(3) of the Act;
- verifying work performance of a person (entity) performing the duties of a statutory auditor, in particular, by maintaining contact with the statutory auditor in the course of auditing the financial statements of the Company and its subsidiaries to discuss work progress and clarify any doubtful issues and reservations of the statutory auditor in terms of the applied accounting policy or in-house control systems;
- discussing the features and scope of the annual report and reviews of interim financial statements with the Company's statutory auditors;
- reviewing the Company's interim and annual (separate and consolidated) financial statements audited;
- issuing opinions for the Supervisory Board on termination of the agreement with an entity authorised to audit the Company's financial statements;
- granting consent for appointment and dismissal by the Management Board of a person performing in the Company a key function covering in-house audit duties;
- monitoring the compliance system applicable in the Company.

At the same time, the scope of competence of the Audit Committee changed in 2025.

Last year, pursuant to Resolution No. 5 of the EGM of LPP SA of 15 November 2024, the competence of the Supervisory Board was extended to include the selection of the audit company also for non-financial statements (until now, this competence included only financial statements).

In the first half of 2025, the LPP Supervisory Board plans to adopt an amendment to the audit company selection policy and the Audit Committee by-laws regarding its sustainability reporting responsibilities. These changes will implement the requirements arising from the Act of 6 December 2024 amending the Accounting Act, the Act on auditors, audit firms and public supervision and certain other acts (Journal of Laws, item 1863).

KEY PRINCIPLES OF THE POLICY FOR THE SELECTION OF THE AUDIT COMPANY TO CONDUCT AN AUDIT AND THE POLICY FOR THE PROVISION OF NON-AUDIT SERVICES BY THE AUDIT COMPANY

The Company has a policy for the selection of the audit company for auditing of the financial statements, the detailed text of which is posted on the website.

Its main assumptions are presented below.

CRITERIA FOR THE SELECTION OF THE AUDIT COMPANY

In the course of preparation of the recommendations by the Audit Committee and, subsequently, in the course of selection of the audit companyperformed by the Supervisory Board of LPP SA, the following criteria are taken into consideration:

a) experience gained so far by the audit company as well as qualifications and experience of persons assigned to carry out financial audit activities;
b) knowledge of the industry in which the Company operates;
c) the pricing terms offered by the audit company;
d) the proposed work schedule for the financial auditing activity;
e) the comprehensiveness of services declared by the audit firm;
f) the reputation of the audit firm;
g) the circumstances that auditing services were provided to the Company in the past, subject to the requirements of the Act on Auditors and Regulation 537 regarding the rotation of audit firms and key statutory auditors.

The selection shall be made among any audit companies that have submitted bids for the provision of the statutory auditing service in accordance with the Selection Policy, provided that:

a) an audit company that audited the Financial Statements of the Company after the expiry of the maximum engagement periods may not undertake an audit of the Financial Statements of the Company for a period of four consecutive years,
b) the organisation of the tender procedure shall not exclude participation in the selection procedure of companies which received less than 15% of their total fee for auditing services from public interest entities in the relevant Member State of the European Union in the previous calendar year, as listed in the list of audit companies,
c) The Company may invite any audit companies to submit their bids for the provision of the statutory auditing services, provided that this shall not violate the provisions referred to in paragraph 2(1) of the Audit Company Selection Policy.

LIMITATIONS RELATED TO THE SELECTION OF THE AUDIT COMPANY:

a) the maximum duration of continuous statutory audit assignments executed by the audit company shall not exceed 10 years;
b) the key statutory auditor may not audit the annual consolidated financial statements of the Group or the annual financial statements in the Company for more than 5 years;
c) the key statutory auditor may again perform the audit of the annual consolidated financial statements of the Group or the annual financial statements in the Company upon expiry of a period of at least 3 years from the completion of the last audit.

The first agreement on the audit of financial statements is concluded with the audit company for a period of at least two years, with a possibility of its extension for the consecutive periods of at least 2 years.

When recommending and selecting the audit company, it is also required to take into account limitations arising from the Policy for the Provision of Permitted Services.

THE FEES FOR CONDUCTING THE AUDIT EARNED BY THE AUDIT COMPANY, ITS STATUTORY AUDITORS AND SUBCONTRACTORS SHALL NOT:

a) be subject to any conditions, including the audit results;
b) b) be shaped by or dependent on the provision of additional non-audit services by the audit company for the Company or its affiliates.

The audit fee reflects labour intensity, complexity of work and required qualifications.

The fees of the entity authorised to audit the separate and consolidated financial statements paid or payable for the year ended 31 January 2025 and for the comparative period by type of service are presented in the financial statements of the LPP Group (note 37).

The Company also has in place the "Policy for the provision by an audit company, its affiliates and a member of the audit company network of permitted non-audit services" which assumes the need to ensure the independence of the audit company and the statutory auditor and to limit the potential for conflicts of interest when the audit firm is contracted to provide permitted non-audit services by way of defining prohibited services and permitted services.

Examples of permitted services include due diligence procedures involving economic and financial standing, assurance services covering pro forma financial information, performance forecasts or estimated results, published in the audited entity's prospectus, the audit of historical financial information for the prospectus, verification of consolidation packages.

Prohibited services include, in particular: tax services involving the preparation of tax returns, payroll taxes, customs dues, book-keeping services, drafting of accounting documentation and financial statements, development and implementation of internal control or risk management procedures associated with the preparation or control of financial information or development and implementation of technological systems related to financial information, or services associated with the in-house audit function.

Permitted services may be provided only in the scope not related to the Company's tax policy, following the assessment by the Audit Committee of threats and safeguards ensuring the independence of the audit company, the key statutory auditor and other members of the auditing team.

In the financial year 2024, the non-audit service was provided by Gran Thorton Polska PSA, i.e. the verification of indicators for the non-financial (ESG) report, which was accepted by the Audit Committee.

GENERAL MEETING OF LPP'S SHAREHOLDERS

The rules of procedure of the General Meeting, its competence, description of the rights of shareholders and the procedure for their exercising.

THE COMPETENCE AND RULES OF PROCEDURE OF THE GENERAL MEETING OF LPP'S SHAREHOLDERS ARE DEFINED IN THE FOLLOWING DOCUMENTS:

- LPP SA Articles of Association available on the Company's website.
- Rules of Operation of the General Meeting of LPP's Shareholders available on the Company's website.
- Commercial Companies Code.

CONVENING THE GENERAL MEETING OF SHAREHOLDERS

1. The General Meeting of Shareholders may be convened as an ordinary or extraordinary meeting.
2. The General Meeting of Shareholders is held in Gdańsk, Warsaw, Sopot or Pruszcz Gdański – at a venue indicated by the Management Board.
3. The Ordinary General Meeting is held annually within six months after the end of the financial year.
4. The Extraordinary General Meeting is convened by the Management Board upon its own initiative, at the request of the Supervisory Board and upon a written request of shareholders representing one twentieth of the share capital.
5. The fact of convening the General Meeting, stating the date (day, hour) and venue, is announced by the Management Board on the Company's website and in the manner set forth for providing current information in accordance with the provisions on public offering and the terms and conditions for introducing financial instruments to organised trading, and on public companies.

COMPETENCE OF THE GENERAL MEETING OF SHAREHOLDERS

1. Examining and approving financial statements and reports of the Management Board on the operations of the LPP SA Group for the preceding year.
2. Taking all decisions relating to claims for redressing damage suffered during the establishment of LPP SA or its management or supervision.
3. Adopting a resolution on the distribution of profits or covering losses.
4. Discharging members of the LPP SA governing bodies from the performance of their duties.
5. Appointment and dismissing of members of the LPP governing bodies.
6. Adopting a resolution on the issue of bonds, including convertible bonds.
7. Amendments to the Articles of Association.
8. Adopting resolutions on the merger, transformation, dissolution and liquidation of LPP SA.
9. Adopting resolutions on the sale and lease of the enterprise and establishing beneficial ownership.
10. Examining and deciding on motions submitted by the Supervisory Board.
11. Deciding on other matters falling within the scope of competence of the General Meeting under the Commercial Companies Code and the Company's Articles of Association.

SESSIONS OF THE GENERAL MEETING OF SHAREHOLDERS

1. The General Meeting is opened by the Chairman of the Supervisory Board or a person authorised by him who then holds the elections for Chairperson of the General Meeting.
2. The person opening the General Meeting takes action aimed at immediate election of Chairperson of the General Meeting, who leads the works of the GM and ensures efficient and proper conduct of the session.
3. The General Meeting adopts resolutions only on matters included in the agenda.
4. Draft resolutions proposed for adoption by the General Meeting and other relevant materials are presented to shareholders including the justification and the opinion of the Supervisory Board.
5. The proceedings of the General Meeting are recorded in the minutes by a notary public.

VOTING

1. Voting at the General Meeting is open. Secret ballot takes place when electing governing bodies and upon requests to dismiss the Company's governing bodies or liquidators or to make them accountable, as well as in personal matters. In addition, the secret ballot is held upon request of at least one shareholder or his/her/its representative.

2. The General Meeting may appoint a three-person ballot counting committee, whose duties include ensuring the due conduct of each voting, supervising computer services (if a vote takes place using electronic technology) as well as checking and announcing the results.
3. Each share gives right to one vote at the General Meeting. In the case of a series B preference share, one share gives right to five votes at the General Meeting.
4. The Chairperson announces voting results which are then recorded in the session minutes.

SHAREHOLDERS' RIGHTS AND THE MANNER OF THEIR EXERCISING

1. Shareholders have the right to participate in the General Meeting, either personally or by proxy;
2. Shareholders representing at least one-twentieth of the share capital may request the convening of an Extraordinary General Meeting and the inclusion of specific items on the agenda of that meeting.
3. Shareholders representing at least one-twentieth of the share capital have the right to request the inclusion of specific items on the agenda of the General Meeting. This request, including a justification or a draft resolution concerning the proposed agenda item, should be submitted no later than 21 days before the scheduled date of the meeting.
4. Each shareholder may, during the General Meeting, propose draft resolutions concerning the items on the agenda.

For the 2024 financial year, the General Meeting of Shareholders was held on 12 July 2024 and the Extraordinary General Meeting was held on 15 November 2024.

DESCRIPTION OF THE RULES FOR AMENDING THE ARTICLES OF ASSOCIATION

Any amendment to the LPP Articles of Association requires, first of all, an initiative of a shareholder or the Company's governing bodies. They may apply for convening the General Meeting or supplementing its agenda with voting on the amendment of the Articles of Association. A draft resolution amending the Articles of Association requires a relevant majority of votes at the General Meeting. If any such resolution is adopted, the Company's Management Board is required to file an application with the registry court to record the amendment. An amendment to the Articles of Association is effective upon its registration.

DESCRIPTION OF THE DIVERSITY POLICY APPLIED TO THE LPP'S ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES IN TERMS OF ASPECTS SUCH AS AGE, GENDER OR EDUCATION AND PROFESSIONAL EXPERIENCE, GOALS OF SUCH POLICY, THE POLICY EXECUTION PROCESS AND ITS EFFECTS IN A GIVEN REPORTING PERIOD

Currently, the Company does not have a diversity policy dedicated to the Management Board and the Supervisory Board, but at the same time it implements the provisions of Directive 2022/2381 on improving the gender balance of directors of listed companies and related measures by ensuring a 40% share of female members of the Supervisory Board.

LPP is aware of the importance and need of ensuring diversity in terms of gender, education, age and experience as well as many other diversity factors throughout the Group, i.e. both in management and supervisory bodies of LPP and in the governing bodies of its subsidiaries and also with respect to all employees of the Group.

At present, the Management Board of LPP is composed of five men: three of them at the age between 30 and 50 and two above 50 years of age. The Supervisory Board is composed of three men and two women. One person represents the age group below 30, one – the age group between 30 and 50 and three persons are above 50 years of age.

Members of the Management Board and the Supervisory Board of LPP have diverse education i.e. technical, IT, financial, economic and legal education. They also have diversified experience both in terms of the industry and entities where they previously gained their experience.

SUSTAINABILITY STATEMENT

This statement is the eighth sustainability publication of the LPP Group and the first one presented in conjunction with the report of the Management Board on the operations of LPP Group.

This year, the statement has been prepared for the first time in accordance with the European Sustainability Reporting Standards (ESRS), which ensures its compliance with the applicable regulations and enhances the transparency of information relevant to stakeholders. The document provides information on significant impacts, risks and opportunities associated with the company, taking into account direct and indirect business relationships across the LPP Group's value chain, including its own operations and the impact on suppliers, partners and customers.

The objective of the LPP Group is not only the fulfilment of regulatory obligations, but also the consistent pursuit of its mission, focusing on transparency, innovation and building of sustainable relationships with stakeholders.

The statement is based on the double materiality assessment, which identified topics relevant to the LPP Group. This publication was compiled on their basis and includes the following thematic standards: ESRS E1 Climate change, ESRS E2 Pollution, ESRS E3 Water and marine resources, ESRS E4 Biodiversity and ecosystems, ESRS E5 Resource use and the circular economy, ESRS S1 Own workforce, ESRS S2 Workers in the value chain, S4 Consumers and end-users and ESRS G1 Business conduct. The statement also includes the mandatory disclosures included in ESRS 2 standard.

GENERAL DISCLOSURES

BASIS FOR PREPARATION

BP-1

The statement has been prepared in accordance with the *Accounting Act of 29 September 1994 (Journal of Laws of 1994 No. 121, item 591, consolidated text, Journal of Laws of 2024, item 619, 1685, 1863)*. It is based on the European Sustainability Reporting Standards (ESRS) introduced by *Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023*.

The statement has been prepared in consolidated form. The LPP Group has used a possibility to draw up its report of the Management Board on the operations of LPP Group and sustainability statement as a single document. The information, data, indicators and assertions contained in the statement refer to the same reporting entity referred to in the financial statements, i.e. the entire LPP Group, unless stated otherwise. Where data was not available, the estimation method was used. The phrases “LPP”, “the LPP Group” and “the Group” mean the parent company, LPP SA together with its subsidiaries subject to consolidation.

The statement includes information on material impacts, risks and opportunities and takes into account the company’s direct and indirect business relationships across the LPP Group’s value chain, i.e. both own operations as well as upstream and downstream value chain.

The scope of consolidation in the statement corresponds to the consolidated financial statements for the period from 1 February 2024 to 31 January 2025 comprising the separate results of LPP SA, results of 29 foreign subsidiaries and six Polish subsidiaries. The financial statements and the sustainability statement cover the same companies. LPP SA has no minority interests in other entities.

This is LPP Group’s eighth sustainability publication however this year it is presenting the sustainability statement for the first time in accordance with ESRS standards. Therefore the Group reports no changes in the preparation or presentation method or errors of previous periods.

The LPP Group has not used the option to omit information relating to intellectual property, know-how or results of innovation. It has also not used the exemption from disclosure of impending developments or matters in course of negotiation.

The LPP Group’s sustainability statement has been subject to external verification. The verification was performed by Grant Thornton in accordance with National Standard on Assurance Engagements on Sustainability Reporting 3002PL. Assurance engagement providing limited assurance on sustainability reporting, which has been adopted by a resolution of the National Council of Statutory Auditors (KSUA 3002PL) and, where applicable, in accordance with the National Standard on Assurance Engagements Other than an Audit and Review 3000 (Z) in the wording of International Standard on Assurance Engagements 3000 (revised), Assurance engagements other than audits or reviews of historical financial information, which have been adopted by a resolution of the National Council of Statutory Auditors (KSUA 3000 (Z)).

BP-2

In the statement, the LPP Group uses definitions of time horizons in accordance with ESRS 1. The short-term horizon covers a period of 1 to 12 months and relates to reporting. The medium-term horizon means a period from 1 to 5 years and is used for strategy and financial planning. The long-term perspective – a timeframe of more than 5 years, is linked to the transformation of the LPP Group business model.

The statement is the first document of this kind prepared by the LPP Group in accordance with the CSRD (*Corporate Sustainability Reporting Directive*) and the ESRS standard. Previous sustainability statements were prepared by the Group in accordance with the Global Reporting Initiative standard. The change of the standard involves a new way of presenting certain data compared to previous years.

Based on *Appendix C of ESRS 1 "List of phased-in disclosure requirements"*, which states that the undertaking may omit the information on the expected financial impact in the first year of the sustainability statement, the statement does not include information on the expected financial impact of the identified risks.

The statement uses incorporation by reference through a reference to *the Consolidated Financial Statements of the LPP Group*. Additionally, references to various sections of the statement containing related information are included throughout the document.

STRATEGY

SBM-1

LPP GROUP AT A GLANCE

LPP is a Polish family-run company that has been operating in Poland and abroad for more than 30 years. Its products are available in **40 countries** on three continents, both online and in the traditional sales network. Our offline network operates in 29 countries and comprises 2,847 stores of the total floorspace of 2,449 thousand m^2. The LPP Group is present online on 35 markets.

ACTIVITIES

The LPP Group operates in the textile sector. Its core business is focused on retail sale of clothing and other products such as accessories, footwear and supplementary items. The Group's customers are natural persons who do their shopping both in online and offline channels. Customers of LPP stores mainly buy clothes offered by five brands: **Sinsay, Reserved, Cropp, House** and **Mohito**. Reserved, Cropp, House and Mohito brands fall within a moderate price range while Sinsay offers products in the Design&Value segment. Due to the omnichannel model, all LPP brands are currently available in both the traditional and online sales channels. Each of these brands is targeted at different customer groups, allowing the company to tailor its offering to meet the diversified needs and preferences of consumers.

The LPP Group creates jobs for more than **54,000 people** in its offices and sales structures in Europe, Asia and Africa, including almost 20,000 (36%) in Poland.

LPP is a company listed on the Warsaw Stock Exchange as part of the WIG20 index and belongs to the prestigious MSCI Poland index.

The LPP Group is composed of the Parent Company established in Poland, 6 domestic subsidiaries and 29 foreign subsidiaries. The foreign subsidiaries are mainly engaged in the distribution of products of LPP brands outside Poland. Domestic companies, on the other hand, fulfil various operational functions:

- LPP Retail Sp. z o.o. – handling of brand stores in Poland,
- LPP Printable Sp. z o.o. – sales of promotional clothing,
- LPP Logistics Sp. z o.o. – logistics management,
- Veviera Investments Sp. z o.o. – performing construction work involving logistics centres,
- Silky Coders Sp. z o.o. and Dock IT Sp. z o.o. – management of IT projects for the LPP Group.

In 2024, there were the following changes in the LPP Group's structure:

- establishment of a new foreign subsidiary, LPP Kosovo LLC,
- establishment of a new company LPP CA FE LLC in Uzbekistan,
- closure of DP&SL Sp. z o.o. and IL&DL Sp. z o.o.,
- closure of LPP Clothing Retail Spain, S.L.,
- change of name of the Serbian subsidiary to LPP Serbia DOO Beograd (previously: LPP Reserved DOO Beograd).

Guided by the principle of due diligence, all of the Group's activities are in line with applicable regulations on sustainable development, and its products meet the requirements for environmental protection and social and climate responsibility. The organization takes all necessary steps to ensure that its activities comply with regulatory requirements in all markets in which it operates.

The company's products are not banned from sale on any foreign market, including the European Union and other regions, due to the violation of any standards in the scope of environmental protection, human rights and labour law, climate policy and neutrality targets.

This does not apply to licensed products, the limitations of which result from the specific nature of contracts.

The breakdown of total revenues by significant sectors is provided in the financial part of the Report.

The share of sustainable financing in the assets of the LPP Group (GAR indicator) is provided in the *Taxonomic disclosure* chapter.

STRATEGY OF THE LPP GROUP

The LPP Group creates value by adapting to the expectations of current and future customers. Sustainability is integral to the business and helps the company achieve its social, environmental and economic goals. The basis underpinning further development are the core values driving its direction and ensuring long-term stability and business responsibility.

LPP is consistently pursuing its growth strategy, which is based on the multichannel model, digitisation, sustainable development and expansion in new markets. The organisation wants to increase the availability of its offer in both the domestic and international markets, while responding to global challenges and customer needs.

1. OMNICHANNEL ORGANISATION

The Group integrates traditional and online sales to provide customers with consistent and convenient shopping experience. It develops a network of stores and e-commerce platforms, thereby increasing the availability of products regardless of the sales channel selected.

2. DIGITISATION OF THE ORGANISATION

The Group implements modern technologies throughout the entire value chain, from product design, logistics to sale. It has an advanced analytical background, which allows it to understand market trends and customer preferences and thus make sound business decisions. It invests in the digitisation of processes such as inventory management, warehouse automation and customising of its offer to increase the efficiency and meet market expectations.

3. SUSTAINABLE DEVELOPMENT

The sustainability strategy pursued assumes a holistic approach to fashion – from product design, responsible production and distribution, to promoting sustainable consumer habits such as extending the lifecycle of clothes.

LPP BUSINESS MODEL

The LPP business model consists of four key steps that jointly form a coherent system: design, production, distribution and sales.

The process starts with the work of designers who follow fashion shows, street trends and topics discussed in social media and create original collections based on these observations. Their designs are unique and creatively match the latest trends with customers' needs. The project team consists of 370 people. In its offices in Gdansk, Cracow and Warsaw, it develops collections for five LPP brands, in which it tries to meet the expectations of a diversified group of customers.

The next step is production. LPP does not own manufacturing plants but cooperates with more than 2,200 suppliers from Asia and Europe, to which it outsources the production of its collections. Due to its operations in Asia carried out through representative offices, the Group ensures quality control and compliance with environmental and social requirements.

The distribution step uses an extensive logistics network to deliver products to customers worldwide. The LPP Logistics company which manages the entire procurement and distribution network, has ten warehouse facilities, including six distribution centres and four so-called fulfilment centres, located in Poland, Romania and Slovakia. LPP Logistics handles the overall logistics, from sea, rail and road freight, to the customs agency and modern technology used in the warehouses, ensuring speed and efficiency of deliveries to customers.

Sales takes place through a multichannel model, allowing the Group to easily adapt to changing consumer needs and preferences. LPP products are available both in over 2,800 stores in nearly 29 countries and online.

VALUE CREATION MODEL

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.
STAKEHOLDER VALUE				
• Reduction of negative environmental impact of the industry. • Wider choice of products that are more environmentally-friendly to facilitate more responsible choices.	• 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.	• Convenient working conditions for thousands of LPP employees. • Opportunities for employees to develop professionally and improve their skills.	• 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.	• More innovation and better access to advanced technologies in the fashion industry. • Availability of products and convenience of safe shopping for customers.

The value creation model is based on shared beliefs and attitudes that build the LPP Group's corporate culture. They affect decision-making, collaboration and building relationships with stakeholders. The Group recognises the following values as most important:

1. Honesty, transparency and respect in relationships – promoting open and honest communication and building mutual trust, both within the organisation and externally with business partners, suppliers and stakeholders.
2. Respect for human rights and diversity – compliance with international standards, respect for different cultures and systems of values and ensuring equal treatment and a work environment based on the culture of inclusion.
3. Environmental impact – a responsible approach to environmental protection.
4. Activities compliant with national and international law – promoting the culture of compliance, adhering to regulations and encouraging ethical and responsible action.
5. Building positive impact – striving to ensure that the LPP Group's activities exert a positive impact on people, the economy and the environment.
6. Responding to violations and promoting reporting of irregularities – encouraging employees, co-workers and contractors to report violations of ethics and standards included in company documents.

SUSTAINABLE DEVELOPMENT STRATEGY

Adopted by the Group in 2019 and integrated into the business strategy, *the Sustainable Development Strategy For People For Our Planet* for 2020-2025 covers both LPP's own business activities and its value chain. The strategy focuses mainly on clothing as the key category of products sold by the Group. It focuses on four areas:

- More sustainable products, production and sales: manufacturing of more durable products to reduce textile waste and conducting production in line with the principle of minimising environmental impact and sustainable sourcing and use of renewable resources.
  More information on this topic can be found in subsection E5 Resource use and circular economy.
- Chemical safety in production: commitments and activities relating to mitigating the negative impacts of chemicals used in production processes on the environment, human health and the entire supply chain.
  More information on this topic can be found in subsection E2 Pollution.
- Plastics under control: the commitment to eliminate non-reusable, recyclable or compostable plastic packaging from both production processes and the products offered.
  More information on this topic can be found in subsection E5 Resource use and circular economy.
- Sustainable infrastructure: HQ buildings and sales network: measures mitigating the environmental impact of the infrastructure while ensuring the energy efficiency of the facilities and the comfort of employees and introducing innovative sustainable building solutions.
  More information on this topic can be found in subsection E1 Climate change.

The results of the double materiality assessment have shown that LPP should adapt its approach to the principles of sustainability and management of key ESG aspects. The assessment revealed areas gaining importance today, although they were not so important when the current strategy was developed.

LPP is therefore redefining its priorities to focus on issues of the greatest impact on the environment, society and the long-term value of the company. This enables it to respond more effectively to the rapidly changing market and regulatory challenges and growing stakeholder expectations.

VALUE CHAIN

The LPP Group's value chain comprises the activities, resources and relationships at all stages of product life cycle – from production, distribution and sale to their use.

The LPP Group's value chain can be divided into three main areas: *upstream* (suppliers and sourcing of raw materials), own operations (activities carried out directly by the company) and *downstream* (distribution, sales and use of products). This classification reflects the comprehensive management of activities and relations with stakeholders and the environment. It enables LPP to manage its value chain more efficiently in a sustainable, transparent and responsible manner.

In 2024, no significant changes to the value chain took place.

The LPP Group is not active in the sectors of fossil fuels, production of chemicals, manufacturing of controversial weapons, tobacco cultivation and production.

***Table 1** LPP Group's value chain*

UPSTREAM				OWN OPERATIONS			DOWNSTREAM	
SUPPLIERS AND RAW MATERIAL SOURCING				PROCESSES IN THE ORGANISATION			USE	END OF PRODUCT LIFE CYCLE
TIER 4	TIER 3	TIER 2	TIER 1					
RAW MATERIAL SOURCING Suppliers of raw materials (cultivation of raw materials: cotton, linen, hemp, trees for the production of cellulose fibres, livestock breeding, extraction of raw materials for the production of synthetic materials) and other elements for production. Energy raw materials: • gas; • electricity; • vehicle fuels.	**PROCESSING OF RAW MATERIALS** Suppliers processing raw materials (fibre spinning, tanning, material recycling[1]).	**PRODUCTION OF MATERIALS** Suppliers producing materials (fabrics, leather) and components (e.g. buttons, zips), fabric production – weaving, knitting, fabric finishing – dyeing, printing, finishing. Raw materials for footwear, bags, accessories Raw materials used to produce packaging	**CREATION OF FINISHED PRODUCT** Suppliers creating the finished product (factories sewing garments, accessories). Cutting, sewing, finishing of garments (washing, dyeing of finished product).	**OPERATIONAL PROCESSES** • Product creation and development. • Procurement and purchase management. • Research and development (R&D). • Quality control and supervision of standards. • Marketing and promotional activities. • Sales strategy and transaction execution. • Distribution centre management. • Logistics planning and coordination. • Management of the organisation and business processes. • Corporate communication and public relations. • Relations with investors and stakeholders. • Legal services and compliance. • IT support and development of internal systems.	**SUPPORT PROCESSES** • Strategic management. • Administration and organisation. • Human resources management (HR). • Occupational Health and Safety (H&S). • Training programmes and competence development. • Financial planning and management. • Accounting and settlements. • Controlling and financial analysis.	**SALE AND AFTER-SALES SERVICE** • Sales in brand stores and online. • Complaints and returns management. • Granting guarantees. • Provision of post-warranty services.	The stage when the product is used by a consumer in accordance with its intended purpose. It covers: • operation; • maintenance; • education of customers on responsible consumption and adequate use; • potential extension of life cycle through repair and reuse; • outlet sales.	Actions to minimise the environmental impact and maximise the use of raw materials. They cover: • possible reuse through repair, refurbishment and transfer to other users; • material recycling and upcycling of garments; • textile waste management; • initiatives related to circular economy.
LOGISTICS AND TRANSPORT								
Activities related to the transport of raw materials, materials and finished products.				Activities related to storage, transport and supplies. Transport of ordered products to customers is managed by the LPP Group – LPP Logistics. Deliveries of products purchased through the e-commerce channel are carried out by third-party operators – courier and postal companies.			End-of-life transportation including repairs, resale, recycling and textile waste, among others.	

[1]*Recycling – the process of recovery by which waste materials are reprocessed into products, materials or substances used for their original purpose.*

STAKEHOLDER'S ENGAGEMENT

SBM-2, SBM-2 S1, SBM-2 S2, SBM-2 S4

The basis of LPP's relationship with its stakeholders is an open and transparent dialogue. LPP uses surveys, meetings, workshops and other forms of collecting consumer feedback. It incorporates the results into business decisions so that it can tailor its strategy to their needs. LPP Group regularly informs stakeholders of the objectives achieved, asks for their feedback and is open to suggestions.

Each year, LPP identifies key stakeholders, analyses their needs and updates their map to ensure effective communication. The process is accompanied by ongoing dialogue and the annual consultation session, in accordance with the AA1000SES international standard.

The work on the 2024 statement included a dialogue session in which LPP wanted to explore stakeholder perspectives and update the results of double materiality analyses as required by the ESRS. It was attended by 11 representatives of key stakeholder groups, divided into environmental and social panels.

The environmental panel discussed climate change, hazardous substances, water consumption, biodiversity and circular economy. Participants highlighted the need for consumer education, transparency of operations and avoidance of *greenwashing*, as well as Scope 3 emissions and their reduction strategy as a model for smaller companies. They also pointed out the importance of caring for and reusing clothes instead of traditional recycling. Participants in the social panel discussed working conditions in the supply chain, monitoring of health and safety and workers' rights and equal treatment of employees. They emphasised the need for authentic LPP Group marketing communication. They pointed out that banks involved in sustainable financing are placing increasing emphasis on social issues.

***Table 2** Channels of dialogue with stakeholders in the LPP Group*

Stakeholder groups	Communication channels	Purpose of the engagement	How the results are taken into account	Issues discussed in the dialogue	Accountability on the management board and senior management level
CUSTOMERS					
• Store customers. • Customers of online stores.	• Internet services of brands. • Customer Service Office. • Instant messengers (WhatsApp, Messenger). • E-mail. • Contact forms. • Social Media. • Newsletters. • Stores.	• Maintaining relations. • Acquiring feedback on products offered and customer expectations. • Engagement and brand identification.	• Tailoring Contact Center (CC) staff training to customer expectations. • Changes to processes in the scope of handling orders, returns, complaints.	• Access to product information. • Active and transparent communication. • Product safety. • Customer service level.	• Vice-President of the Management Board. • Contact Centre Director.
EMPLOYEES					
• HQ employees. • Employees of distribution centres. • Employees of sales network.	• Mailing. • Dedicated groups on the Viva Engage platform. • At a workplace (screens, walls, information boards). • Face-to-face meetings, so-called *town hall meetings*. • Special events. • Training and webinars. • Surveys and opinion polls. • Microsoft Teams application. • Activities application. • SharePoint platform. • HR Quick Peek application.	• Identification of employees' needs and expectations. • Strengthening of the employer's brand. • Building an organisational culture.	• Responding to ongoing concerns. • Adapting training topics to reported demand. • Improvement of communication channels.	• Working conditions. • Education and development. • Occupational safety.	• President of the Management Board. • HR Director. • Director of Image Communication and Social Relations.

Stakeholder groups	Communication channels	Purpose of the engagement	How the results are taken into account	Issues discussed in the dialogue	Accountability on the management board and senior management level
BUSINESS ENVIRONMENT					
• Suppliers in Poland and abroad. • Lessors of stores in key locations. • Franchisees. • Banks. • Industry organisations. • Financial institutions. • Journalists.	• 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. • ESG Newsletter.	• Transparent rules of cooperation and clear indication of expectations in business relations. • Sharing knowledge of sustainability standards with suppliers. • Control of cooperation systems in order to eliminate irregularities. • Building trust to attract new business funding opportunities. • Informing the environment about ongoing activities and plans in the ESG area.	• Updating the management systems. • Modification of processes. • Employee training in the value chain. • Adapting communication to market expectations.	• Informing of the strategy, activities undertaken and goals in the ESG area. • Developing long-term relationships with suppliers/ subcontractors/ business partners.	• President of the Management Board. • Vice-President of the Management Board. • Procurement and ESG Director. • Central Procurement Director. • Lease Director. • Financial Controlling Director. • External Relations Department.
SOCIAL ENVIRONMENT					
• Industry organisations. • Consumer organisations. • Social organisations supported by LPP. • Universities and schools cooperating with LPP. • Local authorities. • Influencers.	• 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 cooperation with partners. • Questionnaire surveys and opinion polls. • Microsoft Teams application. • Website.	• Building partnerships for responsible business. • Identifying needs and taking action. • Exchange of knowledge and experience. • Talent acquisition.	• Adapting the company's operations to industry standards. • Using the knowledge gained in management. • Tailoring community projects to the needs of the environment.	• Ability to use new technologies in the textile industry. • Compliance of products offered with regulations. • Identifying the needs of the social environment. • Promotion of the employer's brand.	• Director of Image Communication and Social Relations. • Director for External Relations.

Stakeholder groups	Communication channels	Purpose of the engagement	How the results are taken into account	Issues discussed in the dialogue	Accountability on the management board and senior management level
INVESTORS AND RELATED STAKEHOLDERS					
• Polish and foreign investors. • Analysts from Poland and abroad. • Individual investors. • Stock Exchange. • Polish Financial Supervision Authority.	• Quarterly performance teleconferences with a member of the Management Board, with a live QA session. • Annual on-site conferences with the participation of the Company's CEO. • Cyclical investor conferences organised by investment banks as well as Polish and foreign brokerage houses. • Road show with the participation of a member of the Management Board and the Investor Relations Department. • Investor Days organised by the Company. • General Meeting of Shareholders. • Bilingual investor relations service as part of the company website. • Mailing. • Business media. • Electronic investor relations contact box. • Investor materials such as *Factbook, Equity Story* and *Databook*. • Quarterly, annual financial and non-financial (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. • ESG surveys and ratings.	• Transparent day-to-day communication. • Building confidence in the company. • Fulfilment of legislative obligations. • Building interest in the company on the Polish and foreign capital markets. • Fund-raising.	• Adapting the presentation of data to the needs of shareholders and analysts. • Adapting the company's operations to industry standards.	• Financial performance. • Development plans. • Communication of the strategy. • Activities in the value chain.	• Vice-president of the Management Board of LPP. • Director for Investor Relations.

SUSTAINABILITY MANAGEMENT

THE ROLE OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

GOV-1, GOV-1 G1

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

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 the joint five-year term of office. The Management Board consists of the President and from one to five Vice-Presidents. The Management Board represents the Company and conducts all its affairs not reserved by law or the Articles of Association.

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. 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.

MANAGEMENT BOARD OF LPP SA

As at 31 January 2025 and as at the date of publication of the statement, the Management Board of LPP SA was composed as follows:

- Marek Piechocki – President of the Management Board
- Marcin Bójko – Vice-President of the Management Board
- Sławomir Łoboda – Vice-President of the Management Board
- Marcin Piechocki – Vice-President of the Management Board
- Mikołaj Wezdecki – Vice-President of the Management Board

The Management Board does not include a representative of employees or other persons providing work. Throughout the reporting period, i.e. from 1 February 2024 to 31 January 2025, all members of the Management Board were men.

The competences and principles of operation of the Management Board are specified in: the Commercial Companies Code, the Company's Articles of Association and the Management Board Regulations.

The person responsible for all issues related to the material topics identified in the double materiality analysis is the Vice President of the Management Board Marcin Bójko. Sustainable development issues were discussed in 2024 during regular meetings of the Management Board.

The Supervisory Board exercises permanent owner's supervision over LPP's operations in all areas. Its members are required to ensure that they have regular access to comprehensive information from the Management Board of the Company on significant matters relating to the Company's business, including material impacts, as well as the risks and opportunities associated with its operation and how they are managed.

The main responsibilities of this governing body include the preparation of an annual written report to the General Meeting of Shareholders (AGM). The report comprises the assessment of the Company's position, including the systems of internal control, risk management, compliance and the internal audit function. The Supervisory Board also presents a report on its activities for the previous financial year.

The Supervisory Board monitors the financial reporting process, ensuring the compliance with applicable standards and legal regulations. Once a year, it prepares and presents to the AGM an assessment of the fulfilment of disclosure obligations by the Company, including the application of the principles of corporate governance laid down in the principles of *the Best Practice for GPW Listed Companies 2021* as well as the regulations concerning the current and periodic information provided by issuers of securities.

In addition, it assesses the implementation of ESG-related activities and the Company's charitable and sponsorship policy on an annual basis. It considers and expresses its opinions on matters subject to the resolutions of the AGM and assesses the compliance of the Management Board's reports on the operations of the Company and the financial statements for the previous financial year with the books, documents and facts.

COMPOSITION OF THE SUPERVISORY BOARD

In 2024, the composition of the Supervisory Board has not changed. As at 31 January 2025 and as at the date of approval of the statement for publication it was as follows:

- 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

During the reporting period from 1 February 2024 to 31 January 2025, 60% of the Board members were men and 40% were women. In 2024, the Audit Committee operated as part of the Supervisory Board whose tasks include, among others, monitoring of financial reporting, internal control systems, risk management and the independence of the statutory auditor and the entity authorised to audit financial statements. In 2024 it comprised:

- Grzegorz Maria Słupski – Chairman of the Audit Committee
- Piotr Piechocki – Member of the Audit Committee
- Miłosz Wiśniewski – Member of the Audit Committee

The Audit Committee in the aforementioned composition, meets the independence criteria and other requirements set out in Article 129 of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (Journal of 2017, item 1089).

THE STRUCTURE OF ESG MANAGEMENT

An effective sustainability oversight and management system is in place in LPP, comprising key areas of the business operations. The Supervisory Board approves the development directions and strategy of the company, while the Management Board oversees its implementation. It places particular emphasis on sustainable development. These issues are also a priority for management, ensuring their effective integration with business operations.

The Supervisory Board fulfil an advisory and opinion-making function with regard to the strategy and ESG activities. They consult and provide their opinions on the ESG report and planned initiatives. The Management Board monitors the integration of sustainability activities with business objectives in order to provide oversight and business consistency. It is also tasked with approving the direction and scope of ESG activities, supervising the progress in the implementation of the sustainability strategy and managing and monitoring the targets set out in the ESG strategy on an ongoing basis. Vice-President of the Board responsible for financial isssues is responsible for planning the financing of ESG and sustainability projects. To this end, he works closely with the Internal Control and Risk Management Department which identifies and analyses key risks and opportunities for the company on an ongoing basis in order to determine key targets in close collaboration with the ESG Committee and the Director for Procurement and ESG. The Director for Procurement and ESG is responsible for developing objectives as well as shaping and implementing the sustainability strategy, through analysing ESG risks and planning how to manage them. He is also the chairman of the ESG Committee which advises the Management Board and conducts ESG activities in connection with the activities of the LPP Group. The Committee is composed of directors managing brands and key business areas.

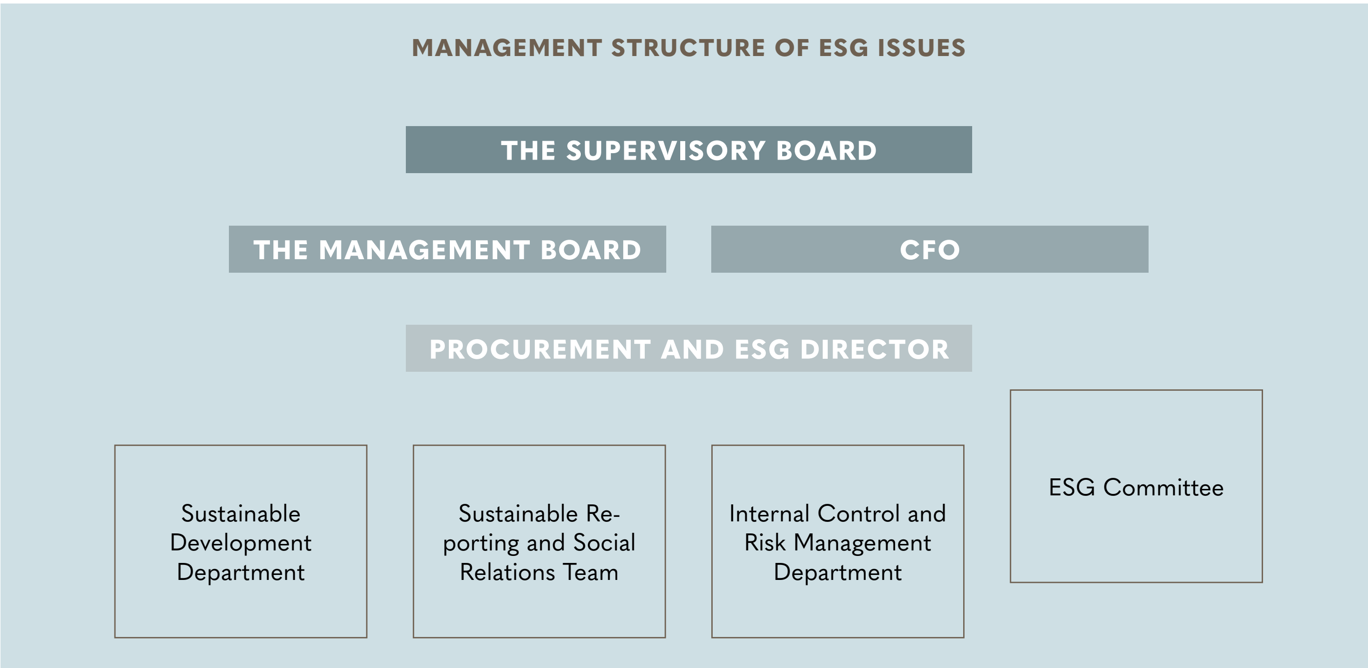
The Sustainability Manager, together with the Sustainability Department, is responsible for implementing the strategy, monitoring its implementation and ensuring production safety. This team controls the activities of the ESG Committee and supports LPP's environmental initiatives, including emission calculations, decarbonisation, energy and supply chain management.

The Sustainability Expert identifies opportunities arising from the changing business environment, as well as the challenges related to climate change and biodiversity loss. He advises on how to mitigate climate and natural risks and cooperates closely with the Director for Procurement and ESG.

The Due Diligence Process Implementation Team identifies and assesses risks in the scope of human and labour rights. It implements and monitors the effectiveness of remedial and corrective measures and informs stakeholders of the actions taken.

Sustainable Reporting and Social Relations Team cooperates with social organisations, implements the diversity and inclusion policies, analyses the social impact of the company and prepares annual sustainability reports.

Other organisational units of LPP SA, subsidiaries of the LPP Group in Poland and abroad as well as brand managers carry out operational tasks related to the implementation of the ESG strategy. Within their competence, they also take social action at a local level and report the results to LPP head office as part of their sustainability reporting. Due to this ESG and sustainability governance structure, LPP effectively integrates environmental, social and corporate governance objectives into its long-term business strategy.



EXPERIENCE AND KNOWLEDGE

The Management Board has the necessary knowledge and skills in the scope of organisation management which allows for effective management of the issues and requirements related to sustainability and impact management. The experience and expertise of members of the Management Board and the Supervisory Board were developed over the years through participation in both business and sustainability strategies as well as through the work on successive editions of sustainability reports. The members of the Management Board are continually expanding their knowledge in the scope of ESG and on changes related to sustainability reporting requirements, among others, through direct communication with the Sustainability Department. Each member of the Management Board has full access to the expertise of LPP's staff dealing with sustainable development.

The administrative, managing and supervisory bodies as well as the management staff oversee the process of setting the goals related to material impacts, risks and opportunities as part of regular setting of the Group's business objectives. Progress in the implementation of objectives is monitored by the Management Board through the current analysis, reports and meetings.

FLOW OF INFORMATION CONCERNING MANAGEMENT OF SUSTAINABILITY ISSUES

GOV-2

The management and supervisory bodies receive regular updates from the Sustainable Reporting and Community Relations Team on significant impacts, risks and opportunities, the implementation of due diligence and the performance and effectiveness of policies, activities, metrics and targets. They take them into account when supervising the entity's strategy, key transaction decisions and risk management, which reinforces the comprehensive approach to sustainability and responsible management. In addition, twice a year the Management Board receives information on the activities of the ESG Committee and once a year the Director for Procurement and ESG informs the Supervisory Board on the progress and plans in the scope of ESG. Two meetings of the ESG Committee with the participation of members of the Management Board were held in 2024. They focused on significant issues arising from the double relevance analysis. Members of the Supervisory Board attended two meetings with the and Procurement and ESG Director where the most significant sustainability issues in the apparel industry were discussed. Standardised controls and procedures are used in the management of impacts, risks and opportunities in LPP. Consequently, the area of impact, risk and opportunity reporting is integrated with other internal functions, and its reporting is part of the current reporting of business results of the LPP Group.

INTEGRATION OF SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES

GOV-3, GOV-3 E1

The remuneration of the Management Board and the Supervisory Board is not linked with sustainable development, including climate.

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 AGM on 30 June 2023. Members of the Management Board receive a fixed and variable remuneration. The variable part of the remuneration may consist of bonuses or shares awarded to members of the Management Board under the Incentive Scheme. Shares are granted provided that, in the relevant financial year, a member of the Management Board has achieved the KPIs specified by the Supervisory Board in the Programme Participation Agreement for the relevant financial year and has served as a member of the Management Board from at least the date of the Programme Participation Agreement until the date of conclusion of the agreement on the subscription of the shares offered in the relevant financial year. The detailed regulations of the incentive programme are determined by the Supervisory Board. Moreover, in determining the KPIs, the Supervisory Board may also take into account whether the members of the Management Board have achieved the sustainability targets. Incentive programmes link the level of remuneration of the members of the Management Board with the actual long-term financial position of the Company and the long-term increase in shareholder value as well as the stability of the Company's operations.

ESG RISK MANAGEMENT

GOV-5, MDR-A, MDR-T

The topic of ESG Risk Management was also identified as material in the double materiality assessment and is presented in this section of the Statement.

In order to manage potential risks effectively, the LPP Group has developed a Risk Management System and Structure, including in the scope of sustainable development. These are based on a clear distribution of responsibilities between statutory bodies, organisational units and project teams and include the identification, assessment, monitoring and reporting of risks. *The LPP Group Risk Management Procedure* is also in place, which defines the desired risk culture and the stages of the risk management process, its participants, defines their responsibilities and the tools used in the process. The procedure is complementary to *the Internal Control System* and *Transfer Pricing Policy* documents governing risk management in the LPP Group. It is available to all LPP Group's internal stakeholders and other interested parties to the extent that it affects them in the performance of their duties.

Within the organisation, the Internal Control and Risk Management Department (ICRMD) is responsible for the risk management process and internal audits. Its work is subject to annual planning and the audit plan is approved by a Member of the

Management Board and presented to the Supervisory Board. Audit planning takes into account the assessment of their relevance and impact on the organisation.

The Supervisory Board exercises the control function over the activities of the ICRMD and receives periodic reports on the audits performed. The audits comprise departments at the Company's Head Office as well as domestic and foreign subsidiaries. After each audit, a report is prepared with recommendations presented to the Member of the Management Board and forwarded to the managers of the relevant units for implementation. The implementation of the recommendations is monitored on the basis of the register kept.

The ICRMD also oversees the risk management process, which involves the continuous identification and analysis of risks and opportunities in the Group, in collaboration with the area owners and risk owners. In key business areas, risks are identified in relation to the organisation's objectives. Each risk is assigned an owner who assesses it in terms of likelihood of occurrence, financial and reputational impact.

For risks rated as high and very high (TOP RISKs), management approaches are defined and all risks are classified into five categories: strategic, operational, financial, reputational and regulatory and compliance. In 2024, the mapping of the risks entered in the risk register (ERM) with those rated highest in the double materiality process was carried out in collaboration with an external consulting firm.

Risks are assessed on the basis of three criteria:

- likelihood of occurrence within one year;
- financial impact on profit;
- qualitative impact, including reputational and image aspects. In this category, among others, media impact, impact on the Net Promoter Score (NPS) and impact on employees are analysed.

A five-point rating scale is used for each criterion: very low, low, medium, high, very high.

The level of risk is determined on a four-point scale (low, medium, high, very high) and calculated as the product of the likelihood of occurrence and the impact – separately for financial and reputational risks. All risks, including those in the ESG area, are assessed on the basis of the same criteria.

For risks rated high and very high (TOP RISKs), a risk response is provided, including:

- management of threats – setting out actions to mitigate the impact should the threat materialise,
- opportunity management – developing strategies/ways to enhance the likelihood of success.

The risk register includes information on both current and planned ways of mitigating risks and enhancing opportunities. Key risks are regularly reported by the ICRMD to the Management Board.

All identified risks are made available to persons responsible for the Group's financial and non-financial reporting at the report preparation stage. Any person interested has an access to the risk register.

ESG risks in the register are marked with a letter designation of E, S or G, assigned to the specific risk owner. The decision on risk classification is taken by Director of Procurement and ESG in cooperation with ICRMD. In addition, a Risk Book is created, containing the key risks and opportunities selected by the Management Board and the ICRMD. It may also include ESG risks. The document is provided to persons responsible for financial and non-financial reporting.

Despite the lack of set targets in accordance with MDR-T requirements, the Group controls and manages its risks.TOP RISKs are subject to close monitoring and management at the relevant levels of the organisation. At least once a year, the ICRMD, in cooperation with the area and risk owners, reviews the identified risks and their assessment. The risk appetite is determined for TOP RISKs. When an incident occurs, the ICRMD records it, analysing its link to existing risks or identifying a new risk. In selected areas of the organisation, the ICRMD undertakes a semi-annual review of risks. In accordance with the schedule, the following documents are prepared within the agreed periods:

- Interim Report – consolidating information on all key risks, including new TOP RISKs;
- Annual Report – summarising the effectiveness of the risk management approaches, the assessment of the status of the improvement actions implemented and recommendations for the further development of the risk management system, including potential changes to the *Risk Management Procedure*.

LPP has in place the Internal Control System operating at all levels of the organisation. Among other things, the system includes financial expenditure control, asset management and business decision support. Its purpose is to ensure the completeness of revenue and cost settlement and invoicing, protect sensitive information and reduce the risk of unauthorised disclosure. In addition, it enables systematic identification of relevant risks and the implementation of appropriate remedial measures.

The table below shows the the most significant ESG risks included in the Risk Register.

***Table 3** Material ESG risks*

MATERIAL ESG RISKS	RISK RESPONSE
Risk of mismatching collections due to unpredictable weather changes	Analysing and recognising customer's behaviour in relation to changing weather conditions, and consequently making a purchasing decision, allows the appropriate range of products to be tailored to the customer's needs. If a faster delivery of the assortment is required, it is possible to change the transport mode from sea to air. Due to the trend of changing weather patterns, the Group revises its collection model through a higher share of multi-seasonal or transitional models. This provides the opportunity to sell the product in the subsequent season.
Risk of limited availability of raw materials for textile manufacturing and their increasing price as a consequence of progressing climate change	The LPP Group has introduced constant monitoring of prices and availability of critical raw materials used in the production of the collection in order to react quickly to market fluctuations. It is also increasing the share of preferred materials characterized by more sustainable acquisition or processing processes and investing in the development of the market for preferred materials from recycling, including cooperation with a start-up dealing with modern technologies, such as polyester recycling. In addition, LPP is building long-term partnerships with suppliers of preferred materials to increase the stability of their supply and control costs in the long term.
Risk of disruption to production processes due to extreme weather events.	The Group's activities focus on diversifying production markets by moving clothing production from countries with a higher risk of ongoing climate change to countries with a lower level of risk. In addition, LPP takes actions aimed at increasing the distribution of a given product group in various markets.
Talent acquisition and retention risks	Maintenance of key personnel shall 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. A regular review of salaries is also performed. A new Employer Branding strategy has been introduced in the Company with the aim of attracting a wide range of employee candidates.
Risk of greenwashing	The Group, building lasting relationships with the Client and strengthening the sense of belonging, continues responsible communication, which enables further development and increasing revenues. In order to minimize risk, Good Anti-Greenwashing Practices have been developed, and quarterly training sessions for employees are held dedicated to responsible marketing messages. Additionally, cooperation with the Compliance Department and ongoing support offered by the consulting company allow for monitoring the marketing message and verifying the authenticity of activities.
Risk of non-compliance with normatively required procedures	The Compliance Department operates in LPP with the task is to monitor normative changes and implement documents prepared by the Legal Department. This allows to adapt internal procedures to changing legal requirements on an ongoing basis and mitigate the risk of sanctions.
Cybersecurity risk	The LPP Group has implemented and is developing technical and organisational solutions based on leading standards in the areas of information security and personal data protection. The Group also has specialised organizational units responsible for management and supervision of the information security area which strive to ensure the LPP Group's compliance with national and community regulations, including GDPR, as well as standards resulting from international norms, among others ISO 27001 or the PCI DSS standard. The Group has procedures in place in the areas of information security and data protection, as well as IT security solutions.
Risk of human rights and/or work ethics violations in the supply chain and other areas of activity	The risk is mitigated by implementing appropriate policies and participating in international initiatives concerning human rights and ethics. The Group has a Human Rights Policy, which is a commitment and a guide for the activities of LPP and companies from the LPP Group in the field of respect for human rights, understood in accordance with the UN Guiding Principles on Business and Human Rights. Another important document is the LPP Group's Policy on diversity management, equal treatment and building a culture of inclusion (DEI Policy), which is a commitment to respect the human rights of all persons providing work for LPP and a clear declaration of opposition to any manifestation of violations of human rights, including discrimination on any basis. LPP mitigates the risk of human rights violations, among other things, by familiarizing employees at the onboarding process stage with the principles contained in such documents as codes, principles and guidelines.

DUE DILIGENCE

GOV-4

A special team was established in 2023 to oversee the implementation of the due diligence process. This group deals with the due diligence process in the scope of human and labour rights. The tasks of the team comprise identifying and assessing key risks, implementing and monitoring the effectiveness of remedial and corrective actions and communicating the actions taken to stakeholders.

Table 4 *Elements of the due diligence process*

Basic elements of the due diligence process	Item in the sustainability Statement
Integrating due diligence into corporate governance, strategy and business model	SBM-1, SBM-2, GOV-1, GOV-2,
Cooperation with stakeholders affected by the entity at all key stages of the due diligence process	SBM-2, IRO-1, S1, S2, S4, G1
Identification and assessment of adverse impacts	IRO-1, E1, E2, E3, E4, E5, S1, S2, S4, G1
Taking action to reduce identified adverse impacts	MDR-P, MDR-A in the appropriate subject standards
Monitoring the effectiveness of these efforts and communicating relevant information in this regard	MDR-T, MDR-M in the appropriate subject standards

DOUBLE MATERIALITY ASSESSMENT

IRO-1

As part of the preparation of the sustainability statement as required by the CSRD, the LPP Group conducted a double materiality analysis. The idea of this process is equivalence of two assessment perspectives: impact materiality and financial materiality.

The first double materiality assessment was conducted in 2023 to determine the Group's approach and draw conclusions for the needs of future reporting periods. In 2024, the process was updated, with simultaneous adjustments to changing regulations and new stakeholder expectations. The update included an extended analysis of the impact of the organisation's activities on the environment and a dialogue with the stakeholders.

In line with the EFRAG double materiality guidelines, the starting point was the impact materiality assessment. This is consistent with the assumption that a sustainability-related impact can become financially significant if it translates or is likely to translate into financial effects in the short, medium or long term. Throughout the double materiality analysis process, both perspectives – the impact and the financial materiality – were interlinked and their relationships were included in the results.

The analysis consisted of four stages:

1. Analysis of the existing approach to value chain.
   The starting point was the verification and understanding of the value chain and the stakeholders affected by the LPP Group's business activities. A value chain stage has been added to each impact.
2. The external analysis of the sector and the socio-economic situation included a review of sources that could help in identification of the impacts, risks and opportunities (IROs), as well as the comparative analysis of competitors. The results of this stage enabled the preparation of an initial list of sustainability areas for the LPP Group.

   Sources of external analysis:
   - rules, guidelines and standards, including on ESG reporting,
   - ESG regulations applicable to the LPP Group,
   - sectoral and industry-specific studies and reports,
   - research and analysis on the impact of the sector on ESG issues.
3. An internal analysis to review material issues, taking into account the conclusions of the previous stakeholder dialogue.

   Sources of internal analysis:

   - sustainability statements,
   - individual and consolidated report for 2023,
   - documentation of the previous double materiality analysis,
   - internal documents – policies, codes, rules,
   - analyses and studies conducted,
   - Sustainable development strategy,
   - media analysis.

   The analyses performed enabled the development of the so-called long list of potential impacts, risks and opportunities (IROs). Each IRO was considered with three time horizons in mind (short, medium and long term).
4. Dialogue with the stakeholders
   In order to engage stakeholders in the process, a mapped value chain was used and a stakeholder engagement strategy was developed. Key internal and external stakeholders were selected to participate in a pre-consultation of relevant areas through both a survey and a dialogue session. The results of the stakeholder dialogue were then incorporated into the assessments of individual impacts, risks and opportunities, on the basis of general directions and aspects relevant to them. A dialogue session with stakeholders was held in 2024 to update and review the outcomes of the process carried out in full in 2023. The stakeholder dialogue process is described in more detail in the *Stakeholders engagement* subsection.
5. IRO Assessment
   Assessment of impacts, risks and opportunities was based on the criteria indicated in the ESRS and EFFRAG guidelines.

   All qualitative inputs used to assess impacts, risks and opportunities (IROs) were converted into measurable quantitative indicators, based on a set of defined thresholds for each criterion analysed. Impact materiality was assessed independently of financial materiality, taking into account positive and negative, actual and potential impacts, followed by the associated risks and opportunities for each sustainability issue.

   According to the ESRS standards, a sustainability issue is considered material if it is material from an impact perspective, a financial perspective, or both.

   Assessment criteria compliant with the ESRS requirements:

   - The materiality of the impact was assessed under the criteria of scale, extent, irreversibility (assessed for negative impacts) and likelihood (assessed for potential impacts) – a rating scale of 1 to 5.
   - Financial materiality was assessed as the product of financial assessment sensitivity (including the sum of 4 criteria) and probability – the resulting rating scale from 1 to 5.
   - The threshold for human rights impacts has been adjusted in line with the ESRS guidelines.

6. Double materiality results and materiality matrix
   The final stage was to determine the materiality threshold and validate the preliminary results with the LPP SA Management Board. The materiality threshold for the impact assessment was set at 3.5, while the financial materiality threshold was set at 2.75.

The preliminary IRO assessments were validated during workshops and in-depth interviews with top management representatives, obtaining final acceptance.

As a result, 17 material topics were identified, within which 1 to 3 IROs were consolidated.

Based on these, a list of material ESRS data points was developed, which are to be disclosed in the sustainability statement. Material topics are also the basis for strategic ESG management.

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

SBM-3

The LPP's double materiality assessment included a comprehensive assessment of the organisation's impact on sustainability issues, taking into account its nature, scale, time horizon and reversibility. At the same time, material risks and opportunities were identified due to, among other things, the dependence on natural and human resources throughout the supply chain. The assessment of impacts, risks and opportunities took into account all three time perspectives – short, medium and long term. Compared to the previous reporting period, the double materiality assessment has been expanded to include a new material topic, i.e. biodiversity, which identifies the material impact as well as the associated risks and opportunities.

The analysis of the resilience of the strategy and the business model has not yet been carried out fully yet, but the first steps have already been taken in this direction, including updating of environmental risks, especially climate risks.

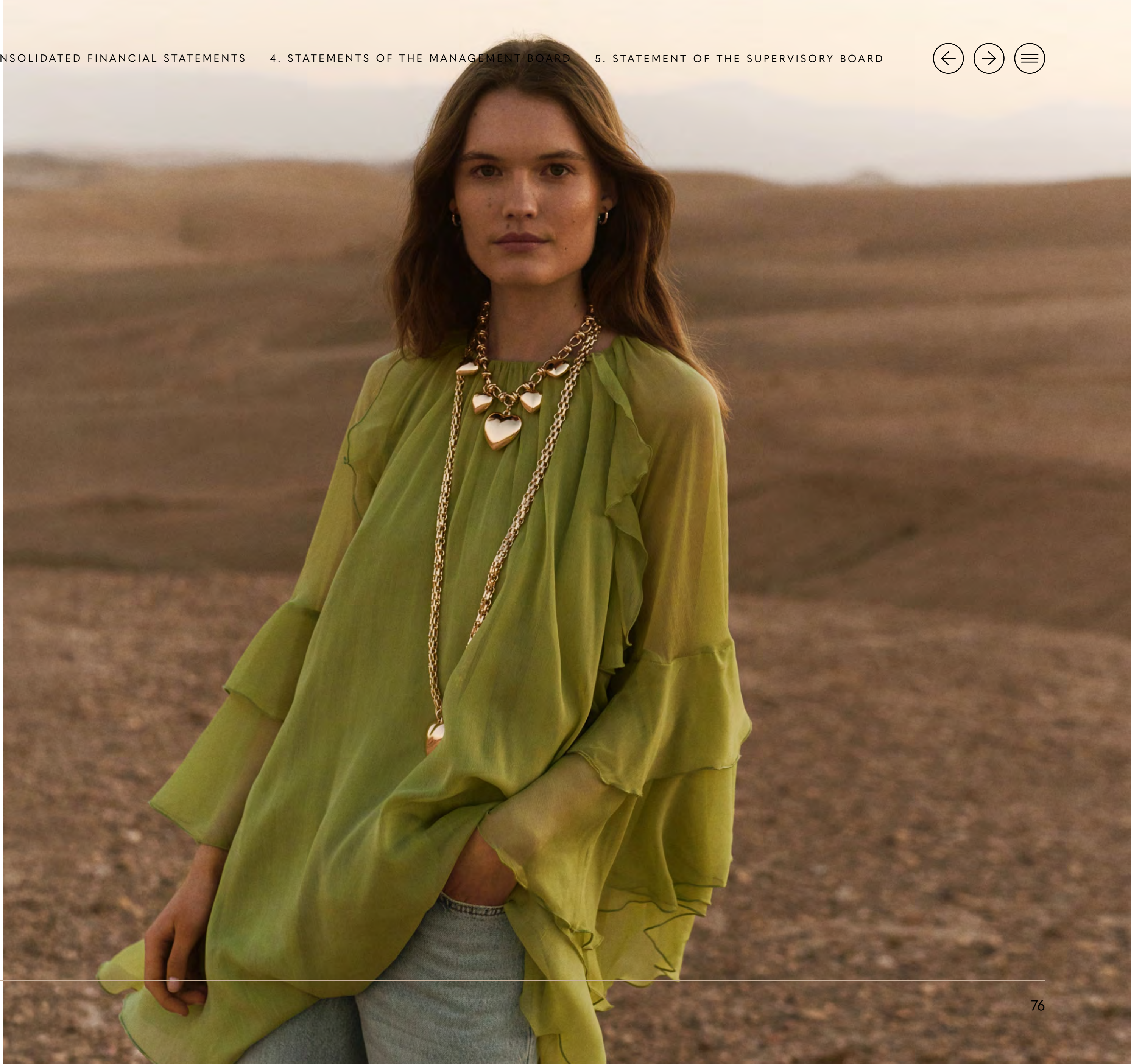


***Table 5** Results of double materiality analysis*

ESRS	Material topic	Impact	Type of impact	Risk/ opportunity	Place in the value chain
E1 Climate change	Climate change adaptation	**Monitoring of climate risks** LPP enters climate risks in its Risk Book, monitoring them and adapting the infrastructure to climate change.	Positive actual	Risk of potential collection mismatch due to unpredictable weather changes. Risk of extreme weather events and lack of natural protective barriers that may cause disruptions to production processes. Inclusion of climate risk in the Risk Book enables the management of this risk by reducing other operating costs.	Own operations
	Climate change mitigation (CO_2 emissions)	**Generation of CO_2 emissions during clothing and footwear production** Due to the specificity of the industry the production of materials accounts for more than two-thirds of greenhouse gas emissions in the category of goods and services purchased. LPP directly contributes to generating these emissions.	Negative actual	No significant risks or opportunities identified.	Upstream
		Generation of CO_2 emissions during the use of clothing and footwear In LPP, the product use segment accounts for 6.2% of Scope 3 emissions.	Negative actual		The entire value chain
		Reducing climate impact by developing and implementing the decarbonisation strategy LPP aims to reduce greenhouse gas emissions in line with *the Paris Agreement* targets, as verified by SBTi. The company has committed to significant reductions in Scope 1, 2 and 3 emissions by 2030.	Positive potential		The entire value chain
	Energy	**Energy-intensive production** The production of clothing and footwear consumes a significant amount of energy, especially in the dyeing and finishing processes. LPP carries out these processes mainly in Asian countries where a carbon-based energy mix is used.	Negative actual	No significant risks or opportunities identified.	Upstream

ESRS	Material topic	Impact	Type of impact	Risk/ opportunity	Place in the value chain
E2 Pollution	Potentially hazardous substances in manufacturing	**Use of hazardous substances to source raw materials** The dyeing, bonding and finishing processes of clothing products use a significant amount of chemicals.	Negative potential	No significant risks or opportunities identified.	Upstream
		Reducing the use of toxic substances by participating in the ZDHC initiative LPP is a member of ZDHC, a global initiative eliminating harmful chemicals from the clothing industry. The Group's strategic goal by 2025 is the full compliance with ZDHC's *Roadmap to Zero* initiative.	Positive actual		
E3 Water and marine resources	Water	**Water consumption at the product dyeing and finishing stages** Dyeing and finishing processes are responsible for a part of water consumption in the apparel value chain.	Negatywny rzeczywisty	No significant risks or opportunities identified.	Upstream
		Intake of large quantities of water in raw material sourcing Sourcing of raw materials, especially cotton, is responsible for the part of water shortages in the clothing value chain. Additionally cotton is grown in regions with high water stress.	Negative actual		Upstream
E4 Biodiversity and ecosystems	Direct impacts on biodiversity loss	**Land exploitation** Textile production is largely based on the cultivation of cotton and cellulosic materials, which is associated with the direct exploitation of land or the cutting of trees (cellulosic materials).	Negative actual	Risk of soil degradation can affect the supply of raw materials, including cotton. Opportunity to further develop the business by using certified materials to ensure sustainable cultivation.	Upstream
E5 Resource use and circular economy	Circular economy	**Consumption of primary raw materials** The production of clothing and textiles is based on using cotton and cellulosic materials. LPP as a producer contributes to their consumption.	Negative actual	No significant risks or opportunities identified.	Upstream
		Use of preferred materials, including recycled materials LPP increases the use of preferred materials, which aims to reduce CO_2 emissions. The company uses certified materials such as CmiA cotton and LENZING™ ECOVERO™ viscose.	Positive potential		Upstream

ESRS	Material topic	Impact	Type of impact	Risk/ opportunity	Place in the value chain
S1 Own workforce	Adequate pay	**Adequate salaries for its own employees** LPP regularly conducts salary reviews and tries to introduce increases to adapt to changing economic and tax conditions.	Positive actual	No significant risks or opportunities identified.	Own operations
	Safe workplace	**Raising awareness in the scope of occupational health and safety** LPP ensures safe and hygienic working conditions through regulations, health and safety procedures and training. The company conducts H&S audits and provides access to the whistleblowing platform to support preventive action.	Positive actual		Own operations
		Counteracting violence and mobbing at a workplace According to *the Labour Code*, the employer is obliged to counteract mobbing, i.e. persistent harassment or intimidation of employees. LPP strives to ensure working conditions free from undesirable behavior. Employees have access to training that broadens their awareness in this area. The company has implemented mechanisms for implementing irregularities.	Negative actual		Own operations
	Diversity and inclusiveness	**Building an inclusive and diversity-friendly organizational culture** LPP takes action, especially within the organization, to prevent all forms of discrimination, including on the basis of gender, origin, religion, disability, and other visible and invisible characteristics. Since 2019, the LPP Group has been a signatory to the Diversity Charter.	Positive actual		Own operations
		Low diversity in Management Board and Supervisory Board positions The LPP Management Board is composed exclusively of men, which indicates the need to increase diversity Women constitute 40% of the Supervisory Board.	Negative actual		Own operations
		Reducing the pay gap and promoting gender equality in top management positions The pay gap in LPP remains very low. LPP aims to reduce the pay gap through the development of a pay policy, regular pay reviews and educational campaigns.	Positive actual		Own operations

ESRS	Material topic	Impact	Type of impact	Risk/ opportunity	Place in the value chain
S2 Workers in the value chain	Working conditions in the value chain	**Remuneration and working time** Outsourcing in the textile and clothing sector can reduce supply chain transparency and increase the risk of human and labour rights violation	Negative potential	LPP's limited knowledge of worker safety and human rights standards in the supply chain creates reputational and operational risks. This can lead to financial penalties, lawsuits, deterioration of investor relations and an increased cost of capital Opportunity to improve reputation, avoid financial penalties by verification of suppliers to maintain high standards in the area of employment conditions and membership of organisations working to improve worker safety in the value chain	Upstream
		Production safety standards in the production of materials and finished garments Potential impacts related to exposure of workers in the upstream garment industry to hazards such as flammable chemicals, improper electrical installations, harmful chemicals, work ergonomics, high temperatures, noise, and violence and stress in the workplace. LPP's knowledge of the downstream stages of the supply chain and control possibilities are limited.	Negative potential		Upstream
		Hazardous chemicals at the clothing manufacturing stage The chemicals used at each stage of clothing production are hazardous and can cause long-term health effects. LPP has limited knowledge and capacity to control downstream working conditions.	Negative potential		Upstream
		Production in countries highly vulnerable to the use of forced and child labour LPP production takes place in countries facing a systemic problem of forced and child labour.	Negative potential		Upstream
S4 Consumers and end users	Consumer education	**Activities in the scope of circular economy** LPP promotes the responsible use of clothing through educational campaigns and the in-store collection system for used clothing. These activities support the circular economy model and have a positive impact on the environment.	Positive actual		Own operations, downstream
	Responsible marketing practices	**Anti-greenwashing activities** LPP is under investigation by the Office of Competition and Consumer Protection in the context of greenwashing, which raises concerns about its marketing practices. In 2024, LPP developed anti-greenwashing rules and is conducting employee training in this area.	Negative actual		Own operations, downstream

ESRS	Material topic	Impact	Type of impact	Risk/ opportunity	Place in the value chain
S4 Consumers and end users	Product quality	**Practices in the area of product quality care and product certification** LPP conducts production quality audits in various countries and uses certified textile materials. These measures aim to improve the quality of the products and have a positive impact on the perception of the company.	Positive actual	Opportunity to improve customer confidence in products, the company due to requirements of the practice in the area of product quality care, opportunity for recurring and increasing revenues.	Own operations, downstream
G1 Business conduct	Business ethics	**LPP Principles. A guide for employees (Code of Ethics)** LPP has in place the Code of Ethics and other documents governing corporate culture and principles of conduct.	Positive actual	No significant risks or opportunities identified.	Upstream, own operations
		Protection of whistleblowers LPP provides whistleblower protection mechanisms, enabling anonymous whistleblowing. Due to the adequate procedures in place, the company guarantees the safety of whistleblowers.	Positive actual		Upstream, own operations
		Anti-corruption policies and whistleblowing mechanisms LPP has corruption prevention policies and whistleblowing mechanisms in place, which include training for staff and management. The company aims to increase anti-corruption training.	Positive actual		Upstream, own operations
	Verification of suppliers	**Environmental and social audit, cooperation with organisations, relevant policies** LPP regularly carries out social audits and cooperates with organisations such as SGS and amfori BSCI. Such measures help to monitor factories from the social and environmental perspective, eliminating inappropriate actors from the supply chain.	Positive actual		Upstream
	ESG Risk Management	**ESG risk management in the organisation, involvement of the Management Board** LPP has structures in place to manage ESG risks, including *the Risk Book* and *the Risk Management Procedure*. The Management Board of LPP is committed to working on ESG risk management.	Positive actual		The entire value chain

INFORMATION RELATED TO ENVIRONMENT

STRATEGIC APPROACH – POLICIES RELATED TO ENVIRONMENT

MDR-P, E1-2, E2-1, E3-1, E4-1, E5-1

The LPP Group's activities, which are closely linked to the condition of the environment and the consequences of climate change, require a responsible approach to the management of raw materials and the protection of ecosystems. Therefore, reducing the impact of internal processes and the entire value chain is not only an expression of social responsibility, but also a key condition for the long-term sustainability and growth of the company.

LPP's approach to managing environmental issues is mainly laid down in the following documents:

The 2020-2025 For People For Our Planet Sustainability Strategy which provides basis for activities in the area of environment, as described in detail in the General disclosures section.

In relation to *the Environmental policy* the LPP Group is committed to reducing the environmental impact of its own operations, including stores, offices and warehouse facilities. At the same time, LPP aims to ensure that the products it offers are manufactured in accordance with the sustainable production principles – from sourcing of raw materials, through production, logistics and sales, to the stage of use and end-of-life. *The Policy* specifies five main environmental areas, identified through a double materiality analysis, on which the LPP Group focuses its activities:

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

The Policy was developed in 2024 as a result of consultations with stakeholders and selected representatives of key business areas of the LPP Group. The implementation of the policy is supervised by the Vice President of the Management Board responsible for finance. At the operational level, the head of the ESG department is responsible for coordinating the implementation of the policy in the LPP Group, supported by the directors of other departments, in particular the purchasing, logistics, rental, expansion and administrative and technical departments. *The Policy* applies to LPP Group's own operations and covers the entire 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 in the value chain.

Code of Conduct is the cornerstone of the company's relationship with suppliers and subcontractors. It must be accepted and implemented by all factories and all suppliers willing to cooperate with LPP. In accordance with the principles of the LPP Code, it expects its business partners to adhere to the highest ethical standards and legal regulations and to pursue their business activities fairly. *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 respect the principles of fair competition, eliminate corrupt practices and ensure the transparency of their activities. *The Code* is a set of guidelines based on local and international law and industry best practice. It commits all business partners – manufacturers, product and service providers – to adhere to certain principles that support sustainability and sets standards of conduct in areas such as:

- mitigating negative environmental impacts;
- sustainable management of resources;
- reducing greenhouse gas emissions;
- adherence to the principles of sustainable production and responsible sourcing of raw materials.

Code of Conduct helps the LPP Group promote responsible practices throughout its supply chain, supports the Group in its pursuit of environmental goals and contributes to the protection of climate and biodiversity at a global level.

The LPP Quality Guidebook which defines the quality standards, the procedures for conducting the inspections, as well as the required tests and methods of their performing. The document is updated on a regular basis and all changes are immediately communicated to suppliers who must comply with the detailed guidelines contained therein.

[2]Preferred 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.

PREFERRED MATERIALS[2]

Policies set the LPP Group a framework of action that translates into specific decisions in selected areas. Responsible fashion begins with the choice of materials, which is why the LPP Group closely follows the raw materials market and successively introduces certified and preferred materials to its offer. Above all, it seeks solutions with a lower carbon footprint and those that are recycled to meet the climate goals approved by the Science Based Targets initiative (SBTi).

The LPP Group uses fibres with the following certificates:

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.

OCS

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.

EU TAXONOMY

Undertakings meeting the criteria indicated in Article 19a or 29a of Directive 2013/34/EU are subject to the disclosure obligations defined in the EU Taxonomy and delegated acts, i.e. Commission (EU) delegated regulations: 2021/2139, 2021/2178, 2022/1214, 2023/2485 and 2023/2486. The LPP Group is subject to the obligations arising from the indicated directive and prepares a report on non-financial information and is therefore obliged to provide taxonomy disclosures for the financial year 2024.

In view of the aforementioned regulations, the LPP Group has committed to disclosing the percentage share of economic activities that are Taxonomy aligned, eligible and non-eligible in the total turnover (revenue), capital expenditures (CapEx) and operating expenditures (OpEx). In addition to the aforementioned key figures, the LPP Group publishes the methodology developed and the qualitative information.

The above-mentioned delegated acts laying down the requirements concerning the technical screening criteria and the "do no significant harm" principle include, for the first time, the obligation to disclose taxonomy-aligned activities for all six environmental goals. As part of the 2023 reporting, in line with the regulatory obligation, the disclosures for the first two environmental goals, i.e. climate change mitigation and climate change adaptation, comprised information on taxonomy-eligible and taxonomy-aligned activities; whereas the disclosures related to the activities listed under the remaining four environmental goals required only the reporting of taxonomy-eligible information. Along with the development of the EU Taxonomy in the upcoming years, the disclosures of the LPP Group will be updated accordingly and adapted to new legal acts and emerging interpretations.

ASSESSMENT OF ALIGNMENT WITH REGULATION 2020/852

In order to present the disclosures and perform the relevant calculations of the key performance indicators, the LPP Group assessed its activities in terms of taxonomy eligibility and alignment.

At the first stage, the LPP Group identified taxonomy-eligible activities.

As in the previous year, all activities described in the delegated acts for the EU Taxonomy were analysed in terms of the LPP Group's revenues, capital expenditures and operating expenditures. The descriptions of economic activities contained in Delegated Regulation 2021/2139[3], Delegated Regulation 2022/1214[4] and Delegated Regulations 2023/2485[5] and 2023/2486[6] were used to identify turnover, CapEx and OpEx from eligible activities. It should be indicated that the LPP Group has not identified any new activities under Delegated Regulations 2023/2485 and 2023/2486.

At the second stage, the identified taxonomy-eligible activities under the key indicators of turnover, capital expenditures and operating expenditures were assessed in terms of meeting the technical screening criteria, the "do no significant harm" principle, as well as the minimum safeguards requirements. This analysis, both at the eligibility and alignment assessment level, was carried out individually for each item within the key indicators of turnover, CapEx and OpEx in all LPP Group companies, ensuring that each revenue, capital expenditure and operating expenditure was not included more than once in the calculations.

The activities that were identified by the LPP Group as taxonomy-aligned were matched and significantly contribute to the implementation of only one environmental goal, i.e. climate change mitigation. Furthermore, the activities reported by the LPP Group do not simultaneously contribute to the achievement of several environmental goals.

The LPP Group does not report information related to the capital expenditure plan (within the meaning of Delegated Regulation 2021/2178) and has not issued green bonds or debt securities to finance certain identified taxonomy-aligned activities.

[3]Delegated Regulation establishing technical screening criteria for climate change mitigation and adaptation
[4]Delegated Regulation establishing technical screening criteria for activities related to nuclear energy and natural gas
[5]Delegated Regulation establishing technical screening criteria related to additional activities for climate change mitigation and adaptation
[6]Delegated Regulations establishing technical screening criteria for the remaining four environmental goals and new criteria as part of the existing two environmental goals

ANALYSIS OF THE LPP GROUP'S ACTIVITIES WITH REGARD TO THE ALIGNMENT WITH THE EU TAXONOMY

The core activity of the LPP Group is associated with the retail trade sector and the sale of clothing, footwear and textiles. It should be emphasised that this activity is not included in the list of activities indicated in the EU Taxonomy and delegated acts. However, this does not mean that the LPP Group's activities cannot be recognised as environmentally sustainable, only that they are not currently taken into account by the EU legislator in terms of EU Taxonomy eligibility. It should be noted that the EU Taxonomy will be subject to periodic revisions, which may define a separate category and detailed technical screening criteria for activities related to retail trade and clothing sale in the future. At present, the LPP Group has presented its other activities as part of disclosures in terms of CapEx and OpEx key performance indicators, which are included in the EU Taxonomy and the delegated acts.

The ESG department and the relevant business departments related to the reported activities were responsible for the data collection process and the assessment in terms of identification of taxonomy-eligible and taxonomy-aligned activities. The final calculation and aggregation of the data was carried out by the LPP Group Controlling Department. The overall process was overseen by the LPP Group's Sustainability Department.

As part of the analysis of activities in terms of taxonomy alignment, it should be verified whether the requirements in the scope of the technical screening criteria and the do „no significant harm" principle comprising the assessment of climate-related risks and exposure to these risks have been met. The LPP Group has analysed its activities in the context of material contribution to climate change mitigation. The risk assessment was carried out in the context of the twenty-eight physical climate-related hazards identified in Appendix A to Delegated Regulation 2021/2139. The first stage of the assessment involved establishing a list of climate-related risks affecting the activity checked. These risks were identified as adequate. Risks that do not occur at the site of business assessed for taxonomy alignment and risks present at the location but not affecting any of the elements of the system enabling the pursuit of business under assessment were excluded as inadequate. The second stage of the risk and exposure assessment was related to the determination of materiality of the effects of materialisation of each adequate risk on the business activities assessed. The analysis of identified risks was carried out over two time horizons, i.e. a horizon of up to 10 years and a horizon of 10 to 30 years, in accordance with the requirements of Delegated Regulation 2021/2139. As a result of the analysis, no risks were rated as "high" (material) and most of them were rated as "low" and only a few as "medium". Accordingly, no Group activities or assets have been identified as exposed to "high" (material) physical climate risk.

Activities that have been recognised by the LPP Group as taxonomy-aligned significantly contribute to climate change mitigation. Accordingly, the analysis of climate change risk and exposure was performed in accordance with the criteria defined in Appendix A of Annex I of Delegated Regulation 2021/2139.

MINIMUM SAFEGUARDS

In 2024, the LPP Group operated in accordance with the minimum safeguards referred to in Article 18 of Regulation 2020/852 (EU Taxonomy). The fulfilment of the criteria was assessed based on the recommendations of the EU Sustainable Finance Platform – Final Report on Minimum Safeguards.

The approach to due diligence processes in the LPP Group is described in the section on *Due Diligence*.

Following the analysis performed, it was concluded that no legally binding judgements relevant to minimum safeguards had been issued against the Group. The OECD (*Organisation for Economic Co-operation and Development*) National Contact Point has accepted a case concerning the LPP Group in the context of human rights and labour rights violations in the value chain in factories in Myanmar. The case is at an early stage and LPP does not refuse to be involved in order to clarify it. During the period corresponding to the report, the LPP Group responded within 3 months to messages from the Business and Human Rights Resource Center regarding human rights and labour rights violations in the value chain.

SUMMARY OF KEY PERFORMANCE INDICATORS OF THE LPP GROUP

KEY PERFORMANCE INDICATORS RELATED TO TURNOVER (TURNOVER KPIS)

As the EU Taxonomy and the 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 identify any of Taxonomy-eligible or Taxonomy-aligned activities, similarly to the previous year.

KEY PERFORMANCE INDICATORS RELATED TO 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 70.4 million in total incurred for HVAC air-conditioning hubs and energy saving LED lighting (sources, fittings, wiring), according to technical screening criteria belonging to the two highest energy efficiency classes; the monetary value of these expenditures increased in year-on-year terms by almost a half, which is related to the fact that the LPP Group is expanding and opening many new stores (including outside Poland), where the aforementioned energy saving solutions are installed,
- 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings – with no significant year-on-year change, the total of PLN 2.2 million incurred on telemetry at stores and buildings in the period under analysis,
- 7.6 Installation, maintenance and repair of renewable energy technology systems – photovoltaic panels, an energy storage facility and heat pumps were purchased for a total of nearly PLN 13.0 million in connection with a newly constructed logistics building in Brześć Kujawski
- (this activity was not reported in the previous year due to the lack of increases of a similar nature).

The property, plant and equipment described in each of the sections above was recognised in the books of accounts in accordance with IAS 16 Property, Plant and Equipment.

TAXONOMY-ELIGIBILITY WITHOUT TAXONOMY ALIGNMENT

The group of investment expenditure that is Taxonomy-eligible but is not Taxonomy-aligned includes the following activities:

- 6.5 Transport by motorbikes, passenger cars and light commercial vehicles – in the case of the LPP Group, this category includes expenditure for motor vehicles, mainly in the form of lease (the total amount of PLN 4.5 million, at a similar level year-on-year);
- 7.1 Construction of new buildings – in the case of the LPP Group, this category includes significant expenditure on a new warehouse building (at the distribution centre) in Brześć Kujawski (the total amount of PLN 224.0 million; in the previous period, a significantly lower monetary value of PLN 54.4 million was recognised in activity 7.1);
- 8.1 Data processing; hosting and related activities – in the case of the LPP Group comprising expenditure on IT equipment in the total amount of PLN 12.4 million (in 2024, the reason for the major increase in expenditure relative to the previous reporting period was the ongoing replacement of equipment, expenditure on devices such as servers and arrays, as well as higher expenditure on cyber security and increase of computing power).

KEY PERFORMANCE INDICATORS RELATED TO OPERATING EXPENDITURE (OPEX)

TAXONOMY-ALIGNMENT

The LPP Group did not identify Taxonomy-aligned operating expenses in its disclosures for 2024.

TAXONOMY-ELIGIBILITY WITHOUT TAXONOMY ALIGNMENT

The LPP Group recognises as Taxonomy-eligible, but not Taxonomy-aligned:

- 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 3.6 million in total, with no significant changes in relation to the previous year);
- 7.3 Installation, maintenance and repair of energy efficiency equipment – comprising operating expenses incurred on the maintenance, service and replacement of energy saving LED lighting of PLN 3.9 million in total (also with no significant changes in relation to the previous year);
- 8.1 Data processing, hosting and related activities – in the case of the LPP Group, this category comprises expenses incurred on wages of employees responsible for the maintenance of IT hardware (PLN 5.7 million in total) – with no significant changes in relation to the previous year.

ACCOUNTING PRINCIPLES

In order to adequately report key performance indicators, comprising: the percentage share of economic activity that is Taxonomy-aligned, Taxonomy-eligible but not Taxonomy-aligned and Taxonomy non-eligible in the LPP Group's total turnover, investment expenditures and operating expenditures, the the LPP Group identified individual categories based on data originating from the LPP Group's financial and accounting systems (books of accounts of LPP Group's 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. 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, therefore 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 a part of net revenue on sales of products or the provision of services, including intangible assets related to Taxonomy-aligned business activity, divided by the total net revenue on sales within the meaning of the International Accounting Standard (IAS) 1.82(a). This revenue is presented in the consolidated statement of comprehensive income and note 9.1. in the notes to the consolidated financial statements.

KEY PERFORMANCE INDICATORS RELATED TO INVESTMENT EXPENDITURE (CAPEX)

The percentage share of CapEx was calculated by dividing investment 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 International Financial Reporting Standards (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 (in a part corresponding to increases, i.e. for the amount of PLN 627 million) 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 on 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 in 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) as well as plant and machinery;
- maintenance of car fleet;
- electrical fittings.

The most important category of operating expenses in the group of "other expenses related to 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). The monetary value of the denominator of this key performance indicator increased compared to the previous period, due to an increase in virtually every cost category listed (the LPP Group is expanding and frequently opening new stores in new markets, and the types of expenses such as cleaning services or the need for ongoing repairs remain very similar in nature).

KEY PERFORMANCE INDICATORS RELATED TO TURNOVER (TURNOVER KPIS)

Financial year 2024	Year			Substantial contribution criteria						DNSH criteria ("do no significant harm")									
Economic activity (1)	Code(s) (2)	Turnover (3)	Part of turnover, year 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Share of Taxonomy-aligned activities (A.1) or Taxonomy-eligible activity (A.2) Turnover, year 2023 (18)	Category: Enabling activity (19)	Category: Transition activity (20)
		PLN m	%	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 activities (Taxonomy-aligned)																			
N/A	N/A	0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%	-	-
Turnover due to environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0%**		
	Including enabling activity	0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	E	
	Including transition activity	0	0%	0%						N	N	N	N	N	N	N	0%		T
A.2 Taxonomy-eligible but not environmentally sustainable activity (not Taxonomy-aligned)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
N/A	N/A	0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activity (not Taxonomy-aligned activity) (A.2)		**0**	**0%**	0%	0%	0%	0%	0%	0%								0%		
A. Turnover of Taxonomy-eligible activity (A.1+A.2)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITY																			
Turnover of Taxonomy non-eligible activity		20,194.00	100.00%																
TOTAL		**20,194.00**	**100.00%**																

KEY PERFORMANCE INDICATORS RELATED TO INVESTMENT EXPENDITURE (CAPEX) (CAPEX-RELATED KPIS)

Financial year 2024	Year			Criteria concerning material contribution						DNSH criteria ("do no significant harm")									
Economic activity (1)	Code(s) (2)	Investment expenditure (3)	Percentage of CapEx, year 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Share of Taxonomy-aligned activities (A.1) or Taxonomy-eligible activity (A.2) CapEx, year 2023 (18)	Category: Enabling activity (19)	Category: Transition activity (20)
		PLN m	%	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 activities (Taxonomy-aligned)																			
Installation, maintenance and repair of energy efficiency equipment	**CCM 7.3.**/CCA 7.3.	70.4	1.74%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1.76%	E	-
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	**CCM 7.5.**/CCA 7.5.	2.2	0.05%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.07%	E	-
Installation, maintenance and repair of renewable energy technology systems	**CCM 7.6.**/CCA 7.6.	13.0	0.32%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.00%	E	-
Capital expenditure for environmentally sustainable activities (Taxonomy-aligned) (A.1)		**85.6**	**2.11%**	**2.11%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**1.83%**		
	Including supporting activities	85.6	2.11%	2.11%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	1.83%	E	
	Including transition-related	0	0%	0%						N	N	N	N	N	N	N	0%		Y
A.2 Taxonomy-eligible but not environmentally sustainable activity (not Taxonomy-aligned)																			
				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.	4.5	0.11%	EL	EL	N/EL	N/EL	N/EL	N/EL								0.19%		
Construction of new buildings	**CCM 7.1.**/CCA 7.1./CE 3.1.	224.0	5.54%	EL	EL	N/EL	N/EL	EL	N/EL								2.00%		
Data processing, hosting and related activities	**CCM 8.1.**/CCA 8.1.	12.4	0.31%	EL	EL	N/EL	N/EL	N/EL	N/EL								0.10%		
Capital expenditure from Taxonomy-eligible but not environmentally sustainable activity (Not Taxonomy-aligned) (A.2)		**240.9**	**5.96%**	5.96%	0%	0%	0%	0%	0%								2.29%		
A. Capital expenditure from Taxonomy-eligible activity (A.1+A.2)		**326.5**	**8.07%**	**8.07%**	**0%**	**0%**	**0%**	**0%**	**0%**								**4.12%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITY																			
Capital expenditure from Taxonomy non-eligible activities		3,718.5	91.93%																
TOTAL		**4,045.0**	**100.00%**																

KEY PERFORMANCE INDICATORS RELATED TO OPERATING EXPENDITURE (OPEX) (OPEX RELATED KPIS)

Financial year 2024	Year			Criteria concerning material contribution						DNSH criteria ("do no significant harm")									
Economic activity (1)	Code or codes (2)	OpEx (3)	Percentage of OpEx, year 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Share of Taxonomy-aligned activities (A.1) or Taxonomy-eligible activity (A.2) OpEx, year 2023 (18)	Category: Enabling activity (19)	Category: Transition activity (20)
		PLN m	%	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 activities (Taxonomy-aligned)																			
N/A	N/A	0	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N	N	N	N	N	0%	-	-
Operating expenditure for environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0%**		
	Including supporting activities	0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	E	
	Including transition-related	0	0%	0%						N	N	N	N	N	N	N	0%		T
A.2 Taxonomy-eligible but not environmentally sustainable activity (not Taxonomy-aligned)																			
				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.	3.6	1.72%	EL	EL	N/EL	N/EL	N/EL	N/EL								1.94%		
Installation, maintenance and repair of energy efficiency equipment	**CCM 7.3.**/CCA 7.3.	3.9	1.86%	EL	EL	N/EL	N/EL	N/EL	N/EL								1.94%		
Data processing, hosting and related activities	**CCM 8.1.**/CCA 8.1.	5.7	2.72%	EL	EL	N/EL	N/EL	N/EL	N/EL								2.97%		
Operating expenditure from taxonomy-eligible but not environmentally sustainable activity (not Taxonomy-aligned) (A.2)		**13.2**	**6.26%**	6.26%	0%	0%	0%	0%	0%								6.85%		
A. Operating expenditure from Taxonomy-eligible activity (A.1+A.2)		**13.2**	**6.26%**	**6.26%**	**0%**	**0%**	**0%**	**0%**	**0%**								**6.85%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITY																			
Operating expenditure from Taxonomy non-eligible activities		196.3	93.70%																
TOTAL		**209.5**	**100.00%**																

The legend of the abbreviations used in the tables above:

- The Code (Column 2) constitutes the abbreviation of the relevant goal 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 goal, 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 goal;
- N (Columns 5-10) – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental goal;
- EL (Columns 5-10) – Taxonomy-eligible activity in the case of the relevant goal;
- N/EL (Columns 5-10) – Not eligible, Taxonomy-non-eligible activity in the case of the relevant goal;
- 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*		
Purpose	Compliance with Taxonomy by goals	Eligibility for Taxonomy by goals
CCM	2.11%	8.07%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Proportion of OpEx/Total OpEx*		
Purpose	Compliance with Taxonomy by goals	Eligibility for Taxonomy by goals
CCM	0%	6.26%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

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).

**Although the activities that were identified by the LPP Group as Taxonomy-aligned were matched and contribute significantly to the implementation of only one environmental goal, i.e. climate change mitigation, and the activities reported by the LPP Group do not simultaneously contribute to the achievement of several environmental goals, as in the previous year, additional tables are provided to ensure transparency and consistency in the information reported.*

Article 8 (6), (7) and (8) of the Delegated Regulation 2022/1214 obliges non-financial undertakings to make relevant disclosures concerning their nuclear and natural 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 natural gas related activities (one consolidated table in accordance with the regulator's guidelines laid down in the Commission draft notice of 8.11.2024).

At the same time, the LPP Group reports that it is not exposed to nuclear and natural gas related activities, therefore the disclosure does not include any additional data.

Line	Nuclear energy related activities	
NUCLEAR ENERGY AND NATURAL GAS RELATED ACTIVITIES		
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
NATURAL 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

Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (third Commission Notice) (C/2024/6691)

E1 CLIMATE CHANGE

IMPACT, RISKS AND OPPORTUNITIES MANAGEMENT

SBM-3, IRO-1

The LPP Group has taken the first steps in analysing the resilience of its strategy and its business model to climate change by assessing climate risks. In 2024, a comprehensive identification and assessment was carried out excluding these risks without considering mitigation measures.

The process of identification and assessment of climate-related risks is based on the standards indicated in the ESRS and is integrated into the overall risk management process of the LPP Group. The integration allows for comparison of the value of physical and climate-related transition risks with other corporate risks.

The materiality of climate-related risks is assessed based on the combination of the likelihood of occurrence and the potential magnitude of the financial impact, in line with the assumptions derived from the LPP Group's *Risk Management Procedure* and the LPP Group's *Climate Risk Assessment Methodology* adopted in 2024 dedicated to climate-related risks.

Climate risk analysis is carried out for the Group's own operations and along the upstream and downstream value chain. Risks are identified in three time perspectives:
- short-term (mandatory 1 year, reporting period in the financial statements),
- medium-term (2 to 5 years),
- long-term (6 to 15 years).

Time horizons have been defined to take into account transition risks affecting business environment, as well as to enable the analysis of physical risks.

The identification of climate-related risks was based on a climate-related scenario analysis, taking into account:
- for transition risks, a scenario to limit global warming to 1.5°C,
- for physical risks, a high emissions scenario resulting in an average temperature rise of >4°C,

taking into account:
- the results of the double materiality assesment, including the impacts, risks and opportunities (IROs) arising from the 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, and
- the opinions of internal and external experts as well as stakeholders.

In the case of physical climate-related risks, the Group has identified exposure areas of its key assets taking into account their location and the occurrence of physical 28 climate-related risks as indicated in the *EU Taxonomy (Commission Delegated Regulation (EU) 2021/2139)*. Subsequently, the vulnerability of the assets and the elements that support their operation (transport links, power lines, etc.) was analysed by examining the sensitivity of these elements to physical events.

Transition risks are identified based on the analysis of the links between the Group's key business areas and climate-related transition events as classified by the Task Force on Climate-related Financial Disclosures (TCFD).

The analysis identified three material physical risks while no material transition risks were identified.

As part of the double materiality assesment process conducted in 2023 and updated for this statement, the following significant climate change impacts, risks and opportunities were identified and are further described in the General disclosures section.

Tab. 6 *Identified impacts, risks and opportunities*

Impacts	Risks	Opportunities
Monitoring of climate risks.	Potential mismatch of collections due to unpredictable weather changes.	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.
Generation of CO_2 emissions during clothing and footwear production.	Extreme weather events and lack of natural protective barriers that can disrupt production processes[7].	
Generation of CO_2 emissions during the use of clothing and footwear.		
Reducing climate impact by developing and implementing the decarbonisation strategy.	Risk of limited availability of raw materials for textile manufacturing and their increasing price as a consequence of progressing climate change.	
Energy-intensive production.		

[7] *Recognized as being the same as the risk of disruption of production processes caused by extreme weather events*

As part of the extended climate risk analysis, two significant physical risks were identified:

- the risk of limited availability of raw materials for production of materials and their increasing price as a consequence of continuing climate change which was added to the results of the double materiality assesment,
- the risk of disruption to logistics processes due to extreme weather events.

POLICIES RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION

E2-1, MDR-P

Climate issues are addressed in the *Sustainability Strategy*, *Environmental Policy* and *Code of Conduct* described in section *Strategic approach – policies related to environment*.

In accordance with the *Environmental Policy*, the LPP Group aims to reduce its climate impact and to halt the 1.5°C increase in global warming. The decarbonization targets adopted cover the entire value chain and have been accepted by **the Science Based Targets initiative**. Actions taken include those related to improving energy efficiency as well as direct reduction measures.

MATERIAL TOPIC: ADAPTING TO CLIMATE CHANGE

ACTIONS RELATED TO ADAPTING TO CLIMATE CHANGE

E1-3, MDR-A

Climate change adaptation primarily involves introduction of solutions to mitigate the risks arising from climate change for the LPP Group's operations. The measures that the LPP takes in response to significant physical risks are outlined below.

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 processes;
- investing in the development of the market for preferred and recycled materials, including the collaboration with start-up dealing with cutting-edge technologies such as polyester recycling;
- building long-term partnerships with suppliers of preferred materials to increase the stability of their supply and control costs in the long term.

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.

MATERIAL TOPIC: CLIMATE CHANGE MITIGATION

TRANSITION PLAN FOR CLIMATE CHANGE MITIGATION

E1-1

The LPP Group has not prepared its transition plan for the needs of climate change mitigation, but has determined its decarbonisation targets in line with the SBTi methodology.

ACTIONS AND RESOURCES RELATED TO CLIMATE CHANGE MITIGATION

E1-3 MDR-A

Activities targeted at climate change mitigation focus on using energy from low – and zero-carbon sources, improving energy efficiency, promoting low carbon mobility and using renewable materials from relevant sources. In the environmental area, LPP does not apply corrective measures.

Climate change mitigation actions:

- ensuring that any newly opened own building uses energy from renewable sources – the measure directly reduces Scope 2 carbon footprint (indirect emissions related to energy consumption), as renewable energy significantly decreases greenhouse gas emissions compared to conventional energy sources. LPP also promotes energy transition towards low-carbon economy;
- increasing the share of preferred materials – planned increase in the use of raw materials with a lower carbon footprint. Such a measure reduces emissions in production processes, supports circular economy, reduces the exploitation of primary raw materials and promotes decarbonisation;
- sourcing cotton in partnership with Cotton made in Africa (CmiA), an internationally recognized standard for sustainably grown cotton in Africa. By using the preferred material, **Cotton made in Africa (CmiA)** – certified cotton, the LPP Group is helping to reduce carbon footprint. The emission rate from sourcing CmiA raw material is 34.6% lower than the rate for sourcing conventional cotton;
- use of technologies in the area of decarbonisation and alternative methods of fibre production – continuous monitoring of new technologies in this area to identify the most effective and innovative solutions, as well as cooperation with external advisors and experts to select the best technologies;
- membership of organisations that support sustainability and decarbonisation – participation in initiatives of **Cascale** organisations that focus on systemic efforts aimed at decarbonisation, improved environmental efficiency and energy transition. The organisation creates and promotes industry standards and policies to support emission reduction in the apparel industry and related sectors. The cooperation with Cascale helps LPP to accelerate its decarbonisation efforts in the supply chain, drive innovative solutions and positive change across the industry;
- training for suppliers within **the ESG Academy** – organisation of training courses for central suppliers, e.g. the course on “Following the carbon footprint: from its calculation to SBTi targets” covering issues related to decarbonisation, compliance with EU directives: *Corporate Sustainability Due Diligence Directive (CSDDD), Corporate Sustainability Reporting Directive (CSRD)* and implementation of climate targets. Training increases suppliers’ knowledge of low-carbon aspects and helps them implement low-carbon practices, leading to systemic reduction in Scope 3 emissions;
- cooperation with suppliers by engaging in climate protection activities and implementing actions compliant with the goals of the Paris Agreement throughout the supply chain;
- promoting sustainable practices among consumers through education on conscious consumption, care and recycling, encouraging to donate second-hand clothing.

The above-mentioned activities, except for **the ESG Academy,** do not have a specific timeframe – they are carried out continuously as a permanent element of the strategy and cover both the Group’s own operations and the LPP Group’s value chain. All of the indicated activities were budgeted as standard and did not require additional significant capital and operating expenditures.

Since 2021 our company is one of 65 retail and brand partners of Cotton made in Africa (CmiA), an internationally recognised standard for sustainably grown cotton. 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 working and living conditions of small-scale farmers and ginnery workers as well as enhancing the resilience of their communities.

To ensure that the standard is implemented and that verified raw materials are properly processed around the world, CmiA works with an extensive network of partners, including cotton-producing companies in 10 countries in Africa, global partners in the textile sector, as well as governmental and non-governmental organizations.

During the reporting period, the LPP Group nominated suppliers of cotton products that are required to use only CmiA cotton in orders processed for LPP. As a result, its use has increased by 109.40% compared to 2023. Currently, the selected CmiA suppliers are from Bangladesh, China and Pakistan. In the future, LPP plans to gradually expand this cooperation model to include more production markets and more suppliers, but the time outlook for this has not yet been determined.

TARGETS RELATED TO CLIMATE CHANGE MITIGATION

E1-4, MDR-T

The LPP Group has been calculating and reporting its carbon footprint since 2017, initially to a limited extent.

In 2021, the LPP Group calculated its carbon footprint in all three scopes (Scope 1, Scope 2 and Scope 3) and categories for the first time, in accordance with the international *GHG Protocol Corporate Accounting and Reporting Standard*. In 2022, as the first Polish clothing company, LPP joined the global Science Based Targets (SBTi) initiative, which supports companies in combating global warming. The guidelines developed by this organisation provide the foundation for creation of the decarbonisation strategy in line with the assumptions of the Paris Agreement.

In November 2022, LPP presented its targets to SBTi, including emission reductions in Scopes 1 and 2 in absolute terms and two targets in Scope 3 covering the categories where value chain emissions are the highest and show the greatest potential for decarbonisation. LPP has undertaken that:

SCOPE 1 and 2

- by 2030 it will reduce Scope 1 and 2 greenhouse gas emissions by 42% compared to the 2021 base year. In order to achieve that, the Group will continue to shift to RES, reduce energy consumption and change its own vehicle fleet.

SCOPE 3

- by 2030 it will reduce emissions from the purchase of Scope 3 goods and services by 51.6% per unit of product purchased (compared to 2021). To achieve this, the Group will, among others, increase the share of certified materials in production, the sourcing of which involves less environmental impact, and cooperate more actively with suppliers in the scope of transition to RES,
- it will engage business partners responsible for 21% of Scope 3 emissions in categories 4 and 8 in developing their own reduction targets by 2027

In 2023, SBTi verified and approved the LPP Group's decarbonisation targets and confirmed their compliance with emission reduction standards and global climate targets.

EMISSION REDUCTION TARGETS ACHIEVED AND FURTHER DECARBONISATION PLANS

In 2024, the LPP Group maintained the target of reducing emissions in absolute terms in Scopes 1 and 2 (-52.48% compared to the base year) that it had already achieved in 2023. This was achieved by continuing the use of wind energy in offices and warehouses. In 2024, the new Silk building at the campus in Łąkowa Street in Gdansk was commissioned, which is fully powered by wind energy.

The Group reduced the emissions per item of purchased goods resulting from the purchase of goods and services included in Scope 3 category 1 by – 15.36%. Decarbonisation efforts mainly focus on increasing the share of goods produced from preferable materials in the collections.

In addition, the share of emissions from business partners responsible for emissions in categories 4 and 8 who have developed their own SBTi-compatible emission reduction targets has increased – 57.92% of these emissions already originate from partners with such targets.

In order to fulfil further Scope 3 commitments, the LPP Group plans to:

- increase the share of certified raw materials with a lower environmental impact,
- strengthen the cooperation with energy suppliers, which will allow for its faster transition to renewable energy sources.

METRICS RELATED TO CLIMATE CHANGE MITIGATION

GREENHOUSE GAS EMISSIONS

E1-6, MDR-M

Greenhouse gas emission calculations were performed in accordance with **GHG Protocol** standards, as described in:

- *The GHG Protocol Corporate Accounting and Reporting Standard*[8].
- *GHG Protocol Scope 2 Guidance*[9],
- *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*[10].

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 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 an 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 floorspace for stores, warehouses and offices), other than included in Scope 1 and 2.

All greenhouse gases were taken into account in the calculation, quoting emissions in CO_2 equivalent (CO_2e) by applying 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

[8] *The GHG Protocol Corporate Accounting and Reporting Standard. World Resources Institute and World Business Council for Sustainable Development, March 2004*
[9] *GHG Protocol Scope 2 Guidance. An amendment to the GHG Protocol Corporate Standard. World Resources Institute 2015*
[10] *Corporate 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*

to another organisation, emissions associated with the generation of electricity, heat or steam purchased for resale or emissions from the combustion of biogenic fuels. Moreover, offset projects were not included in the calculation.

All 36 Group's subsidiaries were included in the calculation. In all subsiadiaries, 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 the operations of its subsidiaries.

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

The operational control was used as a criterion for consolidation. In the majority of office space and in all own warehouses as well as in relation to cars, LPP has 100% operational control and the emissions associated with the use of these facilities are included in Scope 1 and 2. Traditional stores are treated as leased assets in which LPP has no operational control.

The methodology for emission calculation is the same as in 2023.

The report on the calculation of greenhouse gas emissions can be found in: Detailed information on the methodology can be found in the Report from the calculation of greenhouse gas emissions.

Tab 7. *Greenhouse gas emissions*

Greenhouse gas emissions	2023	2024	Unit
SCOPE 1 GROSS			
Scope 1 gross greenhouse gas emissions	3,586.76	4,906.96	tonnes of carbon dioxide equivalent
Percentage of Scope 1 greenhouse gas emissions from regulated emission trading schemes	0	0	%
SCOPE 2			
Scope 2 gross greenhouse gas emissions according to location-based method	10,812.30	11,682.84	tonnes of carbon dioxide equivalent
Scope 2 gross greenhouse gas emissions according to market-based method	1,723.80	2,073.06	tonnes of carbon dioxide equivalent
SCOPE 3 – SIGNIFICANT EMISSIONS			
Total indirect gross greenhouse gas emissions	2,786,871.28	3,353,308.11	tonnes of carbon dioxide equivalent
1 Goods and services purchased	1,902,729.39	2,234,095.79	tonnes of carbon dioxide equivalent
2 Investment goods	182,852.12	353,683.88	tonnes of carbon dioxide equivalent
3 Activities related to fuel and energy (not included in Scope 1 or 2)	1,179.38	1,567.52	tonnes of carbon dioxide equivalent
4 Upstream transport and distribution	193,459.06	276,945.35	tonnes of carbon dioxide equivalent
5 Waste generated as part of the operation	470.72	221.92	tonnes of carbon dioxide equivalent
6 Business travel	4,146.30	6,862.68	tonnes of carbon dioxide equivalent
7 Employee commuting to work	24,793.64	40,203.92	tonnes of carbon dioxide equivalent
8 Leased senior assets	163,847.22	123,217.30	tonnes of carbon dioxide equivalent
9 Downstream transport	28,087.24	31,804.66	tonnes of carbon dioxide equivalent
10 Processing of products sold	0	0	tonnes of carbon dioxide equivalent
11 Use of products sold	228,058.33	219,108.95	tonnes of carbon dioxide equivalent
12 End-of-life processing of products sold	56,501.41	64,841.39	tonnes of carbon dioxide equivalent
13 Leased downstream assets	0	0	tonnes of carbon dioxide equivalent
14 Franchise	746.47	754.76	tonnes of carbon dioxide equivalent
15 investment	0	0	tonnes of carbon dioxide equivalent
TOTAL GREENHOUSE GAS EMISSIONS			
Total greenhouse gas emissions (location-based method)	2,801,270.34	3,369,853.45	tonnes of carbon dioxide equivalent
Total greenhouse gas emissions (market-based method)	2,792,181.84	3,360,243.68	tonnes of carbon dioxide equivalent
GREENHOUSE GAS EMISSION INTENSITY ON NET REVENUE			
Total GHG emissions (by location-based method) per net revenue	160.94	167.02	t CO_2e tonnes of carbon dioxide equivalent/PLN 1 m
Total GHG emissions (by market-based method) per net revenue	160.41	166.54	t CO_2e tonnes of carbon dioxide equivalent/PLN 1 m

The total carbon footprint of the LPP Group for the reporting period from 01 February 2022 to 31 January 2025 amounted to 3,360,288.13 t CO_2e. Scope 1 emissions comprising direct emissions from fuel combustion and refrigerant consumption in the company's buildings and vehicles, amounted to 4,906.96 t CO_2e and represented 0.15% of the total CO_2e 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 2,073.06 t CO_2e, accounting for 0.06% of total CO_2e emissions. Scope 2 emissions calculated using the location-based method amounted to 11,682.84 t CO_2e. 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 3,353,308.11 t CO_2e and accounted for 99.79% of total CO_2e emissions.

In Scope 3, emissions related to purchased goods and services (category 1) accounted for the highest share of emissions – 66.49%. This is followed by 10.53% emissions from capital goods (category 2) and emissions originating from the transport and distribution of ordered goods from the supplier to and between LPP units (category 4) at a level of 8.24%.

In the relevant reporting period, LPP purchased a total of 803,179,991 items of goods. Converting the emissions per pcs of goods purchased yields a value of 4.18 kg CO_2e/pcs.

Sales revenue for the financial year 2022/ /2023 amounted to PLN 20,194,000,000. Converting emissions into revenue yields a value of 166.40 t CO_2e/M PLN.

The largest share of total GHG emissions was recorded for emissions related to the production of materials (34.76%) and the acquisition of raw materials for the production of the goods (16.50%). Emissions related to the purchased goods, including their production and transport, accounted for 71.20% of total emissions, of which 62.96% were process-related emissions. Emissions related to products sold, i.e. generated by the customer, accounted for 9.69% of the LPP Group's total emissions, with the largest part, 6.52% of total emissions related to the customer's use of the product. Emissions related to the company's operations, comprising Scopes 1 and 2 and some Scope 3 categories, accounted for 19.11% of the LPP Group's total emissions.

INTERNAL CARBON EMISSION PRICES

E1-8

The LPP Group does not use any internal systems for determining greenhouse gas emission fees.

MATERIAL TOPIC: ENERGY

ACTIONS RELATED TO ENERGY

E1-3, MDR-A

LPP's energy management activities

1. Optimisation of energy consumption in LPP brand stores
   LPP implements energy-efficient lighting and air-conditioning systems which allow for significant reduction of energy consumption in stores:
   - telemetric systems enable ongoing monitoring and optimisation of energy consumption. By January 2025, these systems have been installed in 76% of stores and since 2023 they have been installed in every newly opened store;
   - LED lighting decreases energy consumption by 40% and reduces heat generated by the lighting, which lowers the demand for air conditioning. Since 2023, LED technology is standard in new stores and is currently used in 94% of existing facilities.

2. Energy-efficient solutions for warehouses and office buildings.
   When designing new facilities, LPP focuses on sustainable solutions:
   - smart lighting systems with motion detectors that only switch on light when needed, consequently reducing energy consumption;
   - integrated **Building Management System (BMS)** allows to monitor and regulate lighting, heating and air-conditioning, thereby increasing the energy efficiency of buildings;
   - exploiting daylight due to hundreds of skylights on the roof maximises natural lighting and reduces the need for artificial light – Brześć Kujawski warehouse;
   - wind and solar stations with 10 charging stations for electric cars support sustainable mobility and reduce transport-related emissions – Brześć Kujawski warehouse.

3. Use of energy from renewable sources
   Due to renewable energy sources, LPP is less exposed to price volatility and fuel unavailability and reduces the risk of growth of its own costs on account of warehouse management and supply chain costs in connection with a rise in electricity prices:
   - since January 2023, most of Poland's existing own buildings, including the distribution centres in Pruszcz Gdański and Brześć Kujawski, have been powered by wind energy;
   - since 2024, every new LPP own building has been powered by wind energy, which significantly reduces the company's carbon footprint and ensure its energy sustainability. Activities include the LPP Group's own operations.

TARGETS RELATED TO ENERGY

E1-4, MDR-T

In its *2020-2025 Sustainability Strategy*, LPP has set ambitious energy management targets, comprising both the company's operational processes and infrastructure. A key assumption is to increase the share of low-carbon energy in all areas of activity. The Group is successively implementing renewable energy sources in offices, warehouses and stores and uses them wherever the lease conditions allow. One of LPP's long-term goals is to have all of its new own buildings BREEAM-certified.

2025 TARGET:

- 100% of stores covered by the energy efficiency and low carbon programme – in progress. The program is described in the *Energy Activities* section of this chapter

METRICS RELATED TO ENERGY

own indicator

- In 2024, despite an 18% increase in floorspace compared to the previous year, there was a decrease of almost 13% in electricity consumption and a 14% decrease in the associated carbon footprint. This was achieved due to the consistent introduction of telemetry systems and LED lighting in all newly opened stores.
- The new Silk office building in Gdansk, opened in 2024, is 100% powered by renewable energy.

ENERGY CONSUMPTION AND ENERGY MIX

E1-5, MDR-M

The methodology used for calculating energy consumption was based on information derived from invoices or meter readings. In order to determine the consumption of energy from renewable sources for each of the electricity and heat suppliers, the share of this energy that originated from RES was determined (based on official supplier reports) and then converted into kWh. The fuels shown in the table below represent the fuels used in company cars, generators and boiler rooms, while the electricity and heat represent the energy used in company buildings (offices and warehouses).

FINANCIAL EFFECTS FROM IMPACTS, RISKS AND OPPORTUNITIES

E1-9

In this statement, the LPP Group uses the option to omit the disclosure of information on the expected financial impacts from climate-related risks opportunities in the first year.

***Tab 8** Energy consumption and mix*

Energy consumption and mix	2023	2024	Unit
1) Fuel consumption from coal and coal products (MWh)	0	0	MWh
2) Fuel consumption from crude oil and petroleum products (MWh)	7,754.73	8,658.07	MWh
3) Fuel consumption from natural gas (MWh)	9,496.77	11,838.60	MWh
4) Fuel consumption from other fossil sources (MWh)	0	0	MWh
5) Consumption of purchased or acquired electricity, heat, steam and cooling from fossil sources (MWh)	5,047.28	4,588.97	MWh
Total consumption of energy from fossil fuels (total of lines 1-5)	22,298.78	25,085.64	MWh
Share of fossil fuel sources in total energy consumption (%)	61.09	58.52	%
7) Nuclear energy consumption (MWh)	0	0	MWh
Share of energy consumption from nuclear sources in the total energy consumption (%)	0	0	%
8) Fuel consumption for renewable sources, including biomass (comprising also industrial and municipal bio-waste, biogas, renewable hydrogen, etc.) (MWh)	0	0	MWh
9) Consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources (MWh)	13,433.41	16,970.52	MWh
10) Non-fuel self-generated renewable energy consumption (MWh)	767.63	810.02	MWh
11) Total consumption of renewable and low carbon energy (MWh) (calculated as the total of lines 8-10)	14,201.04	17,780.54	MWh
Share of renewable sources in total energy consumption (%)	38.91	41.48	%
Total energy consumption (MWh) (calculated as the total of lines 6, 7 and 11)	36,499.82	42,866.18	MWh

Energy consumption per net revenue	2024	Unit
Total energy consumption of activities in sectors with significant climate impact per net revenue from activities in sectors with significant climate impact	2.12	MWh/m 1 PLN

E2 POLLUTION

DOUBLE MATERIALITY ASSESMENT PROCESS

IRO-1

Potentially hazardous substances in production were identified as one of the issues in the dual-materiality analysis, more about which in the General disclosures section.

POLICIES RELATED TO POLLUTION

E2-1, MDR-P

Issues related to the management of significant impacts, risks and opportunities associated with pollution prevention and control, including the direction of actions taken, are addressed in: *Sustainability Strategy*, *Environmental Policy* and *Code of Conduct* for suppliers.

In accordance with the *Environmental Policy*, LPP aims to eliminate pollutants, reduce their emissions and prevent their release into the environment. The priority is to ensure the safety of products and the entire value chain by using appropriate chemicals in production processes.

More information on the *Environmental Policy* can be found in *Strategic approach – policies related to environment*.

The Code of Conduct for LPP Suppliers emphasises strict requirements with regard to the management of hazardous substances. LPP requires that all suppliers strictly adhere to the standards regarding the permissible concentrations of chemical substances in finished products, in accordance with the **REACH (*Registration, Evaluation, Authorisation, and Restriction of Chemicals*)** regulation.Each supplier is required to familiarize themselves with *the Manufacturing Restricted Substances List (MRSL)* and *the Restricted Substances List (RSL)*, available in **the Supplier Portal**. This is a prerequisite for placing an order. To place an order, the supplier indicates in the portal that it has familiarised itself with the lists and that it undertakes to comply with them. Subsequent verifications apply to selected suppliers and involve testing randomly selected models.

ACTIONS RELATED TO POLLUTION

E2-2, MDR-A

REDUCING TOXIC SUBSTANCES THROUGH ZDHC MEMBERSHIP

Since 2020, LPP has been a member of **Zero Discharge of Hazardous Chemicals (ZDHC)**, a global initiative bringing together stakeholders across the entire value chain of the clothing industry. ZDHC engages companies, research centres and academic institutions to establish and implement new standards and thereby eliminate hazardous substances from the industry. LPP intends to achieve full compliance with the sustainable chemical safety standards – **Roadmap to Zero ZDHC** – and is therefore consistently increasing the share of production in accordance with these standards across the entire value chain.

As a ZDHC member, LPP adheres to the MRSL developed by this organisation. The MRSL is a list of hazardous chemicals that should be eliminated from the manufacturing process, even if they are not present in the final product.

LPP cooperates with suppliers to ensure that the chemicals used comply with the MRSL, thus contributing to the protection of the environment and the health of employees.

LPP has also developed its own RSL, which defines the permissible levels of chemical substances in finished products.

In order to meet international standards and regulations, such as REACH in the European Union, the *List* is constantly updated based on applicable regulations.

All electrical products, products intended for contact with food and toys offered by LPP are subject to mandatory chemical tests required by regulations in accordance with the regulations for a given product group, in which LPP analyzes the chemical substances indicated in the relevant legal act.

TARGETS AND METRICS RELATED TO POLLUTION

E2-3, MDR-T

LPP achieved its target of ZDHC membership in 2020.

This is the baseline year. At present, the Group seeks to ensure full compliance with the standards – Roadmap to Zero ZDHC. The purpose is not required by law, it is voluntary.

The target covers the entire value chain of the Group and was determined internally, without any direct involvement of stakeholders.

E3 WATER AND MARINE RESOURCES

DOUBLE MATERIALITY ASSESMENT PROCESS

IRO-1

The double materiality assesment showed that water consumption and uptake during production are important issues for the LPP Group as they constitute one of the main areas of environmental impact. For more information on double materiality testing, see the General disclosures section.

POLICIES RELATED TO WATER AND MARINE RESOURCES

E3-1

The Environmental Policy commits LPP to rational water management at every stage of the value chain, to cooperation with suppliers with the aim of optimising water use in "wet" production processes and to improve the quality of post-production water. With regard to raw materials, LPP aims to increase the share of materials with a verified reduction in water consumption at the cultivation stage, such as **Cotton made in Africa**. It also provides for the introduction of solutions to reduce water consumption in offices, stores and warehouses. The policy does not address water treatment or product design to solve water problems.

More information regarding *the Environmental Policy* is presented at the beginning of the Environmental Information chapter.

ACTIONS RELATED TO WATER AND MARINE RESOURCES

E3-2

Water consumption in production

The LPP Group has launched the analysis of water consumption rationalisation issues. This process involves identifying areas with the highest water use and assessing potential risks related to water availability and quality. The Group also takes measures aimed at optimisation of processes, such as reducing water losses in the value chain, implementing technologies allowing to use water more effectively as well as seeking solutions to recover and reuse water resources.

To rationalise water resources management and reduce both water withdrawal and water consumption in the cotton growing process, LPP cooperates with **Cotton made in Africa** promoting sustainable farming practices. African cotton is grown in the crop rotation system and the plantations are irrigated exclusively with rainwater.

To ensure the implementation of the standard and the appropriate treatment of verified raw materials worldwide, CmiA works with an extensive network of partners, including cotton companies in 10 countries in Africa, global partners in the textile sector, as well as governmental and non-governmental organizations.

CmiA cotton is more drought tolerant, allowing for less intensive rainfed agriculture. Using methods to effectively capture, store and use green water increases the resilience of agriculture to climate change, while contributing to economic development and improving the quality of life of farmers. According to a study by **the World Wildlife Fund**, CmiA outperforms other cotton standards in terms of water efficiency, underlining its importance in the context of sustainable development.

During the reporting period, the LPP Group nominated cotton product suppliers who are required to use only CmiA cotton in orders for LPP. As a result, its use increased by 109.40% compared to 2023. Currently, selected CmiA suppliers come from Bangladesh, China and Pakistan. In the future, LPP plans to gradually expand this cooperation model to include additional production markets and suppliers, but the time perspectives for these activities have not yet been determined.

LPP is gradually increasing the share of suppliers using technology accredited by Jeanologia®, which uses patented solutions to reduce the consumption of water, chemicals and energy in the production process. The technology used by Jeanologia® is based, among others, on the use of ozone and laser machines in the jeans finishing process.

Water consumption in buildings, stores and warehouses

Although non-production water consumption was not considered significant in the double materiality assesment, LPP limits it, among others, by:

- installing systems that use rainwater for flushing toilets and watering green spaces,
- application of time switches in basin mixers,
- introducing a system for collecting condensate from air-conditioning systems to be used for watering lawns.

TARGETS RELATED TO WATER AND MARINE RESOURCES

E3-3

The LPP Group has not yet determined specific targets in this area, but is actively monitoring industry guidelines and good practice concerning water management. This allows it to review its approach and develop an appropriate strategy for the future. Water-related targets will be set after an in-depth analysis of the area, ensuring their adequacy and the effectiveness of measures taken both in the area of own operations and in the value chain.

E4 BIODIVERSITY AND ECOSYSTEMS

APPROACH TO BIODIVERSITY AND ECOSYSTEMS

Companies operating in the clothing industry are directly dependent on raw materials of natural origin, such as cotton, viscose, leather or wood. The stability and availability of these raw materials is closely associated with the health of the ecosystems in which they are sourced. Healthy ecosystems provide suitable conditions for growing crops, raising animals and producing natural dyes, as well as regulate water resources, protect against soil erosion and reduce the spread of plant diseases. Loss of biodiversity can lead to shortages of raw materials or increase in their cost, posing threat to the stability of supply chains.

In 2024, the LPP Group produced the *Climate and Biodiversity* report in which it analysed risks related to climate and nature and outlined the actions it takes to mitigate them. The report refers to the recommendations of the Taskforce on *Climate-related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD)*, as well as meets the requirements of International *Financial Reporting Standards (IFRS 2)*. In the publication, the LPP Group describes the key areas: corporate governance, strategy, risk management as well as metrics and targets. The document describes the impact of climate change-related and environmental risks on the company's business and mitigation strategies, thereby supporting LPP's adaptation to a changing world. The report also outlines the plans, objectives and commitments of the company in the context of climate change and biodiversity protection. The report was published in the *Sustainability Report for 2023*.

IMPACT, RISK AND OPPORTUNITIES MANAGEMENT

E4-1, SBM-3

The LPP Group regularly analyses climate and nature-related risks and opportunities across all sectors of its business to assess the resilience of its strategy and business model in the context of biodiversity and ecosystems. The annual analysis comprises both the company's own operations and the entire value chain, including suppliers of raw materials with availability and quality directly linked to the condition of the ecosystems.

LPP monitors the condition of selected ecosystems where it operates and analyses the impact of logistics operations on the environment. It also verifies the resilience of the strategy adopted by the Group to potential changes in conditions, so that it can accurately determine short-, medium – and long-term strategic objectives. LPP carries out the analysis of the resilience of the business model and the Group's strategy based on qualitative criteria, allowing it to identify key risks and areas requiring further monitoring. In the next few years, the company plans to conduct an in-depth quantitative analysis of selected stages

of the value chain, where the quantitative – including financial – impact of risks can be determined.

The LPP Group performs the assessment over three time horizons:

- short-term (by 2025) – a high level of resilience, minimum risks;
- medium-term (by 2030) – an increase in risks related to raw material sourcing and logistics;
- long-term (by 2050) – a significant increase in risks in the area of production and product adjustment to market changes.

The analysis conducted in 2024 showed that in the short term, the major threat is posed by transition risks such as ESG regulations and changing consumer preferences. In the longer term (2050), physical risks are increasing, particularly those related to the availability of raw materials and logistics.

The LPP Group intends to include climate change and nature conservation issues in all activities and decision-making processes, based on transparent indicators and targets.

SBM-3

In 2024, the Group began the initial process of monitoring the condition of ecosystems in which it conducts direct and in direct operations. Due to the multiple locations and complexity of the supply chain, a comprehensive assessment of priority sensitive locations was not made, but the focus was on the important and possible locations to be included in the study.

Using the tools and methodology recommended by TNFD, the LPP Group began collecting and processing data on the health, condition and vitality of ecosystems located in these locations.

In 2024, we began a risk analysis of our cotton supply chains in India. Cotton accounts for approximately 49% of all raw materials used to produce our collections. The risk analysis in India showed that within a radius of 50 km from the state of Gujarat there are thirty-six species at risk of extinction, including six critically endangered species – four plant species and two animal species. The main factor influencing the risk of extinction of all species analysed is the excessive exploitation leading to loss of natural habitats, exacerbated by human settlement, road construction and commercial cultivation, including cotton farming. One key biodiversity area has also been identified within a 50 km distance from Gujarat, where the main risk is associated with illegal pumping of water by local farmers to grow plants such as cumin and cotton. This phenomenon has a detrimental impact on numerous species of water birds nesting in the area.

Taking into account all the factors analysed, the LPP Group recognises the risks for biodiversity associated with sourcing of cotton from the state of Gujarat, which it intends to monitor and address in its strategic plans. However, it is not pursuing any remedial action at the moment.

In addition, with the use of the IBAT[11] tool, the LPP Group carried out a detailed analysis of the potential impact of the warehouse location on nearby ecosystems. The analysis covered the area within a distance of 50 km from the location concerned. All LPP Group warehouses were subject to the expertise, covering both distribution and logistics centres in Poland, Romania and Slovakia. Three key criteria were applied in the analysis. No significant negative impacts were identified in terms of land degradation, desertification or soil sealing.

DOUBLE MATERIALITY ASSESMENT PROCESS

IRO-1

In the double-materiality assesment, updated in 2024, biodiversity was assessed as a topic of high materiality due to the impact on exploitation of land used for growing cotton and the associated potential threats to the diversity of species. The impact on biodiversity and ecosystems in the context of the exploitation of marine resources by transport was also analysed. The LPP Group is well aware of the impact of the overall clothing industry on biodiversity, especially as a result of raw material sourcing, therefore it has recognised this topic to be monitored and further explored as material. For more information on double materiality testing, see the General disclosures section.

The LPP Group did not conduct the analysis of the need to implement measures to mitigate biodiversity loss and has focused on preventive measures.

POLICIES RELATED TO BIODIVERSITY

E4-2, MDR-P

In its *Environmental Policy*, LPP undertakes to treat as a priority raw materials and production processes that reduce potential adverse impacts on biodiversity, and to successively increase the quantity of certified cotton and licensed viscose materials.

For more information on the *Environmental Policy*, see the section *Strategic approach – policies related to environment*.

ACTIONS RELATED TO BIODIVERSITY

The LPP Group, wanting to minimize its impact on biodiversity, undertakes actions that indirectly contribute to this. The most important of them are:

COTTON MADE IN AFRICA

The LPP Group treats as a priority raw materials and production processes that reduce potential adverse impacts on biodiversity, and plans to increase the quantity of certified cotton successively, primarily Cotton made in Africa certified cotton and licensed viscose materials.

[11] *Integrated Biodiversity Assessment Tool (IBAT) (ibat-alliance.org)*
[12] *A tool to support financial institutions in exploring ways to align their activities in the agriculture and mining sectors with global conservation goals. (encorenature.org)*

SUSTAINABLE MARITIME TRANSPORT

In order to mitigate its impact on marine ecosystems and protect ocean biodiversity, LPP undertakes actions for sustainable maritime transport continuing its cooperation with shipowners who implement measures aimed at protection of marine animals, including cetaceans and whales. One of the key aspects of this cooperation is limiting the speed of ships in breeding and migration areas, which mitigates the risk of collisions with those species and reduces underwater noise emission disrupting their natural habitat and LPP supports the tightening of control procedures in maritime transport to counteract the illegal trade in endangered species.

JEANOLOGY®

In the production of jeans, LPP works with an increasing number of **Jeanology®** accredited factories that use patented, state-of-the-art technology to reduce the use of water, chemicals and energy in the manufacturing process. This contributes to the protection of biodiversity and ecosystems, especially in regions where the intensive chemical processes can contaminate ground and surface water.

TARGETS RELATED TO BIODIVERSITY

E4-4, MDR-T

The LPP Group is currently at the early stage of analysing biodiversity and ecosystem protection issues. At a general level, the Group aims to integrate nature conservation into all activities and decision-making processes, based on clear indicators and targets. There are no specific biodiversity targets set for 2024 in line with the ESRS MDR-T and E4-5.

METRICS RELATED TO BIODIVERSITY

E4-4, MDR-T

Own metrics:

- The number of nominated suppliers who are obliged to use only CmiA cotton in LPP – 80 orders;
- The quantity of CmiA cotton used increased by 109% in 2024 compared to 2023.

FINANCIAL IMPLICATIONS OF IMPACTS, RISKS AND OPPORTUNITIES

E4-6

In this statement, the LPP Group uses the option to omit information on the anticipated financial impacts arising from risks and opportunities related to biodiversity and ecosystems in the first year's disclosures.

E5 RESOURCE USE AND THE CIRCULAR ECONOMY

The LPP Group is developing solutions that will allow it to abandon the use of primary resources and increase the use of secondary (recycled) resources, so it can reduce the quantity of textile waste and the environmental footprint.

DOUBLE MATERIALITY ASSESMENT PROCESS

IRO-1

In the double materiality analysis, more about which in the General disclosures section, the circular economy (CE) was identified as an issue of significance to the Group, while the related activities constitute one of the key areas of impact. The LPP Group's efforts focus on product lifecycle management throughout the value chain, from the selection of raw materials to the implementation of recovery and recycling systems.

POLICIES RELATED TO RESOURCE USE AND THE CIRCULAR ECONOMY

E5-1, MDR-P

The principles of the circular economy and the commitment of responsible production form an integral part of the Group's strategy. The following policies and procedures mandatory in the LPP Group refer to them:

For more information *on 2020-2025 For people for our planet Sustainability strategy,* see the section General disclosures.

One of the pillars of the strategy is the **Design and production.** The LPP Group has undertaken to design products increasingly from preferred materials, including recycled materials, minimise waste and apply a circular model of resource management. In the **Plastic under control** pillar, the LPP Group undertakes to eliminate plastic packaging that is not reusable or recyclable, both from its logistics processes and in the products it offers.

In its *Environmental Policy*, the LPP Group undertakes to limit the use of primary resources both products and packaging. The Group aims to make an increasing use of recycled materials, develops technologies to close the textile cycle and supports the responsible use of fashion. It seeks to eliminate single-use plastic, so it relies on recycled and recyclable raw materials. By the end of 2025, the Group intends to achieve its strategic goal and completely eliminate non-reusable or non-recyclable plastic from its packaging, therefore, as part of taking the next steps in this area, it has developed product packaging design guidelines including recommended solutions and communicated them to employees of the product preparation departments. The guidelines are to help in eliminating the materials that are harmful for the environment and those that are not recyclable. For more information on the Environmental Policy, please see the section *Strategic approach – policies related to environment*.

The LPP Group manages its packaging raw materials in accordance with the guidelines of **Ellen MacArthur Foundation's *Global Commitment*** and **the United Nations Environment Programme**, as well as in compliance with its obligations resulting from the participation in **the Polish Plastics Pact**. As a member of the Pact[13], the LPP Group has undertaken to eliminate excessive and problematic plastic packaging through, among others, appropriate design and support for collection, sorting and reuse systems.

Code of Conduct commits the suppliers to manage waste in a way ensuring the environmental protection as well as the protection of human life and health. The Group recommends that suppliers should prevent waste generation, reduce waste volumes, prepare waste for reuse, use recycling and other waste recovery and disposal processes. Suppliers are obliged to exercise special care in the management of hazardous waste.

The circular economy starts with designing and supplying durable products that can be used for a long time, thus minimising waste and eliminating the need for frequent replacement. The guidelines contained in the *LPP Quality Guidebook* play a key role in this process, helping the LPP Group to ensure high quality and durability.

For more information on this document, please see the section *Strategic approach – policies related to environment*.

Quality expectations were defined in accordance with the *Acceptance Quality Limit (AQL)* standard. In 2023, a single AQL level (2.5) was introduced for all LPP brands. The effectiveness of the quality management system is confirmed by the positive result of the audit carried out last year, based on which the LPP Group was awarded the ISO 9001:2015 certificate.

ACTIONS RELATED TO RESOURCE USE AND THE CIRCULAR ECONOMY

E5-2, MDR-A

The LPP Group manages the approach to clothing comprehensively by promoting responsibility throughout the product life cycle and being guided by the waste handling hierarchy defined in the legislation and in the *Environmental Policy*.

THE SECOND LIFE OF CLOTHES

The Group supports the care and repairing of clothes and encourages customers to do so in its **"Look after your clothes"** campaign which educates on how to extend the life of clothes and minimise waste. The next step is preparing for reuse, adequate collection, sorting and returning the clothes to circulation – the LPP Group supports *second-hand* initiatives and organises clothing collections, thus providing products with a second life and reducing their negative impact on the environment. Finally, it relies on new technologies and recycling that will make it possible to recycle textiles into new materials, and in this way supports a closed circulation.

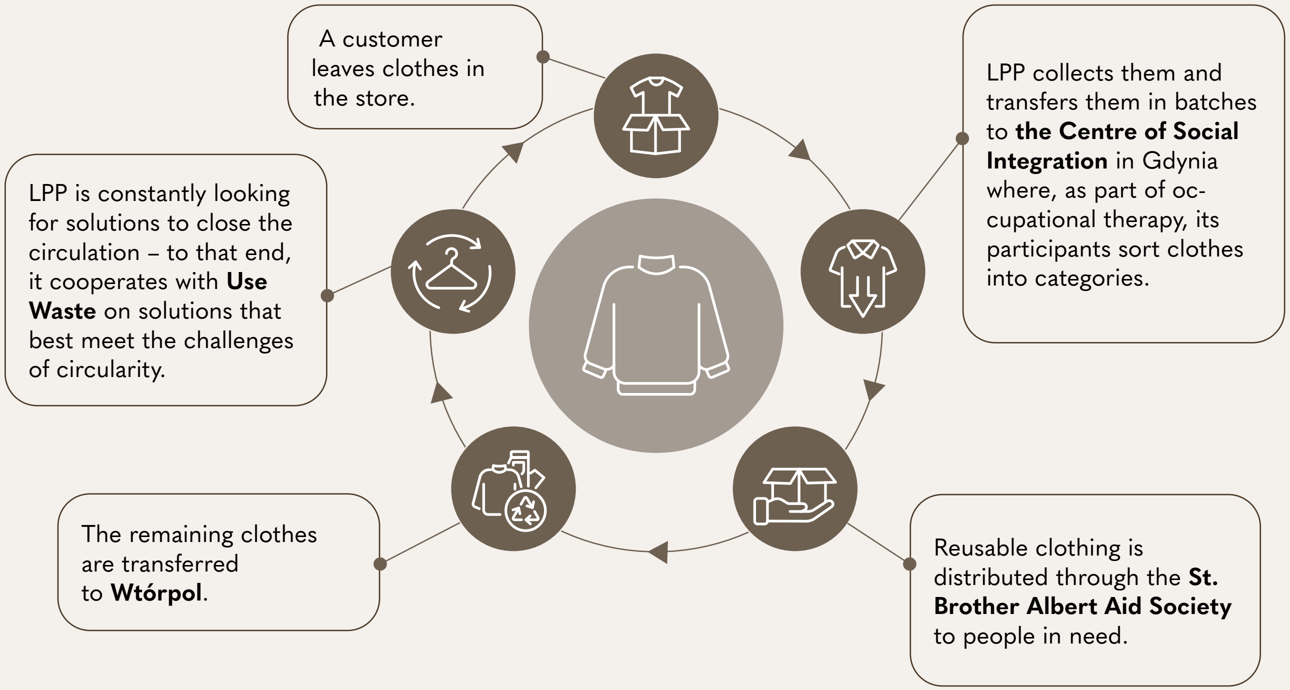
The clothing collection programme is the LPP Group's response to the need of closing the textile circulation and extending the

[13] *LPP was a member of the Polish Plastics Pact until the end of 2024.*

life of clothing, footwear and accessories no longer needed by customers. It is also a way to reduce textile waste while supporting community initiatives. All LPP Group stores in Poland participate in the second-hand clothing collection programme, through which wearable clothes are donated for social purposes. The programme launched in 2018 covered all stores across the country in 2023 and was extended to the Czech Republic, Slovakia and Great Britain in 2024. In the Czech Republic, the campaign partner is Clothes to Give Back, in Slovakia – Ekocharita and in Great Britain – Yellow Octopus Group. In January 2025, the collection was also launched in Lithuania, in collaboration with the Refabrik organisation and in Bulgaria, the agreement has been signed with the local partner – TexCycle.

Second-hand clothes, shoes and accessories can be brought to any store of any LPP Group brand in Poland. The textiles are then donated to the Centre of Social Integration in Gdynia. There, participants of the occupational therapy organised as part of the **Sorting Room** project sort clothes into two main categories: reusable clothes and waste not meeting quality requirements. Clothes not meeting quality requirements are then separated on the basis of its material composition. The reusable clothes are donated to the St. Brother Albert Aid Society, which distributes them to people in need. The remaining clothes are subject to *upcycling*[14], *downcycling*[15] or *recycling* in accordance with the textile waste handling hierarchy. The LPP's partner in adequate waste management is Wtórpol.

WHAT HAPPENS TO SECOND-HAND CLOTHES DONATED IN LPP STORES IN POLAND?



[14]*Upcycling – the process of processing waste or unnecessary products into new materials or into products of higher value or quality compared to the original.*
[15]*Downcycling – the process of processing waste materials into products of lower value or quality compared to the original.*

In Poland, due to the programme, the LPP Group has already collected more than 25 tone of clothing, including more than 22 tone send for second circulation. At the Group level, nearly 15 tone were collected in 2024.

Cooperation with local partners in Poland and abroad meant that in 2024, 81.91% of the items from the collection gained a second life, including as aid for those in need.

In Great Britain, thanks to the innovative technology of the collection partner, all clothes that are not suitable for reuse were upcycled. Textile waste is ground in a special mill and then processed into fine granulate. This granulate is added to a substance patented by the Yellow Octopus Group, creating a unique mixture. The finished mass goes into appropriate forms, which enable the production of products – most often home accessories. The finished products are suitable for reprocessing, creating a truly circular production cycle.

The activities carried out were supported by a six-month educational campaign **"Look after your clothes: Wear Your Story"**. Its aim was promoting a responsible approach to fashion and expanding the knowledge in the scope of responsible use of clothing. The campaign attracted the attention of a wide audience. The website www.dbajoubranie.pl has been visited by 64,000 people looking for tips on how to repair and remodel clothes. The videos promoting the campaign recorded 236,000 views, and the activities on TikTok presenting creative ways to reuse clothing were viewed as many as 22 million times. The publications of the Champions of Practice and campaign experts, encouraging people to give clothes a second life, reached an audience of 662,000.

More than 550 publications were published during the campaign, reaching the total of 66.5 million recipients. Videos created by Reserved, Sinsay and influencers have been watched by almost 2.5 million viewers, while the educational posts, including video tutorials on LPP channels, have gathered more than six million views. A part of the campaign organised in cooperation with woshwosh was the action promoting clothing repair where consumers received vouchers for clothing repairs at selected tailoring outlets in Poland, including Gdansk, Cracow, Warsaw, Katowice, Radom, Łódź and Poznań.

COOPERATION WITH USE WASTE

Collecting second-hand clothes is the first step towards circular fashion, which allows to keep clothes, footwear and accessories in circulation. However, it is crucial to return a product that has lost its functionality to circulation so that it does not become waste. Currently only 1% of used textiles[16] are fully recycled, therefore the LPP Group invests in new solutions to facilitate this process. The clothes collected and the designs of products that are not wearable are used, among others, in the development of clothing recycling technology as part of the research project carried out in cooperation with the Use Waste start-up. The first stage of this collaboration was concluded with the production of a polyester thread and the work was continued in 2024. The aim of the next stage to be completed in the first half of 2025, is to expand the application of the technology so that fibres from the material mixtures most commonly used in the textile industry can be separated into fractions and raw materials extracted from them which, according to the textile-to-textile idea, will become a resource, instead of waste. The project is an opportunity to develop, and then introduce on a commercial scale, an effective method to recycle polyester materials and popular blends such as polyester with cotton, viscose or elastane, which are a popular choice in the clothing market but a challenge for recycling.

MINIMISING WASTE IN THE PACKAGING AND DISPATCH PROCESS

LPP takes numerous measures to optimise processes and reduce the amount of waste generated in the packaging, repackaging and dispatch of products, as well as using cartons and film more efficiently.

[16] *https://single-market-economy.ec.europa.eu/sectors/textiles-ecosystem/strategy-textiles_en*

All cartons used internally, shopping bags, cardboard boxes and envelopes in which goods ordered online reach customers, as well as price tags in Reserved, Cropp, Mohito, House and Sinsay are made of **FSC-certified** (*Forest Stewardship Council*) paper. The certificate confirms that the timber and forest products have been sustainably acquired in accordance with the principles of responsible forest management. The cartons purchased for Fulfillment Center (FC) and Distribution Center (DC) warehouses in Poland are 100% recycled.

The standardisation of cartons, introduced in 2023 in the LPP Group, allowed to reuse the cartons in which we send garments from the warehouses to the stores. This has reduced the quantity of new cartons ordered for shipping. This offers a possibility, on the one hand, to reuse packaging and, on the other, to better manage transport space during transport. As a consequence, in 2024 LPP reduced the number of trips and the level of carbon emissions.

By optimising the packaging process and reusing cartons, the LPP Group recovered 3,708,889 cartons in 2024, significantly reducing the consumption of packaging materials.

LPP also reuses the cartons in which clothing from the warehouses is sent to the stores, so it orders less cartons for shipment purposes. In 2024, 99,573 cartons were reused for shipments from the stores.

Over 14 millions cartons were used in 2024, of which almost 4 millions originated from recirculation. This means that the recovery rate is 26%[16]. The efficient use and reprocessing of cartons allows the LPP Group to reduce its consumption of natural resources, cut costs associated with the purchase of new packaging and reduce the mass of waste generated, including in distribution centres.

The LPP Group is also gradually closing the film circuit. The film from the warehouses is sent to recycling, where it is processed into rubbish bags. Since 2023, all goods ordered from suppliers have been reaching the LPP Group in polybags, i.e. bags made exclusively from 100% recycled polyethylene (rLDPE). In addition, the foil packs for shipping orders in Sinsay, Cropp and House consist of 80% recycled plastic and are recyclable.

Disposable plastic is replaced by cardboard, recycled paper or recycled, reusable or recyclable plastics.

In 2024 LPP introduced to the market more than 48,000 tonnes of packaging.

COOPERATION WITH CANOPY

The LPP Group cooperates with **Canopy**, an organisation that promotes the sustainable management of forest resources and the conservation of the world's valuable forest ecosystems. LPP is committed to responsible raw material sourcing initiatives, including eliminating the risk that cellulose fibres will originate from endangered forests.

USE OF PREFERRED MATERIALS, INCLUDING RECYCLED MATERIALS

The LPP Group is increasing the share of preferred materials in collections of all brands. It uses, among others, African and organic cotton, licensed cellulose fibres and recycled fibres with the following certifications: **RCS (Recycled Claim Standard)** and **GRS (Global Recycled Standard)**.

With a view to limiting the number of unsold clothing items, the LPP Group controls the production process and adjusts its range to the demand.

CORRECTIVE ACTIONS

Despite numerous actions for the circular economy also in the value chain, incidents may occasionally occur. An example is the report by the organization LICADHO (Cambodian League for the Promotion and Defense of Human Rights) in October 2023 about the finding of 2 tags and 4 stickers related to the Cropp and Sinsay brands in a brick factory in Phnom Penh, Cambodia. LPP contacted the agent to clarify the situation and identified the factory that committed the irregularities.

In April 2024, in order to reduce the risks associated with the practices of burning textile waste in Cambodia, which may have a negative impact on local communities (S3), LPP organized an Awareness Day training for all agents responsible for cooperation with factories in Cambodia.

LPP maintained contact with LICADHO and in a letter to the organisation condemned the practice of burning textile waste in brickworks in Cambodia.

TARGETS RELATED TO RESOURCE USE AND THE CIRCULAR ECONOMY

E5-3, MDR-T

LPP Group consistently sets and achieves ambitious goals in the area of responsible production and circular economy to mitigate the adverse impact of its activities on the environment. The Group achieved most of the targets set in the strategy for 2020-2025. Currently, two more targets are under implementation:

1. 100% of the plastic used in packaging is reusable or recyclable.

[17]*The data concerns cartons from supplier shipments and cartons purchased in Poland for domestic shipments.*

2. 50% of Reserved clothing is made from preferred materials (i.e. organic, licenced cellulose or recycled fibres).

The goals established are not required by law and are voluntary.

METRICS RELATED TO RESOURCE USE AND THE CIRCULAR ECONOMY

RESOURCES CONTRIBUTED

E5-4, MDR-M

The resources contributed to the LPP Group in 2024 are products used for operations, as well as materials used in production and intended for resale (trade goods), technical and biological materials used for packaging and to support logistics processes. The most significant resources contributed to the organisation in 2024 include:

- products: trade goods (footwear, bags, clothing, accessories and and textiles,
- technical materials: glass and toner cartridges and building materials used for store renovation, as well as packaging materials such as film, wood, packing tape, cardboard and paper,
- packaging materials: cardboard, plastics.

In 2024, the total weight of products, materials and packaging contributed to LPP amounted to 216,443.58 tonnes.

Table 9 *Resources contributed in 2024*

Resources contributed		Weight in tons	Percentage value
Produkty i materiały			
Biological materials	**Cotton**	**82,362.50**	**48.99%**
	Cotton made in Africa	*18,571.99*	*22.55%*
	Organic cotton[18]	*306.87*	*0.37%*
	Recycled cotton[19]	*1,482.42*	*1.80%*
	Cellulosic materials	**9,244.33**	**5.50%**
	Preferred cellulosic materials[20]	*718.94*	*7.78%*
	Other materials[21]	**1,936.59**	**1.15%**
	Other recycled materials[19]	*4.12*	*0.21*
Technical materials	**Polyester**	**49,711.75**	**29.56%**
	Recycled polyester[19]	*11,730.01*	*23.60%*
	Other materials[22]	**24,882.78**	**14.80%**
	Other recycled materials[23]	*63.72*	*0.26%*
	Other preferred materials[24]	*5.3704*	*0.02%*
Total mass of products, materials and packaging		**168,137.95**	**78%**
Packaging			
Carton		41,380.12	85.66%
Recycled carton		*21,405.75*	*51.73%*
Plastics		6,479.09	13.41%
Recycled plastics		*4,523.53*	*69.82%*
Other materials		446.4171	0.93%
Other recycled materials		*0*	*0%*
Total mass of packaging		**48,305.63**	**22%**
Total mass of products, materials and packaging		**216,443.58**	**100%**

Table 10 *Cardboard introduced and reused in 2024*

	2024			
	Distribution Center in Pruszcz Gdański	Distribution Center in Brześć Kujawski	Distribution Center in Romania	TOTAL
New cartboard boxes	6,791,848	3,053,560	711,131	10,556,539
Recycled cartboard boxes	2,131,398	1,344,507	232,984	3,708,889
Total cartboard boxes used	8,923,246	4,398,067	944,115	14,265,428
% recovery	23.89%	30.57%	24.68%	25.99%

[18] *With GOTS or OCS certificate.*
[19] *With GRS or RCS certificate.*
[20] *The category includes licensed raw materials, including LENZING™ ECOVERO™, TENCEL™ Modal, Naia™.*
[21] *The category includes other raw materials of natural origin, including wood, hemp, leather, wool.*
[22] *The category includes other technical raw materials, including plastics and metals.*
[23] *In 2024, this category includes acrylic and recycled polyamide with GRS or RCS certificate.*
[24] *In 2024, this category includes licensed material Sorona®.*

RESOURCES INFLOWS

E5-5, MDR-M

Resources discharged from the organisation are products purchased by customers and consumers that have left the LPP Group. These resources include both products and packaging. The main product categories include clothing, footwear, accessories and other articles, while in the field of packaging – unit and bulk cardboard packaging, film and other packaging materials.

In 2024, the total weight of products, materials and packaging discharged from the LPP amounted to 199,655.84 tones. The LPP Group is monitoring the problem of the lack of a unified industry methodology for measuring and defining the durability and repairability of products. At the same time, it is introducing closed-loop compliant solutions and projects that enable reuse, repair and recycling as described earlier in this section. The following table presents the share of recyclable packaging in the total mass of resources discharged.

***Table 11** Discharged recyclable resources in 2024*

Recyclable materials	(%)
Packaging	
Carton	79.3
Plastics	85.6
Other materials	0

Due to the lack of industry methodology, on the basis of which the percentage of technical and biological materials suitable for recycling could be counted, the LPP group for EU strategy for sustainable and circular textiles assumes that 1% of textiles produced by it are suitable for recycling.

In the case of packaging, the weight of raw materials discharged was calculated on the basis of invoices and information obtained from suppliers. Some of the data comes from logistics processes in the distribution centres, e.g. piece counts and e-commerce packaging weights.

In the case of incomplete data on weights or quality (this applies to pre-packaging of the product when it was not possible to obtain complete data from the supplier), the data was recalculated by estimation on the basis of packaging in the same category.

- Plastics were recalculated according to the methodology adopted by the Ellen MacArthurFoundation[25].
- Paper/carton – due to the lack of possibility to verify that 100% of the packaging was designed in accordance with the eco-design guidelines, the average paper recycling rate for the EU27, Norway, Switzerland and the UK for 2023 from the CEPI (European Confederation of Paper Industries) report of 79.3%[26]. Data for 2024 has not yet been published.
- Other raw materials/glass – a value of 0% was adopted due to the glass packaging of perfumes containing elements of other plastics (labels, corks, atomisers, metal closures), which may hinder the recycling process. In accordance with the local recommendations of organisations dealing with sorting, disposal and recycling, packaging should be placed in the mixed waste stream.

[25]LPP is a member of the plastic initiative and the data is consistent with the reporting methodology to the EMF
[26]Source: Key-Statistics-2023-FINAL-2.pdf

INFORMATION ON SOCIAL ISSUES

S1 OWN WORKFORCE

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

SBM-3

The LPP Group applies a variety of employment models that correspond to the specific nature of a given company's business and local conditions. Employment contracts prevail as the main form of employment in LPP headquarters, civil law contracts are also used in LPP brand stores. In warehouse facilities, work is also performed by people employed by temporary employment agencies and a model based on outsourcing is used. Due to such diversified forms of employment, the organisation can flexibly adapt to business needs and local market conditions. In addition to the foregoing, the LPP Group additionally uses a cooperation model based on outsourcing[25], used mainly in the distribution centres outside Poland.

In 2024, the LPP Group created jobs for over 54 thousand people. The number of employees, the diversity of the team, the efforts to improve the qualifications and competence of the employees and to pay them appropriately, as well as the care for working conditions, safety and well-being, make the company assess its impact in the employee area as significant.

[27]Outsourcing means that the LPP Group entrusts the performance of certain business processes or the provision of services to external suppliers. It is not included in the LPP Group's own employee resources.

The scope of information disclosure covers all persons who are LPP Group's own employees and who may be significantly affected by it. Significant adverse impacts, such as violence and mobbing at the workplace and low diversity in the Management Board and Supervisory Board positions, are not systemic or widespread, but case-specific. Activities that have a significant positive impact are described in the Measures sections for each of the topics covered in this chapter.

The LPP Group does not operate in countries or geographical areas exposed to the risk of forced or compulsory labour.

Information on how the interests, views and rights of employees affect the company's strategy and business model is provided in the General disclosures section.

POLICIES RELATED TO OWN WORKFORCE

S1-1, MDR-P

The key documents that regulate LPP's approach to employment and the working environment include policies on creating a responsible workplace, human rights within the LPP Group and across its value chain, as well as policies governing charitable activities and community initiatives as well as principles of equality and diversity at a workplace.

The LPP Group's Human Rights Policy is the commitment of LPP SA and the LPP Group companies to respect human rights and determines the direction of activities in this area. The LPP Group declares that it will counteract human rights violations and mitigate the associated risks. *The Policy* is the LPP's response to the challenges of ensuring safe and healthy working conditions (including the right to rest), health protection, social security and fair remuneration, support for family life (*work and life balance*), promoting equal treatment and preventing discrimination, as well as eliminating child and forced labour. In *the Policy*, LPP undertakes to respect the rights of people working for the Group and promoting human rights among business partners, customers and local communities. LPP's operations are based on the rights defined in the following international laws:

- *The International Bill of Human Rights*, which consists of the *UN Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights,*
- *International Labour Organisation Declaration on Fundamental Principles and Rights at Work* referring to eight ILO Fundamental Conventions: Nos. 29, 87, 98, 100, 105, 111, 138 and 182,
- *UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.*

The document also includes a section on the ways of reporting irregularities approved by the Management Board of LPP SA. Prior to developing *the Policy*, the Group organised educational activities, reviewed processes, procedures and documents, and conducted a survey among people providing work or services to LPP SA and its subsidiaries in Poland, LPP offices in Shanghai and Dhaka, and people providing work and services at the LPP Distribution Centre in Pruszcz Gdański.

⊕ *The LPP Group's Human Rights Policy* is available on LPP website.

LPP Principles – a guide for employees (Code of Ethics) describe the values that underpin the company's business and provide a formal commitment to basic principles of ethics and standards, including the *UN Guiding Principles on Business and Human Rights*. This is the basic document defining desired behaviour and ethical standards applying to employees at all levels. The principles specified in the first part of this guide also apply to all persons who provide work for the LPP Group but are not its employees. The guide reflects the LPP's commitment to maintaining high standards of conduct and building corporate culture based on ethics and respect. It provides a set of guidelines to be followed by all employees. The document defines standards of conduct expected at a workplace as well as promotes integrity, cooperation, innovation and concern for the environment. It also normalises issues related to equal opportunities, respect for diversity and care for employees' health and safety. The guide ensures consistency of principles, facilitates LPP employees' daily activities and takes into account their needs, requests and feedback provided by employees and LPP managers on the basis of workshops and interviews.

To ensure high quality customer service, LPP has also developed a separate document tailored to the realities of work in stores, *LPP rules for employees of retail stores*. It defines standards of conduct for employees working in stores, which facilitates 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 are introduced into the *Rules* during their induction (onboarding) and commit to adhering to them, while the company regularly reminds them of the *Rules* in internal communication. In addition, persons who are promoted to managerial positions take part in the Manager's Academy, a series of management training courses on the company's values and ethical principles. During the work on the *Code of Ethics*, employees were invited to co-create it.

⊕ *The LPP Principles for Employees (Code of Ethics)* and

⊕ *the LPP Rules for employees of retail stores* are available on LPP website.

The LPP Code of Conduct is also applicable to the company's employees, setting out the standards for their conduct in relations with suppliers, subcontractors and other business partners. LPP employees are obliged to promote the principles contained in the *Code*, such as the respect for human rights and care for decent working conditions and protection of the environment in their daily cooperation with contractors, and to observe the principles of transparency, fair competition and avoid conflicts of interest. Consequently, they reinforce trust and ensure that the activities of the entire LPP Group comply with international ethical standards.

⊕ *The LPP Code of Conduct* is available on LPP website.

Health and safety policies. LPP has not developed a document referred to as the occupational health and safety management policy, but it places great importance on workplace safety and complies with all legal requirements concerning health and safety. Activities in this area include work regulations, internal health and safety procedures, orders, tables of standards for the allocation of protective clothing and footwear and personal protective equipment, occupational risk assessment, as well as health and safety instructions. Occupational health and safety in all companies is overseen by the health and safety team consisting of eleven persons and two nationwide external companies. Employees participate in inception, on-the-job and periodic training in the scope of occupational health and safety organised in-house and via the e-learning platform. Employees are also offered an opportunity to participate in first aid and fire protection training. LPP conducts periodic audits of its stores, offices and logistics centres to check whether they provide adequate and safe working conditions. Due to such measures, the Group wants to ensure that it analyses the health and safety levels for all companies as well as for individual sites in a systematic way.

The LPP Diversity, Equity and Inclusion Policy hereinafter referred to as *the DEI Policy*, is a commitment to respecting the rights of all people working for LPP and a clear opposition to any human rights violations, including but not limited to any discrimination. The policy indicates the most important directions for the organisation in the area of diversity management. It covers all Polish and foreign subsidiaries of LPP SA which are part of the LPP Group. The LPP Group is also a signatory to the Diversity Charter, which is led by the Responsible Business Forum in Poland. Employees familiarise themselves with the *DEI Policy* during their mandatory induction. Internal communication accompanying new inclusive activities, training webinars or events such as the "Diversity Month in LPP" also remind of its provisions. Additionally, LPP presents its approach to diversity and inclusion publicly on the company's social media. The process of creating *the Policy* included taking into account the opinions of employees from different areas and locations. They were invited to participate in workshops and in-depth interviews on DEI topics, led by external experts.

⊕ *The DEI policy* is available on LPP website.

The Internal Rules of Whistleblowing and the Procedure on follow-up actions (Whistleblower Rules) define the procedure and methods of reporting irregularities and taking follow-up actions in connection with the reports submitted. *The Whistleblower Rules* allow for anonymous and public reporting of irregularities, not only to the extent indicated in legal standards, but also in terms of ethical violations. *The Rules* set out the procedure and methods of reporting irregularities and taking follow-up actions in connection with the reports. They define the role of the Ethics Officers who receive reports and take follow-up actions. The document also defines the types of violations. It implements *the Directives of the European Parliament and of the Council (EU) 2019/1937 of 23 October 2019 on the protection of persons who report breaches of Union law and also Act of 14 June 2024 on the protection of whistleblowers (Journal of Laws of 2024, item 928).*

Regulations against mobbing and various forms of discrimination refer to the principles and values guiding LPP to counteract various direct and indirect manifestations of mobbing and discrimination (on the grounds of race, colour, gender, religion, political opinion, national or social origin, age, fitness, employment for a definite or indefinite term, full or part-time). *The Regulations* were developed following consultations with employee representatives, apply to both employees and contractors of LPP and emphasise the importance of dignity and diversity.

The regulations against mobbing and various forms of discrimination form an internal document.

Remuneration policy – LPP applies the remuneration policy whereby all employees, irrespective of gender, origin or other characteristics that do not affect their work, receive fair and motivating remuneration. It is determined on the basis of substantive factors such as scope of responsibilities, accountability, experience, competence as well as work efficiency and effectiveness.

The terms and conditions of work and pay for all employees are defined in the *Work Regulations*, *the Remuneration Regulations* and *the Regulations of the Company Social Benefits Fund (ZFŚS).*

Work regulations describe the organisation and order at work in LPP and the related rights and obligations of the employer and employees. They apply to all employees providing work for LPP under an employment contract.

Remuneration regulations describe the remuneration rules of LPP employees and certify that the procedure for shaping the remuneration does not violate the principles of equal treatment.

The Remuneration Policy of the Supervisory and Management Bodies of LPP SA regulates the principles of remuneration of the Management Board and the Supervisory Board. More information on this policy can be found in the General disclosures section.

The Regulations of the Company Social Benefits Fund (ZFŚS) describe the rules governing the provision of social support to eligible employees (the ZFŚS does not apply to LPP Retail and Silky Coders).

The LPP Management Board is responsible for the implementation of *the Code of Ethics* and *the Code of Conduct*. *The LPP Group's Human Rights Policy* is supervised by the Vice President of the Management Board responsible for finance and, at the operational level, the support in this area is provided by the directors of other departments. *The Regulations on counteracting mobbing and various forms of discrimination* are approved by the Management Board.

Table 12 *Summary of LPP Group's policies and documents applying to employees*

Basic policies	Adequate wage	Measures against violence and harassment	Diversity and inclusion	Equal pay	Occupational health and safety
• *LPP Group's Human Rights Policy* • *LPP Principles. A guide for employees (Code of Ethics)* • *LPP Rules for employees of retail stores* • *LPP Code of Conduct*	• *General rules for recruitment* • *Remuneration Regulations* • *Remuneration Policy* • *Remuneration policy of the supervisory and management bodies of LPP SA*	• *Work regulations* • *Anti-bullying procedure* • *LPP Group's Human Rights Policy* • *LPP Rules for employees of retail stores* • *LPP Principles. A guide for employees (Code of Ethics)* • *Whistleblower Rules*	• *LPP Group's Policy on diversity management, equal treatment and building a culture of inclusion* • *LPP Principles. A guide for employees (Code of Ethics)* • *LPP Rules for employees of retail stores* • *Regulations of the Company Social Benefits Fund (ZFŚS) (not applicable to LPP Retail and Silky Coders)*	• *Remuneration Policy* • *Remuneration Regulations* • *LPP Group's Policy on diversity management, equal treatment and building a culture of inclusion*	Lack of a single policy – activities are regulated, among others, by work regulations, internal health and safety procedures, orders, tables of standards for the allocation of protective clothing and footwear and personal protective equipment, occupational risk assessment as well as health and safety instructions

Since 2019, LPP has been a signatory to the **UN Global Compact initiative**. As a company committed to the compliance with international standards, LPP implements the Global Compact principles, which include key labour rights such as freedom of association and collective bargaining, prohibition of forced labour, elimination of child labour and anti-discrimination.

LPP has no specific policy commitments regarding the inclusion of people from vulnerable groups among its own employees. The policies are not implemented through specific procedures to effectively prevent, mitigate and act upon discrimination once it is detected, and to increase the diversity and overall social inclusion.

COOPERATION WITH OWN WORKFORCE

S1-2

The LPP Group cooperates with employees both in the scope of operational activities and development plans. In the area of operations, the daily processes related to organising work, ensuring health and safety, ongoing communication with teams and monitoring employment conditions are of key importance.

Depending on the topic raised, relevant people from the LPP Group and employee representatives are involved. Top decisions and arrangements are approved by the HR Director who reports directly to the CEO.

Any LPP employee can directly or indirectly provide feedback or report an undesirable situation. Direct channels include conversations with superiors, questionnaire surveys, the internal intranet and regular meetings with the management (the so-called *town hall meetings*), where any participant can anonymously ask a question or raise an issue relevant to them. Indirect channels include reports to the mentor from the HR Department and to Ethics Officers as well as contact with employee representatives.

Each new recruit is obliged to familiarize with *LPP Principles*, which show, how he or she can provide feedback or report irregularities. Comments, conclusions or opinions provided in the form of questionnaires by employees are analysed by the HR department and presented to managers or the Management Board either directly or in the form of presentations and reports. In the case of individual interviews – if possible – the matter is clarified immediately with the employee concerned.

The opinions and needs of employees are taken into account when setting objectives and when creating new processes or improving existing ones.

To date, LPP employee representatives have not entered into any agreements with human rights organisations.

CHANNELS FOR OWN WORKFORCE TO RAISE CONCERNS

S1-3

Since 2021, the LPP Group has a *Whistleblowing Rules* in place. In accordance with these rules, employees and third parties (including prospective employees, associates, shareholders, contractors and other entities associated with the Group's operations) may anonymously report irregularities concerning the operations of the Group. A special electronic form available on the external Whiblo platform is used for this purpose. Reports may relate to violations of both legal and corporate governance regulations and internal guidelines applicable in the Group. Each notification is automatically assigned an identification number and a password so that a whistleblower can anonymously follow the progress of processing the request and continue further correspondence. In 2024, the Group did not verify the effectiveness of the channel and did not analyse feedback on its use.

In the second half of the year, *the Internal Rules of Whistleblowing and the procedure on follow-up actions came into force*. *The Procedure* redefines the role of the ethics officers who, under the new formula, not only receive reports but also conduct investigation and determine the facts of the case. The notifications are assigned to the individual officers by the coordinator of ethics officers who is an employee of the Compliance Department established in 2024. For more information on *the Procedure* see section Policies related to own workforce.

MATERIAL TOPIC: ADEQUATE WAGE

ACTIONS RELATED TO ADEQUATE WAGE

S1-4, MDR-A

LPP attaches great importance to clear and fair remuneration rules. The level of the remuneration depends on competence, experience and performance rather than, for example, on gender or age. LPP consistently aims to fully eliminate the gender pay gap for the same positions.

LPP applies the remuneration policy updated annually in the form of an internal document that is applicable to each business unit. These rules apply both when setting wages for new employees, changes in the terms and conditions of employment when taking on new positions or granting raises without a change in position. On an annual basis, wages of all employees are reviewed in terms of applicable remuneration policies and pay raises. The management staff is required to apply them. The HR Department ensures that the rules are respected and that fairness and consistency is maintained.

LPP regularly analyses wages to monitor the remuneration rules and assess their compliance with the regulations and to ensure equal and fair treatment of employees. A review of the wage brackets is usually performed once a year. During this time, the Analysis Department prepares detailed data on the distribution of wages in individual departments and for specific positions, taking into account the applicable brackets. Based on the collected information, it proposes changes in wage brackets, which it justifies both with internal (e.g. the growing importance of key areas) and external (e.g. changes in the labour market or current macroeconomic indicators) premises. During the annual wage review, approximately 80% of employees receive pay raises. This process is carried out in accordance with the objectives and guidelines set by the HR Department and ultimately approved by the Management Board.

TARGETS RELATED TO ADEQUATE WAGE

S1-5, MDR-T

The goals in the area of wages in LPP are both qualitative and quantitative. The Group aims to ensure that wages in individual positions are compliant with market standards. This means that the minimum and maximum wage levels for a given position are consistent with those offered for similar positions in the labour market, according to the available remuneration reports. LPP also strives to maintain an equitable relationship in remuneration between job levels in individual business areas. Goals in the area of wages also reflect business needs and priorities, which means that LPP adjusts its remuneration structures by focusing on key areas (e.g. when the turnover rate in a particular area is higher than expected). LPP focuses, in particular on groups of positions where employees indicate wages as the reason for resignation, in order to identify and implement adequate remedial measures.

Determination of individual wage changes introduced between annual reviews, as well as the setting of the rate for newly recruited employees, is based on the prevailing remuneration scale, taking into account the principles of consistency in the area concerned. These principles are applied by the HR department and by managers and directors implementing the changes in remuneration.

Remuneration goals are determined by the HR Department and approved by the Management Board of LPP. They are consistent and reflect the company's business objectives. Changes to these targets only occur in the event of significant changes in the market situation due to unforeseen market-wide events (e.g. war, epidemics) or significant deviations of the Group performance from the assumptions it adopted. In such cases, targets may change, e.g. by modification of budgets allocated for salary updates.

The staff of HR Department is involved in the implementation of remuneration goals, taking into account comments and suggestions from business areas (e.g. from directors or managers). They actively participate in the creation and update of the wage brackets and support its implementation in individual areas. The achievement of the remuneration goals is monitored by the HR Department and the Controlling Department and reported to the Management Board of LPP during remuneration meetings in LPP companies.

An employee may report his or her salary expectations directly to the supervisor who is responsible for clarifying any concerns. In the event of resignation, the employee has the opportunity to express his or her opinion during the so-called *exit interview*, a meeting at the end of the cooperation.

The target-setting process comprises all Polish LPP subsidiaries and store personnel across the LPP Group.

Quantitative data on adequate wage are presented in section *Metrics in the scope of own workforce* section.

MATERIAL TOPIC: SAFE WORKPLACE

ACTIONS RELATED TO SAFE WORKPLACE

S1-4, MDR-A

The LPP Group complies with the legal requirements regarding occupational safety. All employees are covered by the health and safety system. More information about the policy in this area can be found in section *Policies related to own workforce*.

Training for employees, both mandatory – inception and periodic – and optional, covering topics such as first aid, fire protection and evacuation procedures, is an important part of the operations. Since 2024 employees have been using VR goggles during training to better illustrate the risks they may face.

The effectiveness of the health and safety training is assessed by various methods comprising both theoretical and practical aspects. Upon the completion of the training, employees solve a test to test their knowledge of health and safety. LPP also conducts questionnaire surveys in which employees express their opinion on the relevance and understanding of the issues. The indicators of training effectiveness also include the decrease in the number of accidents after training. The analysis of accident statistics shows whether the training has contributed to the improvement of safety at a workplace.

Employees of the LPP Group can contact the Health and Safety Department through various channels. LPP Retail employees have an access to the ServiceDesk reporting service, which enables them to keep constant and direct contact with representatives of the Health and Safety Team. All enquiries submitted through this service are registered, monitored and resolved according to the order set. Employees of other companies use the Health and Safety tab on the intranet, which includes reporting forms concerning: an accident at work or on the way to/from work and an irregularity observed in LPP buildings. The Group has a Health and Safety Committee whose members meet regularly to summarise the activities and discuss areas requiring further improvement.

LPP designs workstations with the principles of ergonomics in mind, to minimise the risk of injuries resulting from repetitive movements and incorrect equipment set-up. It regularly analyses employee needs to continuously improve work comfort and standards.

The group identifies the needs according to the incidents that have occurred (e.g. number and type of accidents, near misses) and the notifications submitted by employees (e.g. Notifications regarding the requests for additional first aid training). In addition, in the comments under the messages published on Viva Engage platform, employees share ideas and submit requests for various types of events, training courses, etc.

TARGETS RELATED TO SAFE WORKPLACE

S1-5, MDR-T

Health and safety goals are both operational. They are not set on a top-down basis but are driven by the tasks and responsibilities of the team and the need to ensure the safety of employees. LPP places a strong emphasis on implementing health and safety best practices to ensure optimal working conditions for employees.

The LPP Group wants to ensure that both directly employed workers and temporary agency workers have uniform working conditions, compliant with the current legislation.

MATERIAL TOPIC: PREVENTION OF VIOLENCE AND HARASSMENT AT A WORKPLACE

ACTIONS RELATED TO WORKPLACE VIOLENCE AND HARASSMENT PREVENTION

S1-4, MDR-A

The LPP Group does not tolerate any form of discrimination or mobbing. Any such incidents can be safely and anonymously reported, and the whistleblowers are not exposed to the risk of retaliation.

The Group takes a number of measures to prevent violence and harassment at a workplace. Their key elements include the "Ethical Working Environment" module in the Leader's ABC and Manager's Academy development programmes, "180-degree" investigations taking into account adverse actions, personnel audits and clarification of reports by the Ethics Officers. Employees participate in webinars and online training, including a mandatory course on counteracting mobbing. Additional tools include regular summarising talks, training in communication, conflict management and mediation, as well as support of the HR Business Partner (HR BP). The HeLPP support programme provides anonymous psychological support, while diversity campaigns and the DEI Academy promote an inclusive organisational culture. These measures are supported by appropriate internal communication, cyclical wage reviews and transparent promotion rules.

We monitor progress in this area based on the analysis of training and webinar attendance, analysis of post-training survey results and webinar evaluations. In addition, regular records of individual meetings, such as the *entry meeting* or the *exit interview*, provide in-depth data on the level of satisfaction with the decision to join LPP or the reasons for leaving. We also conduct the annual "180 degrees" survey in several departments which provides feedback from employees to their line managers. The resulting NPS (*Net Promoter Score*) index shows the level of employee loyalty and satisfaction in the teams concerned. Reports of adverse reactions are also verified and the investigations carried out are resolved and closed. In addition, data such as the number of promotions, salary changes, statistics on support tools and direct feedback from employees are analysed, enabling the continuous improvement of processes and activities.

TARGETS RELATED TO WORKPLACE VIOLENCE AND HARASSMENT PREVENTION

S1-5, MDR-T

LPP has developed its goals based on regulations and legal requirements setting priority actions. It has taken into account the needs of employees raised during consultations and meetings, in questionnaire surveys and in direct interviews. Employees and their representatives were able to share their opinions and ideas for improvement during meetings with supervisors from the HR Department, so-called *entry meetings*, *exit interviews*, meetings with Ethics Officers, as well as during biannual review interviews or other meetings with supervisors. In addition, employees in some departments had the opportunity to participate in "180 degree" surveys, personnel audits, Q&A sessions organised during town hall meetings, as well as submit their observations and suggestions via special email boxes. LPP analyses the information received and takes cascading action involving all levels of the organisation – from managers to employees.

Goals achieved in 2024 concerning counteracting violence and harassment in LPP:

- training of 103 new managers and leaders in the scope of "Ethical Working Environment" in LPP SA, Silky Coders and LPP Logistics,
- maintaining cyclical initiatives such as webinars, training, support programmes for employees and managers,
- launching an update of the anti-bullying procedure, which includes prevention and intervention measures,
- full induction of all new employees through mandatory induction programmes,
- incorporating anti-mobbing training in the induction programme for every new employee of LPP Retail,
- conducting training in accordance with the procedures, e.g. "Difficult management conversations", "Situational management in the first year of work" or training within the Manager's ABC programme,

Quantitative data on the prevention of violence and harassment at a workplace are presented in section Metrics in the scope of own workforce.

MATERIAL TOPIC: EQUAL TREATMENT AND EQUAL OPPORTUNITIES FOR ALL

METRICS RELATED TO EQUAL TREATMENT AND EQUAL OPPORTUNITIES FOR ALL

S1-4, MDR-A

The Group applies a detailed salary grid that comprises wage ranges for each position. These are adjusted annually on the basis of market reports. The remuneration structure is regularly monitored by the HR team which analyses the remuneration data in the context of current market trends and macroeconomic indicators. In addition, the Group examines employee turnover rates, *exit interview* results and the expectations that candidates raise during recruitment.

LPP does not accept any form of wage discrimination – the remuneration principles are transparent and objective. In the event of potential breaches, the company applies the escalation mechanism, in which the responsibility for changing remuneration decisions lies with managers, the HR BP and the HR Director.

TARGETS RELATED TO EQUAL TREATMENT AND EQUAL OPPORTUNITIES FOR ALL

S1-5, MDR-T

LPP does not plan to set the objectives related to gender equality and equal pay for work of equal value, but monitors on an ongoing basis whether the company's policies and actions are effective. The activities are continuous, which means that they are not limited to specific stages or milestones. The implementation process is smooth and flexible, so that the company can adjust priorities on an ongoing basis and respond to changing conditions and needs.

MATERIAL TOPIC: DIVERSITY

METRICS REALTED TO DIVERSITY

S1-4, MDR-A

LPP determines the measures it wants to take in the area of diversity and inclusion, based on the analysis of the results of surveys conducted among employees, opinions and comments provided by employees on the Viva Engage internal communication platform, an analysis of the results of surveys accompanying the implementation of inclusive measures, surveys conducted among participants of DEI webinars, an analysis of the topics addressed to the Management Board during *town hall meetings*, an analysis of the issues raised in HR processes (e.g. during induction, employee appraisal, *exit interview*).

In 2024, LPP launched **the DEI Academy** for stores in Poland, i.e. a series of e-learning courses on diversity, unconscious attitudes, inclusive communication and neurodiversity. LPP SA has introduced financial support for employees who are parents, including half-school funding and free feminine hygiene products in all offices, stores and warehouses. Employees with disabilities received additional financial support and two additional days off (for mild disabilities).

LPP organised webinars on cancer prevention, depression in men and neurodiversity, as well as training on inclusive recruitment and savoir-vivre towards people with disabilities. The LPP Foundation continued its Christmas support programmes for vulnerable employees. Employees were also able to engage in community activities as volunteers and support the wards of children's homes, the sick and people with disabilities.

TARGETS REALTED TO DIVERSITY

S1-5, MDR-T

In the area of Diversity and Inclusion (Polityka DEI), the LPP Group did not set specific goals, but consistently monitors, if its policies and actions are effective. The Company's goal is to express clearly and consistently its commitment to values and to ensure that everyone in the organisation has the right to work in an atmosphere of tolerance, respect and safety. LPP wants to raise awareness of the benefits arising from diversity, integrate this perspective into its business processes and the education and competence development of its employees.

METRICS RELATED TO OF OWN WORKFORCE

EMLPOYEES CHARACTERISTICS

S1-6, MDR-M

The LPP Group defines employees as persons employed directly under an employment contract. All employees were taken into account, including inactive persons such as those absent due to sick leave or parental leave. The data provided represent the employment status as at 31 January 2025 and are reported as a headcount. In the case of six foreign subsidiaries, the data provided was additionally validated by external companies offering payroll, accounting or attestation services.

Table 13 *Number of employees by gender*

Sex	Number of employees
Male	4,153
Female	29,665
Not disclosed	10
Total employees	33,828

Table 14 *Number of employees by countries, where the Group employs at least 50 employees representing at least 10% of the total number of employees*

Country	Number of employees
Poland	13,124
Romania	3,925
Ukraine	3,336

Table 15 *Number of employees by type of contract, broken down by gender*

Types of contract	LPP SA			Group LPP			
	Female	Male	Total	Female	Male	Not disclosed	Total
Employed for an indefinite period	2,062	463	2,525	19,242	3,053	1	22,296
Temporarily employed	595	166	761	9328	999	6	10,333
Employees with non-guaranteed working hours	0	0	0	101	1,095	3	1,199
Total	2,657	629	3,286	28,671	5,147	10	33,828

Table 16 *Employee turnover ratio*

Employee turnover	LPP SA	Group LPP
Total number of people who resigned from work during the reporting period	416	14,739
Employee turnover rate in the entity during the reporting period	12.7%	43.6%

The total number of persons who left their job during the reporting period includes employees who resigned on a voluntary basis, were made redundant or retired.

The turnover is determined by operations in the retail sector, which relies on seasonal employment.

NON-EMPLOYEES CONSTITUTING OWN WORKFORCE CHARACTERISTICS

S1-7, MDR-M

The data presented shows the employment status as at 31 January 2025 and is provided in terms of head count for all forms of employment. The methodology assumed presenting the number of employees of temporary work agencies on an annual average basis. If it was not possible to determine the gender of the agency workers, the individual companies decided to estimate the number of employees of a given gender on a parity basis or by adjusting the proportions to the market conditions known to them.

The data reported by LPP Croatia DOO and LPP Italy SRL was also verified by an external attestation service provider and a provider of payroll services.

The data reported by two foreign subsidiaries of the Group was verified by an external attestation service provider and a provider of payroll services.

***Table 19** Number of non-employees constituting own workforce by type of contract broken down by gender*

Types of contract	LPP SA			Group LPP		
	Female	Male	Total	Female	Male	Total
Contract of mandate	13	4	17	5,503	481	5,984
Contract for specific work	13	3	16	712	84	796
Contracts for provision of services (self-employment, B2B)	3	3	6	67	328	395
Management contract	0	0	0	0	1	1
Student contracts	0	0	0	4,388	519	4,907
Employees from temporary employment agencies	0	0	0	6,297	2,171	8,468
Total	29	10	39	16,967	3,584	20,551

ADEQUATE WAGE

S1-10, MDR-M

All active employees of the LPP Group receive an adequate wage. In the case of inactive employees, the remuneration is raised to the minimum wage (or higher) when they return to work.

The minimum wages applicable in the European Union according to Eurostat data for 2024 were considered as a benchmark for determining whether all employees receive adequate pay. For non-EEA countries, a tool provided by the Wage Indicator Foundation was used.

DIVERSITY METRICS

S1-9, MDR-M

The figures presented represent the employment status as at 31 January 2025, are provided on a head count basis and include only persons employed under an employment contract.

In the case of three foreign subsidiaries, the data provided was additionally validated by external companies offering payroll or attestation services.

***Table 18** Gender distribution among senior managers by number and percentage*

Diversity of senior management – gender breakdown	LPP SA		Group LPP	
	Number	%	Number	%
Men in senior management positions	14	37.8%	36	49.4%
Women in senior management positions	23	62.2%	53	59.6%
Total	37	100%	89	100%

Senior management is understood as senior executives – the chief directors acting as heads of departments (top 40 level) excluding the President and the Vice-Presidents of the management board and the management board in the case of Polish companies, and in the case of foreign subsidiaries of the Group acting as country directors, their deputies and executive directors.

***Table 19** Employee age structure*

Diversity by age	LPP SA		Group LPP	
	Number	%	Number	%
Workers below 30 years of age	1,183	36.0%	20,208	59.7%
Employees aged 30-50	1,997	60.8%	12,822	37.9%
Employees over 50 years of age	106	3.2%	798	2.4%
Total	3,286	100%	33,828	100%

HEALTH AND SAFETY METRICS

S1-14, MDR-M

According to Polish law, all persons constituting the own employee resources of Polish LPP companies are covered by the OHS management system. Foreign companies apply OHS management practices, which, due to the specificity of the country, may differ in their approach to covering employees and non-employees with the systems.

In the case of five foreign companies, the data provided was verified by external companies offering payroll services or certification services.

***Table 20** Number of employees covered by the health and safety system*

	LPP SA	Group LPP	LPP SA	Group LPP
	Employees		Non-employees	
Percentage of the entity's own workforce that is covered by the entity's health and safety management system based on legal requirements or recognised standards or guidelines	100%	99.96%	100%	36.92%

Although in the case of some foreign companies, non-employees are not directly covered by the LPP companies' OHS systems, they most often fall under the national systems or of their immediate employer (APT).

***Table 21** Work-related accidents*

Accidents		LPP SA	Group LPP	LPP SA	Group LPP
		Employees		Non-employees	
Fatalities		0	0	0	0
Notifiable work-related accidents	Number	12	214	0	9
	Risk	2.40	4.75	-	1.27

The data in the table above includes employees and people working for the LPP Group who are not its employees. The accident rate is calculated using the following formula: number of work-related accidents recorded in the reporting period / total number of hours worked in the reporting period * 1,000,000.

In Poland, an accident register is compulsorily maintained in accordance with the Regulation of the Council of Ministers of 1 July 2009 on determining the circumstances and causes of accidents at work. Foreign companies maintain accident registers in accordance with national practice. Some use external companies offering occupational health and safety services for this purpose.

Work-related injuries and work-related ill health result from exposure to hazards in the workplace. Occupational diseases are classified as work-related ill health.

In 2024, 28 cases of work-related health problems were reported in the LPP Group.

***Table 22** Days lost due to work-related injuries*

	LPP SA	Group LPP
Number of days lost due to work-related injuries and work-related ill health.	139	2,762

INCIDENTS, COMPLAINTS AND SERIOUS IMPACTS ON THE COMPLIANCE WITH HUMAN RIGHTS

S1-17, MDR-M

Last year, the LPP Group recorded a total of 311 complaints reported through available reporting channels and four cases of discrimination. A detailed description of the reporting channels and procedures related to whistleblower protection are described in the section on *Business Conduct Policy*.

During the reporting period, no cases of serious incidents were recorded concerning the respect for human rights related to labour resources or penalties for damages resulting from such incidents.

REMUNERATION METRICS

S1-16, MDR-M

The indicator uses different calculation methodologies, which are described below each table.

The data reported by the two foreign companies was verified by an external provider of assurance services and a payroll company.

Table 23 *Gender pay gap*

Pay gap	LPP SA	Group LPP
Senior management	2.56%	9.71%
Middle management	9.64%	11.04%
Other employees	5.22%	13.66%
Total	**5.78%**	**13.33%**

Senior management is understood as the main directors heading the departments (top 40 level), excluding the President and members of the Management Board in the case of Polish companies, and in the case of foreign companies within the Group – as country directors, their deputies and executive directors.

Middle management is understood as other directors and managers/leaders who supervise at least two employees in the case of Polish companies, while in the case of foreign companies included in the Group – as other directors/managers/department managers/leaders who supervise at least 2 employees.

Other employees are persons who do not belong to the above-mentioned groups.

The pay gap was calculated as the difference between the average gross hourly rate of women and men divided by the average gross hourly rate of male employees. Only people employed under an employment contract were taken into account. The pay gap was calculated using the weighted average method, taking into account the number of people in a given employee category in each company belonging to the LPP Group.

When calculating the pay ratio, the total annual employee remuneration was taken into account, which consists of the basic salary and any cash and in-kind benefits, as well as the total value of all annual long-term incentives. The calculations take into account the total remuneration received during the reporting period by individuals who were active employees as of 31 January 2025, regardless of their length of service.

Due to the lack of appropriate data collection systems in foreign companies and the lack of a consistent methodology, the LPP Group decided not to disclose data on the total annual remuneration ratio from the perspective of the entire Group. The indicator for Polish companies was presented in a consolidated perspective and represents the ratio of the total annual remuneration of the President of the LPP Group as the highest earner to the median total annual remuneration of all employees of companies in Poland.

In 2024, the consolidated total remuneration ratio for Polish companies was 51.33.

S2 WORKERS IN THE VALUE CHAIN

IMPACTS, RISKS AND OPPORTUNITIES MANAGEMENT

SBM-3

The LPP Group is present in many foreign markets and works with numerous partners throughout the value chain, therefore it has a major environmental and social impact.

The scope of disclosure includes all workers in the value chain. These are all persons involved in various stages of the Group's operations – from raw material sourcing, through production, logistics, sales to customer service and after-sales activities. They include persons employed by suppliers, subcontractors and business partners in all geographical areas of the Group's operations.

Significant negative impacts in this area are systemic. As part of the update of the map of the most significant risks related to human rights and labour rights, which took place in 2023, we identified groups that are particularly vulnerable in our value chain, such as women, young workers, migrants and temporary workers. The identification is based on the results of social audits conducted by our own employees and third parties and an analysis of the industry context. Information concerning the relationship of the impact on persons performing work in the value chain with the Group's strategy and business model is described in the General disclosures section.

POLICIES RELATED TO WORKERS IN THE VALUE CHAIN

S2-1, MDR-P

This area is governed by a number of key documents in which the Group has set standards for working conditions, employment ethics and social responsibility throughout the value chain.

Human rights policy Since 2022, the LPP Group has been driven by the *Human Rights Policy (LPP Group)*, developed on the basis of the *UN Guiding Principles on Business and Human Rights* the LPP Group is committed to observe. More information on *the Policy* is provided in *the Statements* section on own employee resources.

Code of Conduct for suppliers underpins the relationships of LPP with suppliers and subcontractors. It sets out key principles in areas such as decent employment conditions (including wage and working time), voluntary work, diversity and inclusion, freedom of association and employee representation, health, safety and hygiene at work and environmental protection.

LPP stands firmly against forced labour, child labour and human trafficking. Suppliers and subcontractors are obliged to observe the principles of fair competition, eliminate corrupt practices and ensure the transparency of their activities. *The Code* is based on *the Universal Declaration of Human Rights and the conventions of the International Labour Organisation (ILO), the UN Guiding Principles on Business and Human Rights* and *the OECD Guidelines for Multinational Enterprises*. Each supplier cooperating with LPP must accept *the Code* which sets minimum standards for cooperation and implement it with its sub-suppliers. LPP performs regular audits, the scope of which is set out in *the Code* in order to check the suppliers' compliance with the established principles. The document is open and may be modified according to changing sectoral standards and new requirements arising from international and national legislation. *The Code* has been approved by senior management.

Based on *the Code*, the LPP Group has also developed the *Principles concerning the procedure in cases of detected child labour* made available to suppliers through an internal portal as additional guidelines.

Principles of cooperation with counterparties. The LPP Group is committed to transparency and clarity in its business relations, therefore it commits its employees and collaborators to comply with the established rules for contacting external parties. Every employee and collaborator of LPP SA must exercise due diligence in the selection of suppliers of goods and services. LPP SA employees and collaborators should strive to be impartial and transparent in their relations with suppliers and avoid situations that could influence their business decisions, including accepting gifts or other forms of gratification. The principles apply to all persons providing work and services to the LPP Group, have been approved by the Management Board of LPP SA and summarise the provisions contained in *the Anti-Corruption Policy (LPP Group)* described in the chapter on Corporate Governance.

In order start cooperation with LPP SA, suppliers of goods and services in the production value chain commit in writing to comply with *the LPP Code of Conduct, Rules of Cooperation with Business Partners, the Human Rights Policy*. Each supplier signs a statement – *Commitment to Comply with LPP Rules* – which is available on the internal LPP portal. The compliance with the adopted rules is checked through audits.

In 2024, there were no reports of non-compliance with international value chain guidelines.

All policies and regulations in force in the LPP Group are available in Polish and English at LPP website. *The Code of Conduct* is also available in Chinese, Bengali and Turkish.

The LPP Group focuses on sustainable practices and innovative solutions applied by non-production suppliers, such as material and service providers. It requires such suppliers to actively engage in mitigating their environmental impact, while adhering to the top quality standards.

All non-production suppliers have to comply with the *General Terms and Conditions of Order Fulfilment*. In accordance with this document, it is the supplier's obligation to familiarise themselves and comply with LPP's ethical principles following from *the LPP Rules of cooperation with business partners, Code of Conduct* and *the Human rights policy (LPP Group)*. Any cases of breach are treated as a breach of contract. At the same time, a clause has been introduced 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 *Human rights policy (LPP Group)*, under pain of termination of the contract. All current outsourcing and temporary work contracts have been extended to include this commitment.

APPROACH TO WORKERS IN THE SUPPLY CHAIN COOPERATION PROCESSES

S2-2

As part of ensuring the quality of its cooperation processes with workers in the value chain, the Group has implemented a due diligence mechanism. It reduces the risks associated with potential negative impacts on persons employed in the value chain. The implementation of the due diligence process is overseen by a team set up in 2023 described in more detail in chapter General Disclosures.

The aim of the process is a continuous identification of the impact, counteracting and mitigating the risks associated with it by implementing adequate remedial and corrective actions. LPP monitors their effectiveness, stays in touch with stakeholders affected by LPP Group's business activities and provides a whistleblowing mechanism. To implement the process, LPP relies on the involvement of its stakeholders with whom it cooperates on a continuous basis through discussions with trade unions or federations, organizations and activists, other clothing companies and suppliers. The commitment to implement the due diligence process in the scope of human rights and employee rights is part of the adopted *LPP Group's Human and Labour Rights Due Diligence Policy*.

Basis of activities in the scope of 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.

In *the Human Rights Policy (LPP Group)*, the most significant risk areas related to human and labour rights in the value chain have been identified, the reviews of which are regularly updated. These include:

- forced labour,
- safe and healthy working conditions (including the right to rest);
- health (right to health),
- equal treatment and non-discrimination,
- the right to family life (work-life balance),
- child labour,
- social insurance,
- living wage.

The remedial and corrective actions related to human rights and labour rights due diligence process:

- conducting a survey concerning risks, remedial and corrective actions related to human and labour rights among suppliers in Bangladesh, China and Cambodia;
- updating *the Code of Conduct* for suppliers;
- developing the programme and implementing the ESG Academy, based on the results of a survey of suppliers of goods and services of the non-production chain in Poland;
- continuing the activities conducted as part of international associations and initiatives, including International Accord for Health and Safety in the Textile and Garment Industry, Cotton made in Africa;
- in addition to the audits conducted through the International Accord: Accord Bangladesh and Accord Pakistan, LPP regularly organises social audits in factories cooperating with the Company. To this end, LPP has been working with the SGS

organisation since 2017 and in 2022 started collaboration with amfori BSCI;
- since 2018, the Awareness Day in Bangladesh is being organised, during which suppliers are educated on human rights, labour rights and occupational health and safety rules. In 2023, the programme to involve more countries was expanded – India and Pakistan and in 2024 – Cambodia and China;
- significant violations or a failure to cooperate in eliminating them on the part of the LPP Group's business partners may lead to gradually reduce the number of orders or resign from cooperation with such a supplier. If it is necessary due to the nature of the violations, the resignation may be immediate.
- the implementation of the human and labour rights due diligence process is supported by training cavailable on the internal training platform of LPP Edukacja and EduStores.

WHISTLEBLOWING CHANNELS

S2-3

The LPP Group introduced a *Whistleblowing Policy* with attached special electronic form available on the secure external platform. Using the form, employees and third parties (including all suppliers and business partners) can anonymously report any irregularities arising from non-compliance with the above-mentioned policies. There were no serious issues or incidents reported via the channel during the reporting period. More information on this subject can be found in the chapter *Information about social issues* and in section *Policies regarding Business Conduct* in chapter on *Corporate Governance*.

MATERIAL TOPIC: WORKING CONDITIONS IN THE SUPPLY CHAIN

CONVENIENT WORKING CONDITIONS

ACTIONS RELATED TO CONVENIENT WORKING CONDITIONS

S2-4, MDR-A

LPP Group's suppliers are obliged to comply with international standards and the laws of the respective country. *Code of Conduct* refers to this issue. In order to ensure that suppliers comply with the provisions of *the Code*, the Group conducts regular social and environmental audits at the factories where LPP collections are produced, which provide it with a holistic view of how business partners conduct their business – allowing it to assess whether a particular business partner complies with the laws and to check that its activities do not lead to environmental pollution. The audits provide information on:

- areas of zero tolerance – possible violations violations in the scope of child labour, forced labour and human trafficking;
- working conditions – compliance with health and safety rules (right to breaks, holiday, sick leave, provision of protective clothing and training, adequate treatment of young workers, women, migrants and persons with disabilities);
- wages – review of pay slips, also with regard to potential gender pay gap, working schedules, number of overtime hours and their correct settlement;
- environmental protection – measures taken by the supplier to protect the environment, among others, the ways of eliminating air and water pollution, waste management, including textile waste, impact on the immediate environment, adequate safeguarding of chemicals;
- anti-corruption – measures taken by the supplier to combat corruption, including the account keeping methods.

The auditors talk to male and female employees, working at different positions in specific departments, with different seniority. The interviews are an important source of information on the functioning of trade unions or workers' representation and, consequently, on whistleblowing mechanisms, potential manifestations of discrimination or the level of knowledge of workers' benefits.

Whenever the supplier standards deviate from the expectations, a *corrective action plan* (CAP) is defined to be implemented by the supplier within a specified period of time.

COOPERATION WITH ORGANISATIONS

The LPP Group takes comprehensive measures striving to mitigate the risks associated with working conditions in the value chain and the environmental impact. It is actively involved in projects and initiatives aimed at modernising the textile and clothing sector. LPP is a member of, among others, amfori BSCI, Cascale, and Cotton made in Africa. In 2024, the Group also continued its cooperation with BRAC Bangladesh as part of its efforts to improve social conditions.

- Since 2022, LPP has been cooperating with **amfori BSCI**, one of the most active organisations working for more transparent trade and sustainable production, specialising in audits. Membership in this organisation provides LPP with access to training, educational materials and, above all, tools to verify and monitor ethical and labour as well as environmental issues in factories cooperating with LPP. This provides LPP with knowledge of risks and support in monitoring the activities of suppliers and eliminating entities that do not meet the standards from the supply chain, including convenient working conditions and wages.
- In 2024, the Group became a member of **Cascale**, an international non-profit platform providing tools to analyse the environmental and social impact of the value chain. The association was founded in a bottom-up process by Patagonia and Walmart and its resources are now used by more than 40,000 entities, including companies, suppliers of goods and services and NGOs. Its aim is to change standards in the textile and clothing industry so that they are fully sustainable and meet regulatory requirements, including those laid down by the European Union. The association uses the Higg FSLM tool used by actors in the value chain to assess their own activities. Based on this assessment, they receive points that allow them to track their performance in the areas of recruitment and hiring, working hours, wages and benefits, equal treatment and inclusion of employees, health and safety, termination of employment, company management systems, and commitment to the well-being of people and communities.
- In 2023-2024, LPP collaborated 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, consequently launching social change. At selected factories of the Dhaka region, a training programme on "Leadership and supervisory skills training" developed by BRAC was introduced. It aimed to train female factory workers, among others, in the scope of assertiveness, developing team management and effective communication skills. Meetings with managers and HR teams highlighted the important role of women in the textile and clothing sector and the benefits of providing them with access to higher positions: increased productivity, a safer and more diverse workplace and retention of employee turnover. 237 middle management representatives and 244 female employees participated in the programme. Six female employees were promoted through training.
- Since 2021 LPP is one of 65 retail and brand partners of **Cotton made in Africa (CmiA)**, an internationally recognised standard for sustainably grown cotton. 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 working and living conditions of small-scale farmers and ginnery workers as well as enhancing the resilience of their communities.

  In 2024, about 800 thousand smallholder families producing about 630 thousand tonnes of lint cotton within an area of about 1,6 million hectares were CmiA verified.

  CmiA defines strict guidelines for sustainable cotton cultivation and ginning operations and thereby provides solutions that mitigate negative impacts for nature and people, while increasing the resilience of the agroecosystem and the environment of rural farming communities in the Sub-Saharan Africa.

To implement the standard effectively, CmiA verified cotton companies conduct farm level training for farmers on various topics, e.g. on more sustainable agriculture, business development, gender equality and child labour. In 2024, the number of people participating in training increased by 17% compared to 2023.

SUPPLIER TRAINING

Awareness Day – a training course dedicated to production suppliers cooperating with LPP, where they can learn about human rights, labour rights and environmental protection in the context of international business standards and country-specific laws. The training covers issues relevant from the perspective of *the Code of Conduct*, including: the ban on child labour, forced labour and human trafficking, the prohibition of discrimination and harassment, the protection of young workers and persons from vulnerable groups, freedom of association, regulated working hours, adequate wages and bonuses, health and safety, safe conditions of employment and environmental protection. Training courses are organised in selected production countries: Bangladesh, China, India, Pakistan and Cambodia. Since 2018, around 100 representatives of suppliers in Bangladesh have been trained in-house and online. Since 2023, the programme was expanded to include an online course in Pakistan with 72 representatives and in India with 67 representatives. In 2024, suppliers producing in Cambodia (57 participants) and China (293 participants) joined the programme. The training was voluntary. Participants received educational materials and took part in a survey on human rights risks and methods of their mitigation. Passing the knowledge test was a prerequisite for obtaining a certificate confirming the completion of the training.

ESG Academy – training for strategic suppliers in the non-production value chain in Poland – the training programme implemented in the years 2023-2024 based on the standards contained in *the Code of Conduct*, *the Human Rights Policy (LPP Group)* and *the LPP Group's Policy on Diversity Management, Equal Treatment and Building an Inclusive Culture*. During seven meetings, among others, theory and good practice was presented in the areas of human rights, Diversity, Equity & Inclusion, health and safety, environmental issues and ESG reporting. The results of the survey on suppliers' activities and knowledge of ESG standards were also used to develop the programme. The course provided significant information on the EU directives coming into force and the associated new challenges for enterprises. The course was attended by 37 male and female supplier representatives.

Systematic employee training courses on *the Code of Conduct* were also continued in 2024. The training courses were attended by 569 people (vendors from all LPP retail brands, representatives from the Barcelona, Dhaka and Shanghai offices and central purchasing staff). The aim of the training is to raise workers' awareness of the working conditions in the factories they visit and to draw attention to the ethical 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.

The above-mentioned activities, except ESG Academy, do not have a specific timeframe – they are carried out continuously as a permanent element of the education.

TARGETS RELATED TO CONVENIENT WORKING CONDITIONS

S2-5, MDR-T

The LPP Group has not set, and at this time does not plan to set, targets in this area, but monitors on an ongoing basis whether its policies and actions are effective. Instead of strict indicators, the LPP Group regularly analyses the impact of its initiatives and adapts them to the dynamically changing market, regulatory and social conditions in order to best respond to the current challenges and stakeholder needs.

LPP strives to ensure that 100% of the factories cooperating with the company are included in the safety assessment system provided by amfori BSCI. Currently, 99% of factories in Pakistan and 84% of factories in Bangladesh have been audited in the amfori BSCI standard. Amfori BSCI also monitors suppliers from India, Turkey, Cambodia, Myanmar and China.

OCCUPATIONAL HEALTH AND SAFETY

ACTIONS RELATED TO OCCUPATIONAL HEALTH AND SAFETY

S2-4, MDR-A

Information on LPP's health and safety training initiatives can be found in *Actions related to convenient working conditions* section.

The International Accord for Health and Safety in the Textile and Garment Industry is an industry agreement working on behalf of garment companies to improve working conditions in the textile industry. Initially focused on Bangladesh, it also extended to Pakistan from 2023. In the future, it is planned to extend the activities to other key countries in the sector, in cooperation with the state authorities. The Group joined International Accord in 2013 as the first and only company from Poland to date. All factories producing clothing for the LPP Group in Bangladesh are subject to Accord inspections and, in Pakistan are required to accede to this agreement.

The objective of the Association is to continue and expand the joint efforts of signatories and trade unions to ensure safety in factories, i.e.:

- maintaining the safety of building structures, electrical and heating installations,
- fire protection,
- systematic training.

These activities often require complex modernisation of production plant infrastructure and investment. Accord specialists regularly visit factories, issue guidelines and monitor the implementation of repair plans. Support to their work is provided by employee health and safety committees and the whistleblowing mechanism designed in compliance with *the UN Guiding Principles on Business and Human Rights*.

Transparency is a key element of the programme – on the website of International Accord, it is possible to check the current progress of factories in implementing the remediation plan and the percentage of progress in implementing the required changes.

TARGETS RELATED TO OCCUPATIONAL, HEALTH AND SAFETY

S2-5, MDR-T

The LPP Group has not set, and at this time does not plan to set, targets in this area, but monitors on an ongoing basis whether its policies and actions are effective.

FORCED AND CHILD LABOUR

ACTIONS RELATED TO FORCED AND CHILD LABOUR

S2-4, MDR-A

Information on training initiatives in the scope of forced and child labour can be found in *Actions related to convenient working conditions* section.

Sourcing cotton in partnership with Cotton Made in Africa (CmiA) – significantly reduces the risks of forced and child labour in cotton cultivation and sourcing and offers the opportunity to communities to earn decent wages, according to modern standards. More information on this cooperation can be found in the section *Information regarding environment*.

Risk-free cooperation. Human rights in business – a guide for Polish LPP suppliers. In 2024, together with the Polish Institute for Human Rights and Business, LPP developed a brochure on human rights, based on values close to LPP: responsibility, integrity, fairness, openness and respect for others. Through the publication, suppliers of goods and services in Poland can learn more about the obligations of those responsible for compliance with the company's key standards, key policies, human rights due diligence obligations and risks for the textile and clothing sector. Specific issues discussed in the brochure include equal treatment at work and the prohibition of discrimination, prevention of forced labour and human trafficking, protection of the rights of refugees and migrants in the context of business, and the zero-tolerance policy on child labour.

TARGETS RELATED TO FORCED AND CHILD LABOUR

S2-5, MDR-T

The LPP Group has not set, and at this time does not plan to set, targets in this area, but monitors on an ongoing basis whether its policies and actions are effective. Instead of strict indicators, the LPP Group regularly analyses the impact of its initiatives and adapts them to the dynamically changing market, regulatory and social conditions in order to best respond to the current challenges and stakeholder needs.

NUMBER OF ACCORD INSPECTIONS CONDUCTED IN FACTORIES PRODUCING CLOTHING FOR LPP

MDR-M

In 2024, 350 inspections were conducted in LPP factories in Bangladesh and 49 in LPP factories in Pakistan.

S4 CONSUMERS AND END USERS

LPP defines a consumer/customer as any person who buys and uses LPP Group's products.

IMPACTS, RISKS AND OPPORTUNITIES MANAGEMENT

SBM-3

LPP distinguishes the following groups of consumers: in-store shoppers, online shoppers, e-commerce shoppers and via mobile apps. The impact, risks and opportunities identified in the double materiality assessment apply to all these groups. No identification and analysis of customers particularly exposed to a higher risk of damage was carried out.

The double-materiality analysis process identified a negative impact related to the lack of an anti-greenwashing policy. It is of a pervasive nature. The Group has taken mitigating measures and has consequently implemented *Anti-greenwashing Good Practices*.

Measures that have a significant positive impact in the area of promoting responsible consumption are described in section *Resource use and circular economy* and in the area of product quality – in section *Actions regarding product quality*.

POLICIES RELATED TO CONSUMERS AND END USERS

S4-1, MDR-P

The general approach with regard to respect and cooperation with the human rights of consumers and end users is contained in the following documents:

The Advertising Code of Ethics developed by the Advertising Council, ensuring that marketing messages do not mislead customers and are ethical and fair. The LPP Group has committed to adhere to the provisions of *the Code*, thereby promoting responsible advertising practices and adapting to the challenges of a dynamically changing market.

The Code regulates all aspects of the LPP Group's marketing communication, taking into consideration the specific nature of various media. The compliance with the Code is supervised by the Director of External Relations and the Director of Procurement and ESG.

⊕ *The Code* is available at: Advertising Code of Ethics – the Advertising Council.

Best anti-greenwashing practices – internal rules concerning product and corporate communication, developed following the suggestions of the consumer representative from the Consumer Federation and as a result of discussions held by the stakeholders' panel in 2024. The document is based on the Green Claims Directive and *The Sustainable Fashion Communication Playbook* published by UNEP (The United Nations Environment Programme) and UNFCCC (United Nations Framework Convention on Climate Change) and helps LPP in creating the content that is transparent, reliable and verifiable.

Compliance with the *best practice* is supervised by the Director of Procurement and ESG. The document is internal and has been made available to all employees responsible for creation of communications.

The LPP Quality Guidebook which defines the quality standards, the procedures for conducting the inspections, as well as the required tests and methods of their performing.

Suppliers who collaborate with LPP must adhere to the specific guidelines contained in the document. It is subject to regular updates and any amendments are immediately communicated to the suppliers. Quality expectations were defined in accordance with the *Acceptance Quality Limit* (AQL) standard. The implementation of *the LPP Quality Guidebook* is supervised by the Director of Procurement and ESG. It is an internal document, accessible to all employees.

The provisions of REACH (*Registration, Evaluation, Authorisation and Restriction of Chemicals*), the European regulation for concerning the registration, evaluation, authorisation and restriction of chemicals in the clothing industry. The compliance with the REACH is supervised by the Director of Procurement and ESG.

⊕ The regulation is available at EUR-Lex.

Additional documents referring to consumers include:

- *Regulations concerning complaints for products purchased in traditional stores,*
- *Regulations concerning the return of products purchased in traditional stores,*
- *Regulations concerning the return of products purchased in the online store,*
- *Privacy Policy,*
- *Regulations of the online service,*
- *Regulations of the loyalty programme.*

The provisions of the LPP Group's Human Rights Policy, which can be read more in Own workforce policies section, are also important for consumers.

COLLABORATION WITH CONSUMERS

S4-2, S4-3

LPP collaborates with consumers by inviting their representatives to each stakeholder panel. During the 2024 dialogue session (see more in Chapter 1 of General disclosures), a representative of the Consumers' Federation took part in the panel.

Collaboration and information exchange with consumers also takes place on a daily basis with the aim of resolving current problems. Any consumer can contact the Customer Service Centre (CC) on any matter related to an order placed online or a purchase in a traditional store, but also on other matters, such as expressing their opinion on the quality of service. Every email sent to a customer after contacting a store contains a link to the CSAT (*Customer Satisfaction Survey*) where customers can evaluate the quality of service.

After each customer's contact with the Customer Service Centre, the CC Quality Department, in cooperation with the CC manager, analyses the opinions issued by examining the data, identifying key trends and implementing measures to increase consumer satisfaction and improve service processes. Customers can submit complaints both in traditional stores and online. If the complaint relates to an online purchase, the customer can use the form available in the customer panel for each order. All the information concerning the channel for reporting problems or providing feedback and the process itself is available in places where customers intuitively look for it – in traditional stores, on the websites, in the mobile app and in complaint forms.

If a customer reports an irregularity related to the goods received (e.g. product parts are missing), in the first instance, the CC employees take care of customer satisfaction. If the notification does not raise any doubts, especially in situations where the customer concerned repeatedly reported similar problems, LPP strives to resolve the issue quickly and reduces the formalities. The customer can receive a discount code or a refund as a compensation.

LPP does not collect opinions of customers who may be particularly vulnerable to impacts or marginalised. There is also no assessment of whether consumers are aware of the processes for reporting their concerns or needs.

S4-1, S4-4

In 2024, no human rights violations involving consumers or end-users were reported. There have also been no serious human rights incidents related to consumers.

MATERIAL TOPIC: CONSUMER EDUCATION – PROMOTING RESPONSIBLE CONSUMPTION

ACTIONS RELATED TO CONSUMER EDUCATION

S4-4, MDR-A

LPP conducts consumer education activities, promotes responsible consumption and sustainable development. Due to such activities, it mainly strives to raise customers' awareness of the environmental impact of their purchasing choices and show them how to use products properly. They are constantly needed and do not require identification each time. In traditional stores, online channels and social media, LPP shares practical information with customers to support informed consumer decisions. At the same time, LPP monitors communication channels, including social media and websites on an ongoing basis in order to respond effectively to consumer needs and adapt its messages to their expectations.

One of the most important activities in 2024 was the **"Wear Your Story"** education campaign promoting the conscious and responsible use of clothes and encouraging their repair and alteration to bring real benefits to the environment and reduce textile waste. This is the second edition of the **"Look after your Clothes"** campaign expanding consumers' knowledge of responsible consumption and encouraging them to change their daily fashion habits.

Since 2018, LPP started the collection of second-hand clothing, which is carried out in all LPP stores in Poland. Since 2024 the collection was extended to the Czech Republic, Slovakia and the UK. Since January 2025, LPP has also been collecting clothes in Lithuania and the company has signed the agreement with a local partner to launch the programme in Bulgaria. For more information on the campaign, see the chapter on *Information related to environment*.

LABELLING AND PROVIDING INFORMATION ON PRODUCTS

In accordance with EU product labelling regulations, each LPP product is carefully marked or provided with a label containing complete information on the composition, in the order from the highest percentage component to the lowest percentage component and recommendations regarding appropriate care and washing. In addition, each brand's website contains easily accessible information on product composition and care, which helps customers to use the product properly and maintain its high quality for a longer period of time.

TARGETS RELATED TO CONSUMER EDUCATION

S4-5, MDR-T

LPP has achieved its strategic goal of introducing a second-hand clothing collection programme to all its stores in Poland. At the next stages, the company planned to extend the programme also to LPP Group stores located abroad by the end of 2023. However, due to the delays in the implementation of the Extended Producer Responsibility (EPR) implementing regulations, including differences in the implementation of regulations concerning selective textile waste collection in individual countries, LPP has modified the implementation schedule of the programme. The Group does not plan to set consumer education targets, but monitors on an ongoing basis whether the company's policies and actions are effective. The activities are continuous, which means that they are not limited to specific stages or milestones.

METRICS RELATED TO CONSUMER EDUCATION

CONSUMER EDUCATION ON RESPONSIBLE CONSUMPTION

own indicator, MDR-M

The **"Wear Your Story"** campaign promoting the reuse of clothes was well received by consumers and recorded a wide reach across various communication channels:

- the dbajoubranie.pl website was visited by 64,000 users,
- campaign video spots were replayed 236,000 times,
- on TikTok, the campaign had as many as 22 million impressions,
- social media publications produced by Mistresses of Practice and campaign experts, showcasing ways to repair and alter clothes, reached an audience of 662,000,
- the campaign's message was broadly reported in the media, with more than 550 publications reaching an audience of 66.5 million,
- the materials published by the Reserved, Sinsay brands and influencers, presenting the stories of exceptional clothes, were watched by nearly 2.5 million viewers,
- posts containing, among others, video tips on the LPP channels reached more than 6 million impressions.

MATERIAL TOPIC: MARKETING COMMUNICATION

ACTIONS RELATED TO MARKETING COMMUNICATION

S4-4, MDR-A

LPP carries out long-term, comprehensive activities to ensure that its marketing communication is ethical and responsible. In order to test the effectiveness of these actions, LPP monitors its communication and, in the case of educational programmes, checks the reach of the campaigns and the participation of consumers in the collection of second-hand clothes.

In 2024, the Group conducted the following activities:

- **Implementation of *Good anti-greenwashing practices***
  To ensure that its sustainability communication is transparent and reliable, LPP has defined principles for responsible product and corporate communication and continuously monitors its compliance with the accepted standards. The Sustainability Department regularly analyses the content published by the company to check its compliance with the guidelines. For details on *Best Practices*, see the initial part of the chapter.

- **Cooperation with partners**
  At the beginning of January 2025, LPP joined the group of companies supporting activities focusing on ethics in advertising and became a member of the Association of Advertising Council Associations working for the highest ethical standards in the marketing communication market.

- **Training for employees**
  In order to counteract *greenwashing* effectively, training sessions for employees on responsible marketing messages are held once a quarter. Twice a year, LPP organises training sessions on respecting social norms and religious feelings in communication with customers, as well as on respecting copyright law. In this way, LPP wants to prevent image crises and expand employees' knowledge of responsible communication and design. In addition to the theoretical part, participants, especially the staff of design and marketing departments, can consult with the External Relations Department on the consistency of the designed graphics or prepared content with the company's values. The consultations relate also to the compliance of the materials with the antigreenwashing principles, ethical principles and the principles of non-discriminatory communication with the customer. In parallel, the Company has introduced a *Catalogue of sensitive and prohibited symbols* and motives to mitigate the risk of publishing controversial content.

- **Consumer education**
  LPP draws attention of consumers to sustainability issues in all markets, both in the traditional store chain and in online channels, in order to expand their knowledge and educate them in the scope of responsible use of the products they purchase. The scope of the initiatives taken is defined as a result of stakeholder meetings and adapted to European Union guidelines, such as the *EU strategy for sustainable and circular textiles* and the Directive amending Directive 2008/98/EC on waste. During the **"Wear Your Story"** campaign, LPP in cooperation with the research company, ARC Rynek i Opinia, conducted an opinion survey on a representative group of Poles. The results indicate an essential need for education, with more and more consumers declaring their willingness to learn how to repair and alter clothes.

- **Image risk monitoring**
  In 2024, LPP implemented the **"LPP Brand Anti-Crisis Shield"** initiative to structure procedures to identify image risks and mitigate reputational risks in the Sinsay, Reserved, Cropp, House and Mohito brands. The Group has established brand-specific crisis teams, developed an image crisis action scheme and implemented a system for the rapid notification of any irregularities via external messaging.

In 2024, consumers did not report any complaints regarding the communication of LPP brands, including complaints related to violation of social norms or offence to religious feelings.

The Office for Competition and Consumer Protection (UOKiK) is conducting an investigation to determine whether LPP SA, in its marketing activities relating to environmental issues, has committed violations that could justify the initiation of proceedings for practices infringing collective consumer interests. The UOKiK's enquiry is part of a coordinated effort by European antitrust authorities regarding apparel companies and standards for the use of eco-labels on clothing.

In response to the UOKiK President's call, LPP SA provided extensive explanations and evidence. At this stage, the Company is not charged for applying practices violating the collective interest of consumers.

CHANNELS FOR REPORTING CONCERNS BY CONSUMERS

S4-3

The Contact Centre (CC) is responsible for accepting the notifications, providing support to consumers through various communication channels. Consumers can make use of a helpline (voice) available at specific times, an e-mail contact that operates around the clock, a webchat on e-commerce websites, the Messenger communicator and Instagram, where notifications can be sent in the comments. CC handles both sales and after-sales issues, including any problems with orders, complaints, returns and any concerns regarding the products purchased.

Consumers are informed of the available forms of contact at each stage of the order, both during and after its completion. Each application is treated individually and customers can remain anonymous or, if they provide their data, it is protected in accordance with the applicable law.

TARGETS RELATED TO MARKETING COMMUNICATION

S4-5, MDR-T

LPP does not plan to set targets related to marketing communication, but monitors on an ongoing basis whether the company's policies and actions are effective. The activities are continuous, which means that they are not limited to specific stages or milestones. The implementation process is smooth and flexible, so that the company can adjust priorities on an ongoing basis and respond to changing conditions and needs.

MATERIAL TOPIC: PRODUCT QUALITY

ACTIONS RELATED TO PRODUCT QUALITY

S4-4, MDR-A

LPP is constantly improving the quality of its products and cares for ensuring the compliance with the accepted standards. It conducts numerous inspections and audits to ensure product safety and compliance with the requirements contained in *the LPP Quality Guidebook*. Activities in this area are constantly needed and do not require identification each time.

SELF-IMPROVEMENT PROCESS

A key element of this system is the improvement process, which includes employee training, research and development (R&D) and quality projects. The LPP focuses on raising the qualifications of employees, assessing and improving product quality, easier root cause analysis (RCA), as well as identifying and classifying suppliers. The company carries out audits and product quality inspections to prevent quality and product safety problems. It also carries out supply chain training, risk assessments and organises regular visits by LPP quality controllers to factories. Quality control specialists also visited accredited laboratories in China and Hungary and thus provided access to experts' analysis and testing in terms of durability and product quality.

In 2024, LPP conducted a series of training courses on *colour fastness* to expand designers' and vendors' knowledge of colour fastness in clothing products. The Group also carried out a project in which 484 models were checked to confirm whether their size was in line with the technological tables. In-house webinars were also held on the subject of garment mottling and fabric tear strength.

PHYSICAL TESTS

LPP carries out physical tests to ensure the quality of the products offered and the safety of customers. Tests include, among others, testing of material strength, abrasion resistance, stretchability, colour fastness and resistance to detergents or chemicals. The tests also check the safety of products, e.g. the content of harmful or allergenic substances. LPP's laboratory in Dhaka performs the so-called *"pull tests"* on tension and buttons in children's products.

LPP carries out a *tearing* project to help it increase the wear life of its trousers, reduce complaints and analyse suppliers and control production quality more effectively. At the initial stages of the project, LPP consulted with clothing technologists, material science experts, as well as suppliers to understand the operational perspective and production specifications. Due to the information gathered, LPP was able to adapt the requirements to current market standards. The target was to carry out a minimum of 30 *tearing* tests per month.

At subsequent stages, meetings are held with suppliers, where LPP presents and discusses the test results and presents expectations concerning quality improvement. The results of the tests are also discussed with the product departments on an ongoing basis, so that progress can be effectively monitored and targets met. The target at the end of 2024 was to achieve a 90% rate of tests passed.

LPP is also running a *pilling* project with the aim to reduce the formation of pilling , i.e. entangled fibres that form small pills. LPP performed a detailed assessment of the *pilling* scale for different materials which takes into account criteria such as the number of entangled fibres, their size and the surface area of the material covered by the pills. The samples tested are compared with a standard according to the EMPA scale, which enables precise quality assessment. The standards that LPP strives for are described in detail in *the LPP Quality Guidebook*, which ensures consistency and the top quality in the production process.

During the factory inspections, LPP inspectors from Poland, China, Bangladesh, Turkey and Pakistan check whether the factories perform relevant testing of products and meet quality requirements. LPP subcontracts quality tests to certified units or performs them in its laboratories in Pruszcz Gdański and Dhaka.

QUALITY AUDITS

A team of LPP Quality Control specialists regularly visits factories, among others, in China, Bangladesh and Turkey where they carry out quality audits. In 2024, LPP continued the QAS **(Quality Assurance System)** project in Bangladesh.

In addition to audits, LPP also carries out product inspections, both in factories and in distribution centres in Poland. This system allows for the independent quality control of selected models.

Through the combination of audits and inspections, LPP effectively verifies the quality of products and suppliers, mitigates the risk of errors and maintains high standards throughout the supply chain.

LPP has four quality control departments responsible for supervising the production standards and suppliers' ethical compliance. They are located in:

- Pruszcz Gdański (Poland) – the headquarters where teams of specialists control product quality, liaise with suppliers, supervise production processes and conduct final inspections of finished products,
- Shanghai (China) – the quality control centre in Asia responsible for monitoring production, liaising with local factories and verifying the compliance with safety and labour standards,
- Dhaka (Bangladesh) – the office dealing with supervising supplier factories, conducting **Quality Assurance System** (QAS) audits and inspecting working conditions in the region,

- Istanbul (Turkey) – department responsible for conducting quality inspections during production (*in-line* inspection) and after production (*final inspection*).

In 2024, LPP also hired inspectors in Pakistan who, among others, verify the quality of the products directly in the factories.

RECALL OF PRODUCTS FROM SALE

If a product that has been marketed for sale is found faulty, customers are informed thereof via the website. Customers who ordered goods online and agreed to be contacted electronically also receive an e-mail about the recall at their address.

In 2024, LPP recalled from sale products that do not meet the European Union requirements, including those that violate REACH guidelines and safety standards for children's clothing and toys. All contested products have been withdrawn from sale and handed over to the relevant facilities for disposal.

If a model is not compliant with the European Union regulations since it poses risk to life or health, LPP takes the following actions:

- corrective – Purchasing Process Support Department registers the model recall in the internal system and informs all the departments concerned in the company and the stores of the situation. All available pieces of the model are stored in the warehouse and disposed of,
- corrective – Product Preparation Department, i.e. the buyer informs the supplier who supplied the non-conforming product of the situation. The supplier receives a comprehensive explanation of the non-conformity of the product so that it can find the cause of the non-conformity. Other orders from the period when the product defect was detected are checked again. Subsequent orders from the designated supplier are carefully checked. If the non-compliance recurs, the cooperation with the supplier is terminated.

If a model is not compliant with the European Union regulations since it does not meet the labelling requirements, LPP takes the following actions:

- corrective – Purchasing Process Support Department registers the model recall in the internal system and informs all the departments concerned in the company and the stores of the situation. All available pieces of the model are stored in the designated warehouse and repaired,
- corrective – LPP undertakes cooperation with an external company to label the product correctly in accordance with the requirements applied in the European Union.

More about the recalled products can be found below in the section entitled *Metrics*.

TARGETS RELATED TO PRODUCT QUALITY

S4-5, MDR-T

LPP determines quality targets and focuses on eliminating problem areas and continuous improvement of standards throughout the supply chain. A key element of the *Quality Assurance System* for quality assurance audits is the classification of factories according to grades A, B, C, D, where D represents the weakest score. When analysing these scores, the company identifies the sources of the problems – determining which suppliers and in which areas any irregularities occur. Consequently, LPP has been successively reducing the number of D grades, which translates into quality improvements.

LPP sets specific targets concerning the number of audits conducted. The target for 2025 is to perform at least 200 audits.

METRICS RELATED TO PRODUCT QUALITY

NUMBER OF QUALITY CHECKS PERFORMED

own indicator, MDR-M

LPP conducts numerous inspections and audits to ensure the highest standards of product safety. In 2024, 21,768 such quality checks took place in the factories and in the Distribution Centre.

In addition 23 audits of factories in Bangladesh and China took place in 2024 checking the moisture levels at each stage of production.

CASES OF NON-COMPLIANCE CONCERNING THE HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES

own indicator, MDR-M

In 2024, nine products that did not meet labelling requirements or posed threat to life or health were recalled from sale. LPP has also taken the internal decision to recall two consecutive models that were controlled by Wojewódzka Stacja Sanitarno-Epidemiologiczna and found to be of insufficient quality.

Products posing threat to life or health were sent for disposal, while those mislabelled were retained and sent for correct labelling.

INFORMATION RELATED TO CORPORATE GOVERNANCE

G1 BUSINESS CONDUCT

The foundation of all the LPP Group's activities are the common values, attitudes and convictions that constitute its corporate culture. It plays crucial role – it shapes the way of making decisions, cooperating and building relationships with stakeholders.

DOUBLE MATERIALITY ASSESSMENT

IRO-1

The double materiality assessment , more about this in the General Disclosures section, showed that the issues relevant to LPP in the area of corporate governance include business ethics, supplier verification and ESG risk management. For many years, the LPP Group has been committed to ethical conduct, not only in its own operations but also throughout the entire value chain and is gradually developing and implementing policies to regulate these issues.

POLICIES RELATED TO BUSINESS CONDUCT

G1-1, MDR-P

The corporate culture is jointly created by members of the administrative, management and supervisory bodies. It is a permanent element of communication with employees, associates and business partners. Its most important aspects are regularly discussed, e.g. during the meetings of the Management Board and the Supervisory Board, annual strategic reviews, which comprise an analysis of initiatives, goals and results of activities related to the corporate culture (including the effectiveness of implemented ethical policies and procedures). Furthermore, the Compliance Director holds meetings with the Ethics Officers to analyse reported violations and the remedial measures taken.

The commitment of senior management is reflected in the adopted tools and internal regulations which form the basis of LPP's ethical standards. With the aim of supporting and promoting its corporate culture, the company has implemented a number of tools that enable it to effectively communicate its principles and values within the organisation.

CODES AND ETHICS PRINCIPLES

Detailed documents governing expected behaviour and standards of conduct. They are clearly communicated within the organisation and the compliance with them underpins the daily work and the decisions made.

WHISTLEBLOWING MECHANISMS

Various channels for anonymous and open reporting of ethical violations and whistleblower protection mechanisms to prevent retaliation.

TRAINING AND EDUCATION

Regular training for employees and associates to enhance their knowledge of LPP values and applicable rules of procedure.

MEETINGS WITH ETHICS OFFICERS

Annual meetings between the Compliance Director and Ethics Officers to support the culture of ethics. During the meetings, reported irregularities, remedial measures taken and areas requiring further attention are discussed.

The fundamental document defining the desired behaviours and ethical standards of the Group's employees is *the Code of Ethics*, referred to as *LPP Rules. Manual for employees*. The document regulates behaviours, values and areas of the daily functioning of the Group. It defines rules applicable at the workplace, issues of conflict of interest, information security and the formation of relations with the business environment, as well as external communication standards. *The LPP Rules* provide the basis for all other policies, contain detailed explanations and descriptions of the standards and values driving LPP. For more information on *the Code of Ethics*, see the section Policies related to own workforce.

⊕ LPP Rules. Manual for employees

FIVE KEY LPP RULES:

1. **Care for the development and good name of the company.**
2. **Respect for others.**
3. **Compliance with the rules of national and international law.**
4. **Strive for a positive impact of the company's actions on people, the economy and the environment.**
5. **Lack of acceptance of human rights violations in and outside the workplace.**

To ensure high quality customer service, LPP has also prepared a separate document setting out standards of conduct for employees of retail stores: *LPP rules for employees of retail stores*. *The rules* enhance the quality of customer service and facilitate building of sustainable 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.

The LPP Rules and *the LPP Rules for employees of retail stores* take into account the interests of the organisation and the expectations and requirements of stakeholders from all LPP Group's entities. They are posted on the website and are easily accessible to all stakeholders. Each new employee becomes familiar with the rules as part of the recruitment and induction process.

⊕ LPP rules for employees of retail stores

Procedure of whistleblowing and taking follow-up actions defines the rules of reporting violations of law, corporate governance and internal regulations in LPP SA. Irregularities can be reported by both employees and associates outside the organisation, anonymously or openly through a variety of channels, including through an application or in person. *The procedure* ensures a broad access to whistleblowing mechanisms and adequate protection for whistleblowers. Its aim is to identify irregularities, provide secure reporting channels, promote transparency, build employee trust and eliminate violations. *The procedure* assumes the appointment of independent ethics officers responsible for receiving and reviewing reports and contacting the whistleblowers (the process is in progress), as well as the involvement of the Compliance Director or legal service and, in the case of reports concerning the Management Board, the Chairperson of the Supervisory Board. Local models for reporting the complaints are compliant with Directive (EU) 2019/1937. The Ethics Officers report on an annual basis to the Management Board and the Compliance Director on the number and status of reports and provide information if requested by the Management Board or the Supervisory Board.

The procedure is subject to regular reviews. They take place at least once a year and any proposals for change can be submitted to the Compliance Department. Training on the operation of the procedure is primarily addressed to ethics officers, however, training courses are also planned to include substantive analyses of emerging issues to identify areas for improvement.

The procedure is available on the Company's intranet and website, including a link to the portal for reporting complaints anonymously or publicly. The document was prepared in consultation with employees, taking into account the interests of the organisation as well as the expectations and requirements of its stakeholders. Each new employee becomes familiar with the procedure as part of the recruitment and induction process.

⊕ Procedure of whistleblowing and taking follow-up actions

Rules of Cooperation with Business Partners is a set of standards and guidelines concerning the rules governing business contacts of LPP SA employees and associates, regardless of the legal basis of their employment, with external entities. The document sets out the principles for exercising special care in the selection of business partners, particularly the suppliers of goods and services. It regulates three main areas – the rules of cooperation of LPP SA employees and associates with external entities, accepting gifts or other gratuities and competitive activity.

Rules of cooperation with business partners:

- ensure impartiality and transparency in business relations,
- eliminate the influence of business partners on business decisions of LPP SA employees,
- define the rules for accepting gratuities in order to mitigate the risk of corruption.

The review of *the Rules* is carried out by the Compliance Director as part of the regular supervision of the organisation's activity.

Rules of cooperation with business partners are posted on the website and are easily accessible to all stakeholders. The document was developed in consultation with employees and takes into account the interests of the organisation and the expectations and requirements of its stakeholders. Each new employee becomes familiar with the rules as part of the recruitment and induction process.

⊕ *Rules of Cooperation with Business Partners*

The anti-corruption procedure complements *the LPP Rules, the Manual for employees* and *the Rules of cooperation with business partners* and creates jointly a coherent system of internal regulations counteracting bribery and other forms of corruption. It precisely defines its manifestations, identifies risks and indicates effective ways to counteract them. The document defines standards of procedure tailored to the different areas of the LPP Group's activities – relations with public administration, business contacts, conflict of interests and activities of public nature. The document describes the procedures for reporting cases of corruption and guarantees the protection of whistleblowers, also by prohibiting retaliation against whistleblowers. *The procedure* requires transparency and compliance with the law in contacts with government officials, prohibits offering benefits to officials and emphasises the need to maintain care in professional relationships. In the business area, it promotes the fair selection of business partners, based on clear and objective criteria. It also defines the rules of handling situations of conflict of interests and emphasises political neutrality to ensure that the LPP Group conducts its business in a responsible, transparent way and independently of political influence.

The anti-corruption procedure assumes anonymous and open channels for reporting violations, in accordance with the whistleblower protection standards. *The Procedure* is in line with international and national regulations, including the *United Nations Convention against Corruption*. The document is reviewed and updated on an annual basis, adapting it to legal and organisational changes. The anti-corruption procedure has been prepared taking into account the interests of the organisation and the expectations and requirements of its stakeholders. Each new employee becomes familiar with the procedure as part of the recruitment and induction process. The incident investigation procedure is independent and objective. The most exposed functions to the risk of corruption and bribery in the LPP Group are related to the floorspace lease area, investments, purchasing and marketing.

The Risk Book and the Risk Management Procedure form an integral part of the management system, helping to make informed decisions and strengthening the organisation's resilience to dynamically changing market conditions. See the General disclosures section for details concerning these documents.

MATERIAL TOPIC: BUSINESS ETHICS

ACTIONS RELATED TO THE AREA OF ETHICS, WHISTLEBLOWER PROTECTION, ANTI-CORRUPTION

MDR-A

LPP carries out a number of activities to shape the ethical culture, implements clear rules, provides regular training and has whistleblowing mechanisms in place. All new employees familiarise themselves with *the LPP Rules (Code of Ethics)* during induction and undertake to comply with them. The Company regularly reminds employees of these values in its internal communication, thereby raising awareness of ethical standards and increasing employee commitment to compliance.

A further review of LPP's ethical standards is planned for 2025 – the ethical rules will be updated and standardised while whistleblowing channels will be the same in all Polish and foreign subsidiaries.

As part of its whistleblowing and whistleblower protection activities, the Group:

- has developed and implemented an extensive procedure that enables the reporting of violations both anonymously and openly,
- has expanded the catalogue of violations that can be reported anonymously,
- has launched diversified whistleblowing channels, including a dedicated app and an option of face-to-face conversation,
- has implemented mechanisms protecting whistleblowers from retaliation to ensure their safety and confidentiality,
- has started to recruit more Ethics Officers responsible for receiving and reviewing reports. In 2025, LPP plans to appoint 26 ethics officers from different areas. Their main task will be to analyse reports and take appropriate action.

Expected results:

- increasing the confidence of employees and other stakeholders in the whistleblowing system,
- enhancing the efficiency of the whistleblowing procedure and improving the actions taken in this regard,
- strengthening the culture of transparency and accountability in the organisation,
- limiting the number of violations through early detection and effective clarification,
- more effective risk management through fast identification of problems.

Whistleblowing procedures are in place in all regions where the LPP Group operates. Due to the dedicated platform, reports can be submitted electronically from any place worldwide. They are immediately forwarded to the company and handled in accordance with the whistleblower procedure. The whistleblowing rules have been made available on the LPP SA's website, including the submission form supported by the Whiblo application.

In addition, subsidiaries with more than 249 employees accept reports and conduct investigations in-house, which ensures the independence of the process and effectively eliminates potential corruption risks.

Activities include both internal operations and successive links in the value chain, including suppliers, business partners and their subcontractors. Each of those entities is authorised to report irregularities related to violation of the law or ethical rules and each report provides the basis for remedial action. LPP provides periodic training and educates employees to expand their knowledge of ethics and counteracting irregularities. In the previous year the Group:

- organised training for employees responsible for accepting whistleblowing notifications,
- launched a series of training courses on the company's values and ethical rules; persons promoted to managerial positions participate in the ABC of a Leader and Manager's Academy programmes,
- continued the compulsory e-learning training on *Counteracting mobbing and discrimination at a workplace* for employees of stores of all LPP brands in Poland,
- organised training for tax practitioners to expand their knowledge in the scope of regulatory compliance.

COUNTERACTING AND DETECTION OF CORRUPTION AND BRIBERY

G1-3

LPP applies *the Anti-Corruption Procedure* to prevent, detect and respond to corruption and allegations of corruption. A description of *the Procedure* can be found in the initial section of this chapter in the presentation of business conduct policies and corporate culture.

The reporting of violations related to bribery and any other forms of corruption to administrative, management and supervisory bodies is subject to the internal procedure for reporting and follow-up actions relate to violations of law and similar procedures adopted in LPP Group subsidiaries. At least once a year, the Ethics Officers submit a report to the Management Board and to the Compliance Director (or, in the absence of the latter, to the Vice President of the Management Board responsible for legal issues) containing information on the number and type of reports and their status. Moreover, the Ethics Officers shall, at any request of the Management Board or the Supervisory Board, provide any information on ongoing investigations and current findings. In 2024, no dedicated training on counteracting corruption and bribery was planned.

The investigators or the investigation committee are independent of the management structures involved in the case.

TARGETS RELATED TO BUSINESS ETHICS

MDR-T

The Group has not determined and does not currently plan to set any goals in this area, but it is constantly monitoring whether its policies and actions are effective.

METRICS RELATED TO BUSINESS ETHICS

G1-4, MDR-M

In 2024, there were no convictions for violations of anti-corruption and anti-bribery laws. As a result, the Group was not fined for violations of such laws. Actions to prevent of occurrence violations of procedures and standards in this area are described in more detail in the *Ethics, whistleblower protection, anti-corruption actions* section.

MATERIAL TOPIC: VERIFICATION OF SUPPLIERS – CONTROL AND EVALUATION OF THEIR SOCIAL AND ENVIRONMENTAL PERFORMANCE

RELATIONS WITH SUPPLIERS

G1-2

Management of relationships with suppliers – both manufacturing and non-manufacturing – is an integral part of the LPP Group's supply chain. Due to cooperation with manufacturing suppliers, LPP can effectively manage the production process from design to final product. Partnership with non-manufacturing suppliers allows the Group to manage its supply chain in efficiently, introduce innovation in the area of e-commerce and provide a high level of 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*. LPP expects all suppliers to comply with the Group's guidelines, including the *Code of Conduct* for suppliers which defines expectations regarding the respect for human rights, business ethics, social responsibility, environmental protection and transparent financial practices. At present, LPP does not have any formal policy in place to prevent late payments.

ACTIONS RELATED TO THE VERIFICATION SUPPLIERS

MDR-A

In order to ensure transparency and clarity in commercial relations, the LPP Group commits its employees and associates to comply with the established principles for contacting external entities, presented in *the Rules of Cooperation with LPP Business Partners*. Every LPP employee and associate must carefully select suppliers of goods and services and, within their cooperation with them, must be guided by the principles of impartiality and transparency, avoid situations that could influence their business decisions and comply with the policy on the acceptance of gifts and other gratuities.

In 2024, the Group has been continuing systematic employee training on *the Code of Conduct* for suppliers. 569 people participated in the training courses, including buyers from all LPP retail brands and representatives of the Barcelona, Dhaka and Shanghai offices. The training courses are intended to increase employees' sensitivity to the working conditions in the plants they visit and to make them more vigilant to suppliers' business practices. *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.

For more information on *the Code of Conduct* for suppliers, see section *Policies related to workers in the value chain*.

LPP is committed to building a responsible supply chain and its terms and conditions for working with suppliers assume, among others:

- compliance with *the Code of Conduct* for suppliers, which sets out ethical, social and environmental standards,
- meeting standards in the scope of employee rights, occupational safety and anti-discrimination,
- responsible production processes reducing the environmental impact,
- transparency in the supply chain and the origin of raw materials,
- minimisation of greenhouse gas emissions and efficient management of natural resources.

Each supplier is required to comply with the LPP standards and sign mandatory documents such as *the Code of Conduct* for suppliers, *the Sustainability Policy* and *the Anti-Corruption Procedure*.

Four quality control offices in Poland, China, Bangladesh and Turkey carry out systematic checks of manufacturers and the entire system is centralised and supervised by the office in Pruszcz Gdański. The company employs the *Quality Assurance System* and comprehensively checks quality during and after production. It checks the physical parameters of products, verifies measurement points, monitors returns and analyses the causes of complaints to ensure the highest delivery standards.

LPP cooperates with organisations such as **Cascale, Science Based Targets initiative, Zero Discharge of Hazardous Chemicals** and **Cotton made in Africa** to mitigate the environmental impact of operations, reduce greenhouse gas emissions and implement more sustainable production processes. For more information, see the Environmental Information section which provides a detailed description of the LPP Group's efforts for sustainable production, emission reduction and responsible resource management throughout the supply chain.

TARGETS RELATED TO THE VERIFICATION OF SUPPLIERS

MDR-T

The LPP Group has not set and does not currently plan to set any goals in this area, but it is constantly monitoring whether its policies and actions are effective.

METRICS RELATED TO THE VERIFICATION OF SUPPLIERS

G1-6, MDR-M

In 2024, the average time to settle an invoice in the LPP Group was 33 days from the date of receipt. Typically, invoices for the costs of running stores are settled within 15-20 days, invoices related to investment purchases within 30-35 days, and invoices for other purchases within 35-40 days.

In 2024, 100% of the Group's payments were in line with the described standard payment terms.

There are currently no pending legal proceedings related to late payments.

In order to calculate data on payment practices, the LPP Group used a representative sample reflecting the activities in each business area. In addition to standard payment terms, the company also uses reverse factoring, where the average payment term is up to 180 days from the date of receipt of the invoice.

The data was developed based on standard reports used to prepare reports on payment terms used. The study covers data for the calendar year, i.e. from 01.01.2024 to 31.12.2024, and all payment transactions in this period were analysed, except for intercompany transactions that took place within the LPP Group.

MATERIAL TOPIC: ESG RISK MANAGEMENT

The ESG risk management process is described in GOV-5 indicator the General disclosures section.

DISCLOSURE INDEX

MANAGEMENT OF IMPACTS, RISKS AND OPPORTUNITIES

IRO-2

The LPP Group has fulfilled the disclosure requirements in this Sustainability Statement for 2024. The list of disclosure requirements fulfilled following the double materiality assessment (ESRS content index) is provided below.

***Table 24** ESRS Content Index*

Indicator	Name of disclosure	Page number in the statement
ESRS 2 GENERAL DISCLOSURES		
BP-1	General basis for preparation of the sustainability statements	59
BP-2	Disclosures in relation to specific circumstances	60
GOV-1	The role of the administrative, management and supervisory bodies	69
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	71
GOV-3	Integration of sustainability-related performance in incentive schemes	71
GOV-4	Integration of sustainability-related performance in incentive schemes	74
GOV-5	Risk management and internal controls over sustainability reporting	71
SBM-1	Strategy, business model and value chain	60
SBM-2	Interests and views of stakeholders	65
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	76
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	75
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	141

Indicator	Name of disclosure	Page number in the statement
E4-4	Goals related to biodiversity and ecosystems	104
E4-5	Impact measures related to changes in the scope of biodiversity and ecosystem	104
E4-6	Anticipated financial effects arising from risks and opportunities related to biodiversity and ecosystems	104
E5 RESOURCE USE AND CIRCULAR ECONOMY		
IRO-1	Description of processes for identifying and assessing significant impacts, risks and opportunities associated with the use of resources and circular economy	105
E5-1	Policies related to resource use and circular economy	82, 105
E5-2	Actions and resources related to resource use and circular economy	105
E5-3	Targets related to resource use and circular economy	108
E5-4	Resource inflows	109
E5-5	Resource outflows	110
S1 OWN WORKFORCE		
SBM-2	Interests and views of stakeholders	65
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	76, 111
S1-1	Policies related to own workforce	112
S1-2	Processes for engaging with own workers and workers' representatives about impacts	115
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	115
S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	115, 116, 117, 118
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	115, 116, 117, 118
S1-6	Characteristics of the undertaking's employees	119
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	119
S1-9	Diversity metrics	120
S1-10	Adequate wages	120
S1-14	Health and safety metrics	121
S1-16	Compensation metrics (pay gap and total compensation)	122
S1-17	Incidents, complaints and severe human rights impacts	121

Indicator	Name of disclosure	Page number in the statement
S2 WORKERS IN THE VALUE CHAIN		
SBM-2	Interests and views of stakeholders	65
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	76
S2-1	Policies related to workers in the value chain	123
S2-2	Processes for engaging with value chain workers about impacts	124
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	125
S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action	125, 128
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	128
S4 CONSUMERS AND END USERS		
SBM-2	Interests and views of stakeholders	65
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	76, 129
S4-1	Policies related to consumers and end users	129, 130
S4-2	Processes for engaging with consumers and end-users about impacts	130
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	130, 132
S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end – users, and effectiveness of those actions	130, 131, 132
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	131, 132, 134
G1 BUSINESS CONDUCT		
GOV-1	The role of the administrative, management and supervisory bodies	69
IRO-1	Description of the process to identify and assess material impacts, risks and opportunities	136
G1-1	Corporate culture and business conduct policies and corporate culture	136
G1-2	Management of relationships with suppliers	139
G1-3	Prevention and detection of corruption and bribery	139
G1-4	Confirmed incidents of corruption or bribery	139
G1-6	Payment practices	140

In accordance with Appendix B of ESRS 2, a table is also provided below which includes all datapoints derived from other EU legislation, including an indication of the page of the statement where they can be found.

Table 25 *List of datapoints in cross-cutting and topical standards that derive from other EU legislation.*

Disclosure requirement and related datapoint	SFDR (1*)	Third pillar (2*)	BRR (3*)	EUCL (4*)	Place in the Statement concerning sustainable development
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	x		x		69
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			x		69
ESRS 2 GOV-4 Statement on due diligence paragraph 30	x				74
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	x	x	x		n/d
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	x		x		n/d
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	x		x		n/d
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			x		n/d
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				x	95
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		x	x		n/d
ESRS E1-4 GHG emission reduction targets paragraph 34	x	x	x		96
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	x				99
ESRS E1-5 Energy consumption and mix paragraph 37	x				99
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	x				99
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	x	x	x		97
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	x	x	x		97
ESRS E1-7 GHG removals and carbon credits paragraph 56				x	n/d
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			x		n/d
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a)		x			n/d
ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c)		x			n/d
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c)		x			n/d

Disclosure requirement and related datapoint	SFDR (1*)	Third pillar (2*)	BRR (3*)	EUCL (4*)	Place in the Statement concerning sustainable development
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities paragraph 69			x		n/d
ESRS E2-4 listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	x				n/d
ESRS E3-1 Water and marine resources paragraph 9	x				101
ESRS E3-1 Dedicated policy paragraph 13	x				101
ESRS E3-1 Sustainable oceans and seas paragraph 14	x				n/d
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	x				n/d
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	x				n/d
ESRS 2 SBM 3-E4 paragraph 16 (a) i	x				103
ESRS 2 SBM 3-E4 paragraph 16 (b)	x				103
ESRS 2 SBM 3-E4 paragraph 16 (c)	x				103
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	x				n/d
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	x				n/d
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	x				n/d
ESRS E5-5 Non-recycled waste paragraph 37 (d)	x				n/d
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	x				n/d
ESRS 2 SBM-3-S1 Risk of incidents of forced labour paragraph 14 (f)	x				112
ESRS 2 SBM-3-S1 Risk of incidents of child labour paragraph 14 (g)	x				112
ESRS S1-1 Human rights policy commitments paragraph 20	x				112
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			x		112
ESRS S1-1 Processes and measures for preventing trafficking in human beings paragraph 22	x				n/d
ESRS S1-1 Workplace accident prevention policy or management system paragraph 23	x				112
ESRS S1-3 Grievance/complaints handling mechanisms paragraph 32 (c)	x				115
ESRS S1-14 Number of fatalities and number and rate of work – related accidents paragraph 88 (b) and (c)	x		x		121
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	x				121
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	x		x		122
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	x				122

Disclosure requirement and related datapoint	SFDR (1*)	Third pillar (2*)	BRR (3*)	EUCL (4*)	Place in the Statement concerning sustainable development
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	x				121
Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 104 (a)	x		x		121
ESRS 2 SBM-3-S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	x				123
ESRS S2-1 Human rights policy commitments paragraph 17	x				123
ESRS S2-1 Policies related to value chain workers paragraph 18	x				123
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	x		x		123
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			x		123
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	x				125
ESRS S3-1 Human rights policy commitments paragraph 16	x				n/d
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	x		x		n/d
ESRS S3-4 Human rights issues and incidents paragraph 36	x				n/d
ESRS S4-1 Policies related to consumers and end-users paragraph 16	x				129
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 17	x		x		130
ESRS S4-4 Human rights issues and incidents paragraph 35	x				130
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	x				138
ESRS G1-4 Fines for violation of anti – corruption and anti-bribery laws paragraph 24 (a)	x		x		139
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 24 (b)	x				n/d

(1*) Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (regulation on disclosure of information related to sustainable development in the financial services sector) (OJ L 317, 9.12.2019, pp. 1)

(2*) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, pp. 1)

(3*) Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.06.2016, pp. 1)

(4*) Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (European Climate Law) (OJ L 243, 9.7.2021, pp. 1)

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 2024 financial year. **The calculations were carried out in accordance with the GHG Protocol standards**, described in:

- The GHG Protocol Corporate Accounting and Reporting Standard[1],
- GHG Protocol Scope 2 Guidance[2],
- Corporate Value Chain (Scope 3) Accounting and Reporting Standard[3].

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 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 floorspace 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 CO_2 equivalent (CO_2e) 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 2024 to 31 January 2025**, i.e. the financial year of the LPP Group, parallel to the period for which the LPP Group Sustainability Statement for the 2024 financial year is published.

- **Emissions relating to the use of buildings (offices, warehouses, stores) and cars.** Emissions from real estate 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 accepted to the LPP warehouse shall be deemed the moment of purchase – this means a change in approach compared to the previous years, due to which we have more accurate data on the weight of the goods, which is measured in our warehouses (in the previous years, the weight of the goods was declared by suppliers). In the case of other products and services, the date of issuing the 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 the products purchased 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 Parent Company, 6 domestic subsidiaries and 29 foreign subsidiaries. Foreign companies are mostly entities that distribute LPP goods outside Poland.

***Table 1** Structure of the LPP Group – LPP SA and subsidiaries (as at 31.01.2025)*

No.	Partnership name	Registered office	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.	LPP Printable Sp. z o.o.	Gdansk, Poland	100.0%	yes
4	LPP Logistics Sp. z o.o.	Gdansk, Poland	100.0%	yes
5.	Dock IT Sp. z o.o.	Gdansk, Poland	100.0%	yes
6.	Silky Coders Sp. z o.o.	Gdansk, Poland	100.0%	yes
7.	Veviera Investments Sp. z o.o.	Gdansk, Poland	50.0%	yes
8.	LPP Czech Republic SRO	Prague, Czech Republic	100.0%	yes
9.	LPP Slovakia SRO	Banska Bystrica, Slovakia	100.0%	yes
10.	LPP Hungary KFT	Budapest, Hungary	100.0%	yes
11.	LPP Lithuania UAB	Vilnius, Lithuania	100.0%	yes
12.	LPP Latvia LTD	Riga, Latvia	100.0%	yes
13.	LPP Estonia OU	Tallinn, Estonia	100.0%	yes
14.	LPP Ukraine AT	Peremyshliany, Ukraine	100.0%	yes
15.	OOO LPP BLR	Minsk, Belarus	100.0%	yes
16.	LPP Kazakhstan LLP	Almaty, Kazakhstan	100.0%	yes
17.	LPP CA FE LLC	Tashkent, Uzbekistan	100.0%	yes
18.	LPP Fashion Bulgaria EOOD	Sofia, Bulgaria	100.0%	yes
19.	LPP Romania Fashion SRL	Bucharest, Romania	100.0%	yes
20.	LPP Croatia DOO	Zagreb, Croatia	100.0%	yes
21.	LPP Serbia DOO Beograd	Belgrade, Serbia	100.0%	yes
22.	LPP Fashion, DOO	Ljubljana, Slovenia	100.0%	yes
23.	LPP BH DOO	Banja Luka, Bosnia and Herzegovina	100.0%	yes
24.	LPP Macedonia DOOEL	Skopje, Macedonia	100.0%	yes
25.	LPP Albania LTD	Tirana, Albania	100.0%	yes
26.	LPP Kosovo LLC	Prishtine, Kosovo	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.	Sinsay Portugal, Unipessoal LDA	Portugal, Lisbon	100.0%	yes
34.	P&L Marketing&Advertising Agency SAL	Beirut, Lebanon	97.3%	yes
35.	LPP Logistics Slovakia SRO	Sered, Slovakia	100.0%	yes
36.	LPP Logistics Romania SRL	Stefanesti de Jos, Romania	100.0%	yes

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 (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 centres. 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 2,847 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, fulfilment center (FC) warehouses in Poland and abroad were also recognised as leased assets. 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 Łąkowa Silk 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, no operational control):

- stores in Poland and abroad,
- foreign offices,
- DC Bucharest (Romania),
- fulfilment 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 2022 and 2023.

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 on the calculation of greenhouse gas emissions, which is part of the Sustainability Report for 2022/2023 (p.108).

In the course of the external audit of GHG emission calculations, it was determined that the auditor's recommended changes to the methodology for calculating emissions from the operation of stores and the use of sold goods will be introduced in the following year, due to the need of re-working decarbonisation goals and plans re-approving them by SBTi, along with the recalculation of the base year.

***Table 2** Most important information concerning the emissions calculation methodology for 2024*

Emission source	Calculation method	Input data source	Source of emission indicators (in footnotes)
SCOPE 1			
Fuels and refrigerants used in LPP-owned buildings and vehicles	Average-data	Invoices (consumption of sources in appropriate units)	4
SCOPE 2 – MARKET-BASED			
Electricity and heat used in LPP Group's own buildings	Market-based	Invoices (consumption of sources in appropriate units)	Guarantee of origin for wind energy;
SCOPE 2 – LOCATION-BASED			
Electricity and heat used in LPP Group's own buildings	Location-based	Invoices (consumption of sources in appropriate units)	5 for electricity; 6 for heat.
SCOPE 3, CATEGORY 1 – RAW MATERIALS AND MATERIALS			
Sourcing of conventional and preferable raw materials and production of materials	Average-data, spend-based	Purchased goods base (weight of each raw material)	7 for the average-data method; 8 for the spend-based method; 9 for currency conversions.
SCOPE 3, CATEGORY 1 – FINISHED GOODS PRODUCTION PROCESSES			
Finished goods production processes (material → product)	Average-data	Base of goods purchased (number of pieces of all products)	10
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)	4
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)	4
SCOPE 3, CATEGORY 1 – OPEX			
Other purchased goods and services that are unmeasurable or reliable emission factors are not available	Spend-based	OpEx summary	8 for the spend-based method; 9 for currency conversions.
SCOPE 3, CATEGORY 2 – CAPITAL ASSETS			
Purchased capital assets	Spend-based	CapEx summary	8 for the spend-based method; 9 for currency conversions.
SCOPE 3, CATEGORY 3 – ENERGY AND FUEL-RELATED EMISSIONS 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	4, 13
SCOPE 3, CATEGORY 4 – TRANSPORT AND DISTRIBUTION – UPSTREAM (FROM SUPPLIERS TO LPP WAREHOUSES)			
Transport of purchased goods from supplier to LPP warehouses (air, sea and road transport)	Distance-based	Base of goods purchased (type of transport, place of dispatch and reception, weight of the goods transported (goods including packaging))	4 for transport by road and by air; 11 for transport by sea.
SCOPE 3, CATEGORY 4 – TRANSPORT AND DISTRIBUTION – UPSTREAM (WITHIN LPP)			
Transport of goods purchased between LPP units (warehouse-warehouse, warehouse-store, store-store, store-warehouse; transport by road)	Distance-based	Logistics base ((type of transport, place of dispatch and reception, weight of the goods transported (goods including packaging))	4

Emission source	Calculation method	Input data source	Source of emission indicators (in footnotes)
SCOPE 3, CATEGORY 5 – WASTE GENERATED DURING 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	Base of purchased goods (cardboard boxes and foils from suppliers), invoices (additional packaging), base of returned e-commerce packages (number of items converted to weight)	4
SCOPE 3, CATEGORY 6 – BUSINESS TRAVEL			
Transport and hotel stay at the destination	Average-data	Base of business travel (means of transport, distances, number of hotel stays in a given country)	4 for transport; *https://www.hotelfootprints.org* for hotel stays
SCOPE 3, CATEGORY 7 – TRANSPORT OF EMPLOYEES TO THE WORKPLACE			
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)	4
SCOPE 3, CATEGORY 8 – ASSETS LEASED			
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)	5 for electricity in Poland; 12 for electricity in other countries; 4 for heat and refrigerants.
SCOPE 3, CATEGORY 9 – TRANSPORT AND DISTRIBUTION – DOWNSTREAM			
Transport of goods purchased via the e-commerce channel to the customer	Supplier-specific	Shipment base (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 PRODUCTS SOLD			
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 PRODUCTS SOLD			
Indirect electricity consumption during washing, drying and ironing of textile products purchased by the customer and direct electricity consumption by products powered from an electrical socket	Average-data	Base of products sold by country (number of pcs of textile products with accompanying washing instructions and number of socket-powered products)	5 for electricity in Poland; 12 for electricity in other countries;.
SCOPE 3, CATEGORY 12 – DISPOSAL OF PRODUCTS SOLD			
Type of product disposal at the end of its use by the customer	Average-data	Base of products sold (number of pcs)	4
SCOPE 3, CATEGORY 13 – ASSETS UNDER LEASE			
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	12 for electricity; 4 for heat.
SCOPE 3, CATEGORY 15 – INVESTMENTS			
LPP has no equity investments outside the LPP Group.			

Emissions resulting from the operation of stores (consumption of electricity, heat and refrigerants) were reported in category 8 of Scope 3.

6. RESULTS AND COMMENTARY

The total carbon footprint of the LPP Group for the reporting period from 01.02.2024 to 31.01.2025 amounted to **3,363,178.32 t CO_2e**. Scope 1 emissions comprising direct emissions from fuel combustion and refrigerant consumption in the company's buildings and vehicles, amounted to **4,906.96 t CO_2e** and represented **0.15%** of the total CO_2e 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 **2,073.06 t CO_2e**, accounting for **0.06%** of total CO_2e emissions. Scope 2 emissions calculated using the location-based method amounted to **11,682.84 t CO_2e**. 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 **3,356,198.11 t CO_2e** and accounted for **99.79%** of total CO_2e emissions (*Table 3*).

In Scope 3, emissions related to purchased goods and services (category 1) accounted for the highest share of emissions – **66.43%**. This is followed by **10.52%** emissions from capital goods (category 2) and emissions originating from the transport and distribution of ordered goods from the supplier to and between LPP units (category 4) at a level of **8.23%**. (*Table 3, Figure 1*).

In the relevant reporting period, LPP purchased a total of **803,179,991** items of goods. Converting the emissions per pcs of goods purchased yields a value of **4.19 kg CO_2e/pcs**.

Sales revenue for the financial year 2024 amounted to **PLN 20,194,000,000**. Converting emissions into revenue yields a value of **166.54 t CO_2e/M PLN** (*Table 4*).

The largest share of total GHG emissions was recorded for emissions related to the production of materials **(34.76%)** and the acquisition of raw materials for the production of the goods **(16.50%)** (*Figure 2*). Emissions related to the purchased goods, including their production and transport, accounted for **71.14%** (*Figure 3*) of total emissions, of which **62.91%** were process-related emissions (*Figure 4*). Emissions related to products sold, i.e. generated by the customer, accounted for **9.68%** of the LPP Group's total emissions (*Figure 3*), with the largest part, **6.51%** 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 **19.18%** of the LPP Group's total emissions (*Figure 3*).

***Table 3** Carbon footprint of the LPP Group in the 2024 financial year by emission scopes and categories including the percentage of emission ranges and categories in the total carbon footprint. Comparison with 2021, 2022 and 2023*

	2021	2022	2023	2024		YoY change
	t CO_2e	t CO_2e	t CO_2e	t CO_2e	% of total	%*
SCOPE 1	**4,420.67**	**13,762.35**	**3,586.76**	**4,906.96**	**0.15%**	**+36.81%**
SCOPE 2	**10,267.11**	**7,827.65**	**1,723.80**	**2,073.06**	**0.06%**	**+20.26%**
SCOPE 3	**2,865,952.62**	**2,460,049.67**	**2,786,871.28**	**3,356,198.30**	**99.79%**	**+20.43%**
Cat. 1 Goods and services purchased	1,892,769.20	1,605,129.29	1,902,729.39	2,234,095.79	66.43%	+17.42%
Cat. 2 Investment assets	197,454.69	198,798.33	182,852.12	353,683.88	10.52%	+93.43%
Cat. 3 Energy and fuel consumption-related emissions (not included in Scope 1 and 2)	3,555.63	5,777.88	1,179.38	1,567.52	0.13%	+277.97%
Cat. 4 Transport and distribution of purchased products	157,610.94	132,480.70	193,459.06	276,945.35	8.23%	+43.15%
Cat. 5 Waste generated during operations	385.10	400.13	470.72	221.92	0.01%	-52.86%
Cat. 6 Business travel	2,390.09	3,062.98	4,146.30	6,862.68	0.20%	+65.51%
Cat. 7 Transport of employees to work	16,319.17	16,891.80	24,793.64	40,203.92	1.20%	+62.15%
Cat. 8 Assets leased	388,443.36	250,730.09	163,847.22	123,217.30	3.66%	-24.80%
Cat. 9 Transport and distribution of products sold	26,212.33	28,959.62	28,087.24	31,804.66	0.95%	+13.24%
Cat. 10 Processing of products sold	0.00	0.00	0.00	0.00	0.00%	0.00%
Cat. 11 Use of products sold	146,559.20	171,358.99	228,058.33	219,108.95	6.51%	-3.92%
Cat. 12 Disposal of products sold	32,969.36	45,179.33	56,501.41	64,841.39	1.93%	+14.76%
Cat. 13 Assets under lease	0.00	0.00	0.00	0.00	0.00%	0.00%
Cat. 14 Franchises	1,283.55	1,280.54	746.47	754.76	0.02%	+1.11%
Cat. 15 Investments	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**	**3,363,178.32**		**+20.45%**

***Table 4** Emission intensity per item of goods purchased and per unit of revenue for the financial year 2024. Comparison with 2021, 2022 and 2023*

	Emission volume				YoY change
	2021	2022	2023	2024	%
Total emission [t CO_2e]	2,880,640.39	2,481,639.67	2,792,181.84	3,363,178.32	+20.45%
Emissions per unit of goods ordered [kg CO_2e/unit]	4.97	5.28	4.49	4.19	-6.76%
Emissions per unit of revenue [t CO_2e/M PLN]	202.65	155.81	160.41	166.54	+3.82%

***Table 5** Scope 3: emissions by source type for the financial year 2024. Comparison with 2021, 2022 and 2023*

	2021	2022	2023	2024		YoY change
	t CO_2e	t CO_2e	t CO_2e	t CO_2e	% of Scope 3	%*
SCOPE 3	**2,865,952.63**	**2,631,555.82**	**2,786,871.28**	**3,356,198.30**	**99.79%**	**+20.43%**
Acquisition of raw materials	500,081.95	396,993.35	485,067.23	554,501.03	16.49%	+14.31%
Production of materials	1,033,289.26	872,780.51	1,029,350.02	1,167,962.99	34.73%	+13.47%
Production of finished goods	205,330.27	165,776.20	212,552.48	250,391.90	7.45%	+17.80%
Emissions related to purchased goods calculated using the spend-based method	66,672.42	58,794.87	89,405.38	142,657.62	4.24%	+59.56%
Production of store bags	1,900.80	2,476.20	2,612.50	2,699.05	0.08%	+3.31%
Production of e-commerce packaging	5,240.16	7,698.92	5,709.67	7,173.38	0.21%	+25.64%
Other purchased services	80,254.35	201,218.49	78,032.11	108,709.82	3.23%	+39.31%
Investment assets	197,454.69	198,798.33	182,852.12	353,683.88	10.52%	+93.43%
WTT emissions of energy and fuels	47,558.37	38,632.71	13,253.26	18,192.19	0.54%	+37.27%
LPP supplier-warehouse transport	121,701.08	112,418.99	173,416.76	250,331.54	7.44%	+44.35%
Transportation within LPP (between warehouses and stores)	35,909.85	63,779.82	20,042.30	26,613.81	0.79%	+32.79%
Waste generated during operations	385.1	400.13	470.72	221.92	0.01%	-52.86%
Business travel	2,390.09	3,062.98	4,146.30	6,862.68	0.20%	+65.51%
Transport of employees to work	16,319.17	16,891.80	24,793.64	40,203.92	1.20%	+62.15%
Store rental (including franchising)	289,365.02	215,486.87	147,292.39	105,069.41	3.12%	-28.67%
Warehouse rental	55,362.91	28,765.20	4,911.41	4,677.43	0.14%	-4.76%
Office rental	996.24	2,082.52	316.02	490.74	0.01%	+55.29%
Transport and distribution of products sold to the customer (e-commerce transport)	26,212.33	28,959.62	28,087.24	31,804.66	0.95%	+13.24%
Use of sold products by the customer	146,559.20	171,358.99	228,058.33	219,108.95	6.51%	-3.92%
Disposal of sold products by the customer	32,969.36	45,179.33	56,501.41	64,841.39	1.93%	+14.76%

***Table 6** Emission intensity for the financial year 2024. Comparison with 2021, 2022 and 2023*

	2021	2022	2023	2024	YoY change %
Emissions from raw material sourcing per kilogram of raw material used [kg CO_2e]	3.63	3.41	3.42	3.30	-3.43%
Emissions from supplier-LPP transport per tonne transported from supplier to LPP [t CO_2e]	0.85	0.80	1.04	1.11	+6.40%
Emissions from store operations per m^2 of floorspace [t CO_2e]	0.21	0.12	0.07	0.04	-41.44%
Emissions from use per unit of goods sold [kg CO_2e]	0.99	0.44	0.46	0.35	-24.03%

***Figure 1** Comparison of Scope 3 emissions by category (2024 financial year)*

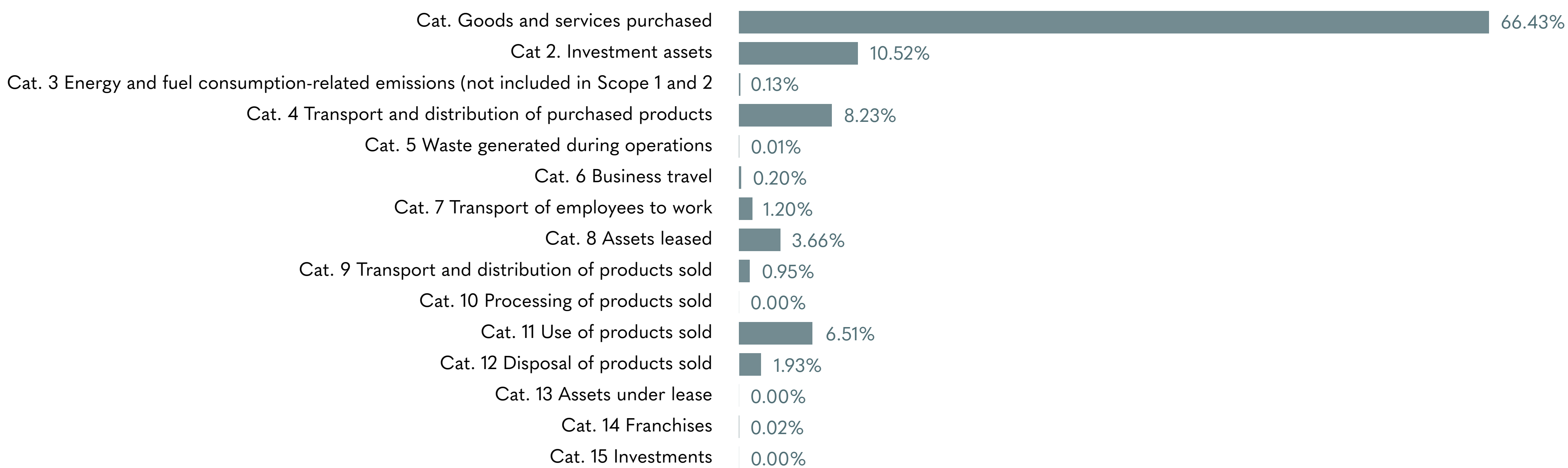


***Figure 2** Comparison of major emissions for the 2024 financial year*

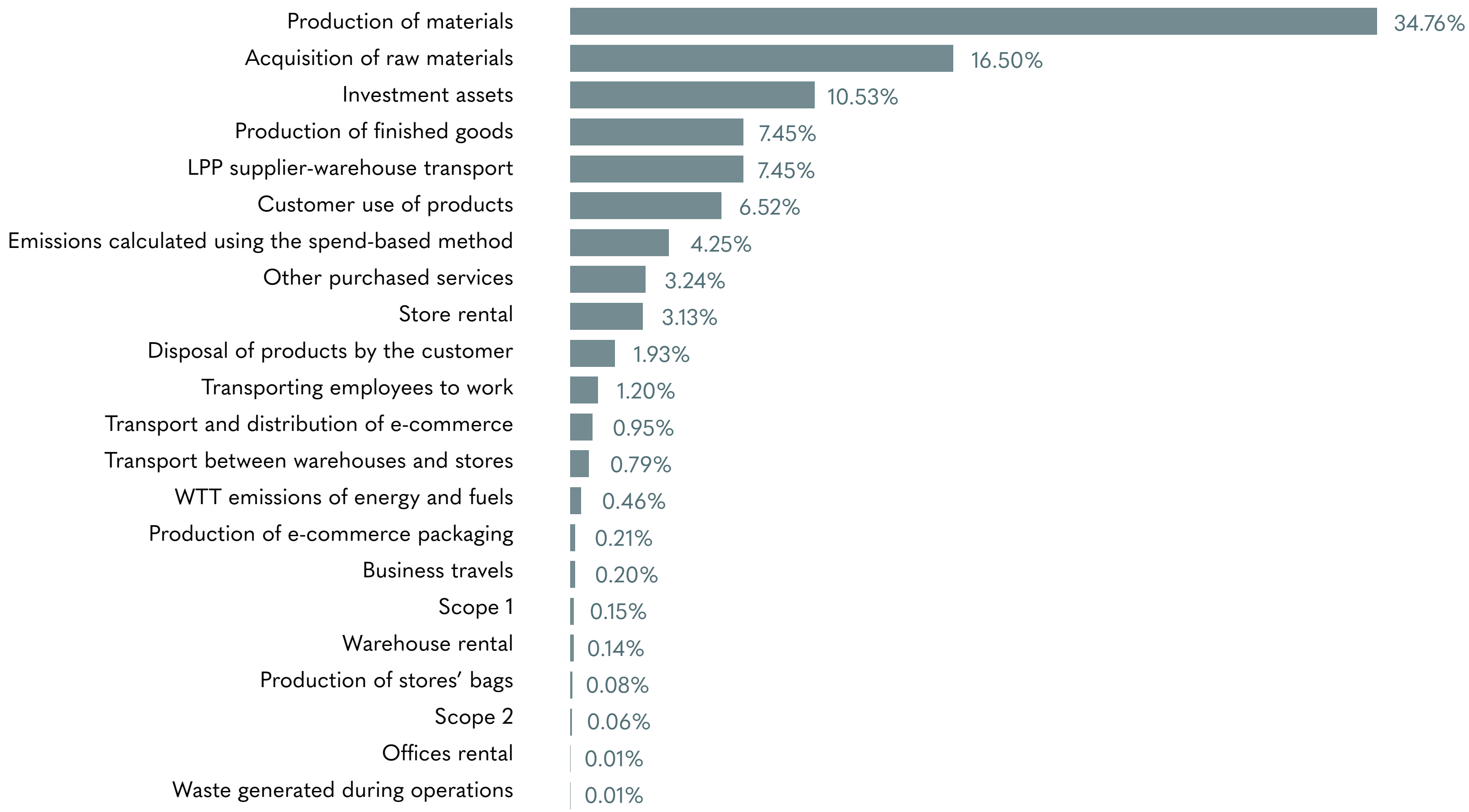


***Figure 3** Detailed breakdown of emissions into three main groups*

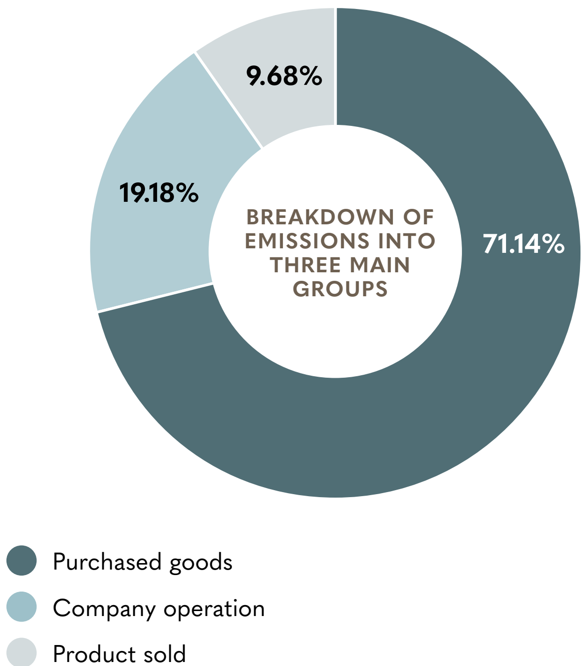


***Figure 4** Detailed breakdown of emissions related to purchased goods (compared to total emissions)*

***Figure 5** Detailed breakdown of emissions related to product sold (compared to total emissions)*

7. IMPLEMENTATION OF THE SBTI DECARBONISATION TARGETS

In July 2023, our decarbonisation targets were officially approved by Science Based Targets (SBTi). In accordance with these targets, we have committed to:

1. a **42%** reduction in Scope 1 and 2 greenhouse gas emissions by 2030, compared to a baseline year of 2021,
2. a **51.6%** reduction in emissions resulting from the purchase of Scope 3 goods and services by 2030, per unit of product purchased (compared to a baseline year of 2021),
3. engagement of business partners responsible for **21%** of Scope 3 emissions in categories 4 and 8 in developing their own reduction targets by 2027.

Gradual transition towards the targets set is our priority in the decarbonisation efforts undertaken (*Table 11*).

In 2024, we maintained the implementation of the target of reducing emissions in absolute terms in Scopes 1 and 2 (**-52.48%** compared to the base year) already achieved in 2023. This was achieved by continuing the use of wind energy in our offices and warehouses. In 2024, the new Silk building at the campus in Łąkowa Street in Gdansk was commissioned, which is also fully powered by wind energy.

We have reduced the emissions per unit of goods purchased resulting from the purchase of goods and services included in category 1 of Scope 3 by **– 15.36%**, which confirms that our decarbonisation efforts undertaken in categories related to production processes generate effects. These activities mainly focus on increasing the share of the collections of goods produced from preferred materials that have a lower carbon footprint associated with their acquisition.

In 2024, we increased the percentage of emissions from business partners responsible for emissions in categories 4 and 8 who have developed their own SBTi-compatible emission reduction targets – **57.91%** of these emissions already originate from partners with such targets. This is a clear sign that, year by year, representatives from various industries are taking steps to reduce their carbon footprint.

Table 7 *Progress towards the achievement of SBTi targets*

	Base year 2021	2022		2023		2024	
	KPI	KPI	Achieving the objective	KPI	Achieving the objective	KPI	Achieving the objective
1 Absolute target for Scope 1 i 2	14,687.78 t CO_2e	21,589.99 t CO_2e	+46.99%	5,310.56 t CO_2e	-63.84%	6,980.02 t CO_2e	**-52.48%**
2. INTENSITY target for category 1 Scope 3	3.11 kg CO_2/szt.	3.18 CO_2/szt.	+2.10%	2.92 CO_2/szt.	-6.12%	2.63 CO_2/szt	**-15.36%**
3. SUPPLIER ENGAGEMENT target for category 4 and 8 of Scope 3 (% of emissions from business partners with SBTi compliant targets)	14.00%		26.93%		46.80%		**57.91%**

8. SOURCES

[1]The GHG Protocol Corporate Accounting and Reporting Standard. World Resources Institute and World Business Council for Sustainable Development, March 2004
[2]GHG Protocol Scope 2 Guidance. An amendment to the GHG Protocol Corporate Standard. World Resources Institute 2015
[3]Corporate 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
[4]UK Government GHG Conversion Factors for Company Reporting. Department for Business, Energy & Industrial Strategy, Department for Environment Food & Rural Affairs, version 1,1, 2024
[5]CO2, SO2, NOX, CO and total dust emission factors for electricity based on the information contained in the National Database on Emissions of Greenhouse Gases and Other Substances for 2023. KOBiZE National Database Management Team, December 2024
[6]Thermal power in figures – 2022. Energy Regulatory Office, Warsaw 2023
[7]Higg MSI Methodology and Data Version 3.9.1, https://app.worldly.io/, last update: December 2024, access: January 2025
[8]Quantis, https://quantis-suite.com/Scope-3-Evaluator/; last update: February 2021
[9]https://nbp.pl/statystyka-i-sprawozdawczosc/kursy/archiwum-tabela-a-csv-xls/, access: January 2025
[10]Higg PM Version 1.0, https://app.worldly.io/, access: January 2025
[11]Clean Cargo 2023 Global Ocean Container Greenhouse Gas Emission Intensities. Smart Freight Centre, July 2024
[12]Country Specific Electricity Grid Greenhouse Gas Emission Factors – 2024. Carbon Footprint Ltd., July 2024
[13]GEMIS 5.1 v. 03.2023, Fernwärme-mix-PL-2020/en

03

CONSOLIDATED FINANCIAL STETEMENTS OF LPP GROUP

We hereby approve the consolidated financial statements of LPP SA Group for the period of 12 months ended 31 January 2025, comprising the comprehensive income statement, with comprehensive income totalling PLN 1,714 m, the statement of financial position, with assets and liabilities totalling PLN 17,501 m, the cash flow statement, showing an decrease in net cash by PLN 226 m, the statement of changes in equity, showing an increase in equity by PLN 585 m, and notes with a description of material accounting principles and other explanations.

MANAGEMENT BOARD OF LPP SA

MAREK PIECHOCKI
The CEO

MARCIN BÓJKO
Member of the Management Board

SŁAWOMIR ŁOBODA
Member of the Management Board

MARCIN PIECHOCKI
Member of the Management Board

MIKOŁAJ WEZDECKI
Member of the Management Board

GDAŃSK, 2 APRIL 2025

SELECTED FINANCIAL DATA

for the period of 12 months ended 31 January 2025

Selected consolidated financial data	PLN m 01.02.2024 – 31.01.2025	PLN m 01.02.2023 – 31.01.2024	EUR m 01.02.2024 – 31.01.2025	EUR m 01.02.2023 – 31.01.2024
Revenues	20,194	17,406	4,704	3,870
Operating profit (loss)	2,415	2,283	563	508
Pre-tax profit	2,251	2,047	524	455
Net profit (loss) attributable to shareholders of the dominating entity	1,747	1,607	407	357
Weighted average number of shares	1,855,624	1,855,190	1,855,624	1,855,190
Profit (loss) per share (PLN m)	941.46	866.22	219.29	192.58
Net cash flows from operating activities	4,021	4,343	937	966
Net cash flows from investing activities	-1,965	-983	-458	-219
Net cash flows from financing activities	-2,282	-2,750	-532	-611
Total net cash flows	-226	610	-53	136

Selected consolidated financial data	PLN m As at 31.01.2025	PLN m As at 31.01.2024	EUR m As at 31.01.2025	EUR m As at 31.01.2024
Total assets	17,501	13,802	4,154	3,178
Long-term liabilities	3,746	3,431	889	790
Short-term liabilities	8,453	5,654	2,006	1,302
Equity	5,302	4,717	1,258	1,086
Share capital	4	4	1	1
Weighted average number of shares	1,855,624	1,855,190	1,855,624	1,855,190
Book value per share (PLN m)	2,857.26	2,542.60	678.20	585.39
Paid dividend per share (PLN m)	610.00	430.00	144.79	99.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for 12 months ended 31 January 2025

Statement of comprehensive income (PLN m)	Notes	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Continuing operations			
Revenues	9.1	20,194	17,406
Cost of sales	9.2	9,475	8,440
Gross profit (loss) on sales		**10,719**	**8,966**
Costs of stores and distribution	9.5	7,129	5,646
Overheads	9.5	1,130	919
Other operating income	9.3	104	67
Other operating costs	9.3	149	185
Operating profit (loss)		**2,415**	**2,283**
Financial income	9.4	142	98
Financial costs	9.4	306	334
Pre-tax profit		**2,251**	**2,047**
Income tax	10	504	435
Total net profit (loss)		**1,747**	**1,612**
Net profit attributable to:			
Shareholders of the dominating entity		1,747	1,607
Non-controlling interests		0	5
Other comprehensive income			
Items transferred to profit or loss			
Currency translation on foreign operations		-33	-91
Total comprehensive income		1,714	1,521
Total comprehensive income attributable to:			
Shareholders of the parent company		1,714	1,516
Non-controlling interests		0	5
Weighted average number of shares		1,855,624	1,855,190
Diluted number of shares		1,855,624	1,856,450
Net profit (loss) attributable to shareholders of the dominating entity per share (PLN m)	11	941.46	866.22
Diluted profit (loss) attributable to shareholders of the dominating entity per share (PLN m)	11	941,46	865.63
Net profit (loss) from continuing operations amount per share (PLN m)	11	941.46	868.91
Diluted net profit (loss) from continuing operations per share (PLN m)	11	941,46	868.32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 January 2025

Statement of financial position (PLN m)	Notes	As at 31.01.2025	As at 31.01.2024
ASSETS			
Non-current assets		**9,872**	**7,973**
1. Tangible fixed assets	14	4,735	3,643
2. Right of use assets	15	4,100	3,245
3. Intangible assets	16	363	271
4. Goodwill	17	183	183
5. Trade mark	16	78	78
6. Long-term receivables	13	148	229
7. Deferred tax assets	10.3	253	306
8. Pre-payments	28	5	9
9. Other financial assets	18.1	7	9
Current assets		**7,629**	**5,829**
1. Inventory	20	4,669	3,040
2. Trade receivables	21	757	810
3. Receivables from income tax		15	36
4. Short-term receivables	13	178	90
5. Other non-financial assets	18.2	134	66
6. Pre-payments	28	81	82
7. Other financial assets	18.1	84	68
8. Deposits and mutual funds	19	865	561
9. Cash and cash equivalents	22	846	1,076
TOTAL Assets		17,501	13,802

Statement of financial position (PLN m)	Notes	As at 31.01.2025	As at 31.01.2024
EQUITY AND LIABILITIES			
Equity		**5,302**	**4,717**
1. Share capital	23.1	4	4
2. Share premium	23.2	364	364
3. Other reserves	23.3	2,980	2,466
4. Currency translation on foreign operations		-66	-33
5. Retained earnings		2,017	1,913
6. Non-controlling interest		3	3
Long-term liabilities		**3,746**	**3,431**
1. Bank loans and borrowings	24	182	490
2. Lease liabilities	15	3,523	2,892
3. Employee benefits	25.1	3	2
4. Deferred tax liabilities	10.3	2	2
5. Accruals	28	36	45
Short-term liabilities		**8,453**	**5,654**
1. Trade and other liabilities	27	5,676	4,185
2. Contract liabilities	9.1	36	29
3. Customer refund liabilities	9.1	103	85
4. Bank loans and borrowings	24	817	49
5. Lease liabilities	15	1,248	1,015
6. Employee benefits	25.2	231	181
7. Income tax liabilities		255	53
8. Provisions	26	5	6
9. Accruals	28	82	51
TOTAL equity and liabilities		17,501	13,802

CONSOLIDATED CASH FLOW STATEMENT

for 12 months ended 31 January 2025

Statement of cash flows (PLN m)	Notes	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
A. Cash flows from operating activities – indirect method			
I. Pre-tax profit (loss)		**2,251**	**2,047**
II. Total adjustments		**1,770**	**2,296**
1. Amortisation and depreciation		1,689	1,383
2. Foreign exchange (gains) losses		1	-53
3. Interest and dividends		245	217
4. (Profit) loss on investing activities		21	35
5. Income tax paid		-232	-532
6. Change in provisions and employee benefits	25, 26	35	24
7. Change in inventory	20	-1,667	239
8. Change in receivables and other assets	18, 21	-176	272
9. Change in short-term liabilities, excluding bank loans and borrowings	27	1,828	726
10. Change in prepayments and accruals	28	23	-24
11. Other adjustments		3	9
III. Net cash flows from operating activities		**4,021**	**4,343**
B. Cash flows from investing activities			
I. Inflows		**110**	**127**
1. Disposal of intangible and fixed assets		108	126
2. Repayment of loans		1	1
3. Interest and other inflows from financial assets		1	0
4. Other investing inflows (investment funds)	19	0	0
II. Outflows		**2,075**	**1,110**
1. Purchase of intangible assets and fixed assets		1,818	1,090
2. Loans granted		0	0
3. Other investing outflows (investment funds)	19	257	20
III. Net cash flows from investing activities		**-1,965**	**-983**
C. Cash flows from financing activities			
I. Inflows		**507**	**0**
1. Proceeds from issuance of shares		0	0
2. Bank loans and borrowings		507	0
3. Other financial inflows		0	0
II. Outflows		**2,789**	**2,750**
1. Dividends and other payments to owners		1,132	798
2. Repayment of bank loans and borrowings		48	806
3. Lease liabilities paid		1,089	926
4. Interest		220	220
5. Other financial outflows		300	0
III. Net cash flows from financing activities		**-2,282**	**-2,750**
D. Total net cash flows		**-226**	**610**
Opening balance of cash in line with the balance sheet		1,076	465
Closing balance of cash in line with the balance sheet		846	1,076
E. Balance sheet change in cash, including:		**-230**	**611**
– change in cash due to currency translation		-4	1
F. Opening balance of cash		**1,000**	**390**
G. Closing balance of cash		**774**	**1,000**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for 12 months ended 31 January 2025

Consolidated statement of changes in equity (PLN m)	Share capital	Share premium	Other reserves	Currency translation on foreign operations	Retained earnings	Equity attributable to the parent company	Non-controlling interests	TOTAL equity
As at 1 February 2024	**4**	**364**	**2,466**	**-33**	**1,913**	**4,714**	**3**	**4,717**
Remuneration paid in shares	0	0	3	0	0	3	0	3
Division of profit for 2024	0	0	511	0	-511	0	0	0
Dividend paid	0	0	0	0	-1,132	-1,132	0	-1,132
Transaction with owners	**0**	**0**	**514**	**0**	**-1,643**	**-1,129**	**0**	**-1,129**
Net profit for 12M until 31 January 2025	0	0	0	0	1,747	1,747	0	1,747
Currency translation on foreign operations	0	0	0	-33	0	-33	0	-33
Total comprehensive income	**0**	**0**	**0**	**-33**	**1,747**	**1,714**	**0**	**1,714**
As at 30 January 2025	**4**	**364**	**2,980**	**-66**	**2,017**	**5,299**	**3**	**5,302**
As at 1 February 2024	**4**	**364**	**2,720**	**58**	**840**	**3,986**	**-2**	**3,984**
Remuneration paid in shares	0	0	10	0	0	10	0	10
Dividend paid	0	0	-264	0	-534	-798	0	-798
Transaction with owners	**0**	**0**	**-254**	**0**	**-534**	**-788**	**0**	**-788**
Net profit for 12M until 31 January 2024	0	0	0	0	1,607	1,607	5	1,612
Currency translation on foreign operations	0	0	0	-91	0	-91	0	-91
Total comprehensive income	**0**	**0**	**0**	**-91**	**1,607**	**1,516**	**5**	**1,521**
As at 30 January 2024	**4**	**364**	**2,466**	**-33**	**1,913**	**4,714**	**3**	**4,717**

ACCOUNTING PRINCIPLES (POLICY) AND ADDITIONAL EXPLANATORY NOTES

1. GENERAL INFORMATION

The LPP SA Group (hereinafter referred to as the "Group") is composed of LPP SA ("Parent Company", Company") and its subsidiaries. The Group's consolidated financial statements cover the year ended 31 January 2025 and include comparative figures for the year ended 31 January 2024.

On 25 May 2018, the Ordinary General Meeting of Shareholders of LPP SA adopted the resolution changing the Company's financial year so that it ultimately lasted from 1 February to 31 January of the following calendar year. This change resulted from the natural calendar of the clothing industry, where new collections are launched from February and the clearance sales period ends in January. Accordingly, the reporting periods cover the 12-month period from 1 February to 31 January of the following calendar year.

The comparative period covers the financial year of 12 calendar months that was audited by the statutory auditor, i.e. from 1 February 2023 to 31 January 2024.

LPP SA, the parent company, is entered in the register of entrepreneurs of the National Court Register kept by the District Court for Gdańsk-North in Gdańsk, 7th Economic Division of the National Court Register, under the KRS number 0000000778.

There was no change in the name of the reporting entity during the reporting period.

The head office of LPP SA is located at: Łąkowa 39/44, Gdańsk, Poland.

The parent company and the Group companies have been established for an indefinite period of time.

The Group's core business is the retail and wholesale of clothing.

2. COMPOSITION OF THE GROUP

The Group comprises LPP Spółka Akcyjna ("LPP SA") and the following subsidiaries:

No	Partnership name	Registered office	Share in equity
1.	LPP Retail Sp. z o.o.	Gdańsk, Poland	100.0%
2.	LPP Printable Sp. z o.o.	Gdańsk, Poland	100.0%
3.	LPP Logistics Sp. z o.o.	Gdańsk, Poland	100.0%
4	Dock IT Sp. z o.o.	Gdańsk, Poland	100.0%
5.	Silky Coders Sp. z o.o.	Gdańsk, Poland	100.0%
6.	Veviera Investments Sp. z o.o.	Gdańsk, Poland	50.0%
7.	LPP Czech Republic SRO	Prague, Czech Republic	100.0%
8.	LPP Slovakia SRO	Banska Bystrica, Slovakia	100.0%
9.	LPP Hungary KFT	Budapest, Hungary	100.0%
10.	LPP Lithuania UAB	Vilnius, Lithuania	100.0%
11.	LPP Latvia LTD	Riga, Latvia	100.0%
12.	LPP Estonia OU	Tallinn, Estonia	100.0%
13.	LPP Ukraine AT	Peremyshliany, Ukraine	100.0%
14.	OOO LPP BLR	Minsk, Belarus	100.0%
15.	LPP Kazakhstan LLP	Almaty, Kazakhstan	100.0%
16.	LPP CA FE LLC	Tashkent, Uzbekistan	100.0%
17.	LPP Fashion Bulgaria EOOD	Sofia, Bulgaria	100.0%
18.	LPP Romania Fashion SRL	Bucharest, Romania	100.0%
19.	LPP Croatia DOO	Zagreb, Croatia	100.0%
20.	LPP Serbia DOO Beograd	Belgrade, Serbia	100.0%
21.	LPP Fashion, DOO	Ljubljana, Slovenia	100.0%
22.	LPP BH DOO	Banja Luka, Bosnia and Herzegovina	100.0%
23.	LPP Macedonia DOOEL	Skopje, Macedonia	100.0%
24.	LPP Albania LTD	Tirana, Albania	100.0%
25.	LPP Kosovo LLC	Prishtine, Kosovo	100.0%
26.	LPP Deutschland GmbH	Hamburg, Germany	100.0%
27.	LPP Reserved UK LTD	Altrincham, United Kingdom	100.0%
28.	LPP Finland LTD	Helsinki, Finland	100.0%
29.	LPP Italy SRL	Milan, Italy	100.0%
30.	LPP Clothing Retail Spain, S.L.	Madrid, Spain	100.0%
31.	LPP Greece Single Member Private Company	Athens, Greece	100.0%
32.	Sinsay Portugal, Unipessoal LDA	Portugal, Lisbon	100.0%
33.	P&L Marketing&Advertising Agency SAL	Beirut, Lebanon	97.3%
34.	LPP Logistics Slovakia SRO	Sered, Slovakia	100.0%
35.	LPP Logistics Romania SRL	Stefanesti de Jos, Romania	100.0%

As at 31 January 2025, the share in the total number of votes held by the Group in subsidiaries was equal to the Group's shareholding in those entities.

The following changes occurred in the LPP SA Group in the reporting period:

- A new subsidiary was established in Kosovo: LPP Kosovo LLC;
- A new subsidiary was established in Uzbekistan: LPP CA, FE LLC;
- The following Polish subsidiaries have been dissolved: DP&SL Sp. z o.o. and IL&DL Sp. z o.o.

3. COMPOSITION OF THE MANAGEMENT BOARD OF THE PARENT COMPANY

Composition of the Management Board as at 31 January 2025:

- **President of the Management Board,** Marek Piechocki
- **Management Board Member,** Marcin Bójko
- **Management Board Member,** Sławomir Łoboda
- **Management Board Member,** Marcin Piechocki
- **Management Board Member,** Mikołaj Wezdecki

In the reporting period, there were no changes in the composition of the Management Board of the Company. On 17 October 2024, Mr Przemysław Lutkiewicz resigned from his function of the Vice-President of the Management Board. On 15 November 2024, the Extraordinary General Meeting of Shareholders appointed Mr Marcin Bójko as the Vice-President of the Management Board.

4. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of LPP SA for publishing on 02 April 2025.

5. CRITICAL ESTIMATES AND ASSUMPTIONS

5.1. PROFESSIONAL JUDGEMENT

The preparation of the Group's consolidated financial statements requires the Management Board of the Parent Company to make judgements, estimates and assumptions affecting presented revenues, costs, assets and liabilities and related additional notes as well as disclosures regarding contingent liabilities. Uncertainty related to these assumptions and estimates may result in major adjustments in balance sheet values of assets and liabilities in the future.

5.2. UNCERTAINTY OVER ESTIMATES AND ASSUMPTIONS

Basic assumptions for the future and other key sources of uncertainty, occurring as at the balance sheet date, involving a major risk of substantial adjustments in the values of assets and liabilities in the next financial year, are described below.

The methodology applied for determining estimated values is based on the best knowledge of the Management Board of the Parent Company and complies with IFRS requirements. Assumptions and estimates made may be changed due to future events resulting from market changes or changes beyond the Group's control.

Estimates made by the Management Board of the Parent Company, affecting the values disclosed in the financial statements, relate to:

- **Depreciation rates**
  The value of depreciation rates is determined based on the estimated economic useful life of tangible fixed assets and intangible assets. For the right-of-use right, values of depreciation rates were determined depending on agreement duration. Based on current estimates, the Group verifies the economic useful life applied on an annual basis.
- **Lessee's marginal interest rate**
  The marginal interest rate is determined based on two components:
  - Risk-free rate,
  - Additional risks arising from company risk,

  The value of the marginal interest rate in 2024 was 6.6%.
- **Percentage of returns of goods sold in the reporting period to be made in the next reporting period**
  Due to the fact that customers make product claims and return goods purchased in stores and in wholesale, revenues are updated by adjusting the estimated value of such returns. Based on historical data, a percentage rate reflecting the ratio of product returns versus the sales volume is estimated. At the end of each reporting period, this ratio is re-estimated.

  At present, the companies in the Group adopted product return ratios for specific sales channels in the following ranges:
  - in traditional stores – 1.5-3%
  - in online stores – 13-32%
- **Of impairment write-offs on inventory**
  The Group analyses the value of inventory twice a year, after the first half of the year and at the end of a financial year. It stems from exchanging spring/summer and autumn/winter collections. The Group assesses the current position and evaluates the level at which the value of inventory is subject to an impairment write-off.

  The Group recognises impairment write-offs on goods sold out and goods older than the last season in accordance with the following principle:
  - Current season goods – subject to impairment write-offs at a level determined based on current analysis
  - Goods from seasons older than the current season – subject to impairment write-offs of 60-80% of the value of the goods.
- **Impairment write-offs on assets**
  Twice a year, after the first half and at the end of a financial year, the Group assesses whether objective evidence exists for permanent impairment of an asset or a group of assets. The Group recognises individual retail sales units as separate cash generating units (CGU) and, at their level, estimates the potential impairment, if any. The Group assumes that a shop has reached its maturity phase after the first 24 months. If a shop has recorded a loss in the last 12 months, there is

a high probability that it will not be profitable in the following periods. At the end of the year, the Group analyses the profitability of individual retail sales units recognising them as a single cash generating unit and, in the event of identifying stores recording a loss within the last 12 months, the Group takes a decision on applying a permanent impairment loss on assets assigned to such unprofitable store.

If there is objective evidence and a need to apply the impairment loss, the Group determines an estimated recoverable value of an asset and makes an impairment loss in an amount equal to a difference between the recoverable value and the carrying amount. An impairment loss is recognised in the statement of comprehensive income in the period in which it was identified.

- **Measurement of provisions for retirement and pension benefits**
  The Group creates a provision for future liabilities arising from retirement and pension benefits, applying actuarial methods. The following assumptions were adopted for the calculation of the provision: employee mortality, incapacity for work, staff turnover, retirement age, fixed-term employees, employees during the period of notice for whom the date of termination of the contract is known, discount rate and rate of salary increases in the company (taking into account the level of inflation). The discount rate used to calculate the provision was determined at 5.9% per annum. A change in financial ratios providing basis for the estimate, i.e. an increase in the discount rate by 0.5 pp. and a decrease in the remuneration index by 0.5 pp., would result in the increase of the provision by PLN 100 thousand.

- **Future tax results taken into account when determining deferred income tax assets**
  The Group recognises a deferred income tax asset based on the assumption that, in the future, tax profit will be generated allowing for its utilisation.

  If taxable profit deteriorates in the future, this assumption may prove invalid.

  The Group assesses in detail the nature and scope of evidence justifying the conclusion that it is probable that the Group will yield a future taxable profit sufficient to deduct unsettled tax losses, unused tax credits or other negative temporary differences.

  When assessing whether the achievement of future taxable income is probable (likelihood exceeding 50%), the Group takes into account all evidence available, confirming both such probability and its absence.

- **Assumptions adopted to test the impairment of trademark, goodwill and other tangible assets.**
  Intangible assets with an unspecified useful life are annually tested for impairment. Assumptions adopted to perform the test are discussed in note 17.

  Methods for determining estimated values are applied on a continuous basis in relation to the previous reporting period.

- **Impact of climate change risks**
  The Group analysed its operations in terms of their climate impact. The Management Board of LPP SA is aware that part of its business operations may, to a certain extent, have environmental impact and that its presence on numerous markets involves exposure to climate risks. Following the analysis performed, the Management Board of LPP SA did not detect any major impact of climate risks on these financial statements. A detailed description of the analysis and actions taken in the scope of climate risks is provided in the Report of the Management Board on the operations of the LPP SA Group, in the chapter *Sustainability Statements for 2024*.

A change in estimates was recorded (in line with the methodology adopted) in the scope of:

- estimated economic useful life of tangible fixed assets – applicable to outlays in third-party premises (determination of a new depreciation period after modernisation),
- the expected term of lease agreements,
- future tax results taken into account when determining deferred income tax assets,
- sales adjustment ratio related to product returns to be made in the next reporting period,
- measurement of provisions for retirement and pension benefits,
- assumptions made for testing trademark and goodwill impairment,
- uncertainty related to tax settlements.

The Group's tax settlements are subject to tax audit. Due to the fact that, in the event of numerous transactions, the interpretation of tax laws may differ from that applied by the Management Board in the utmost good faith, amounts disclosed in the financial statements may be changed at a later time upon their final determination by authorities authorised to carry out tax audits. Similar changes may affect, depending on future interpretations of tax authorities, the possibility of employing tax benefits recognised in the financial statements as deferred income tax assets.

On 15 July 2016, the Tax Ordinance was amended to give recognition to the General Anti-Abuse Rule (GAAR). GAAR is intended to prevent the creation and use of artificial schemes to avoid paying taxes in Poland. Under new regulations, a substantially higher degree of judgement will be required when assessing the effects of individual transactions.

The GAAR should be applied to transactions concluded after its entry into force and to transactions executed before its entry into force, yet involving benefits gained after the said date or those still achievable. The implementation of the aforementioned provisions enabled Polish revenue control authorities to challenge legal arrangements and agreements implemented by taxpayers, such as group restructuring and reorganisation.

The Group recognises and measures current and deferred tax assets or liabilities satisfying the criteria of IAS 12 Income Taxes based on tax profit (loss), a taxable base, unsettled tax losses, unused tax credits and tax rates, with due consideration of assessed uncertainty over tax settlements.

If it is uncertain whether, and to what extent, a tax authority will approve specific tax settlements for a given transaction, the Group recognises such settlements taking into account such uncertainty.

6. BASIS FOR PREPARING THE FINANCIAL STATEMENTS

In accordance with the requirements of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2023, item 120 with subsequent changes), LPP SA has presented its consolidated financial statements based on International Financial Reporting Standards (IFRS), approved by the EU (IFRS EU).

These consolidated financial statements have been drawn up in accordance with the historical cost accounting model, except for financial instruments and the incentive programme which are measured at fair value.

These consolidated financial statements have been drawn up assuming that the Group continues its economic activity as a going concern in the foreseeable future. As at the date of approval of these financial statements for publishing, there are no material uncertainties relating to events or circumstances that may cast significant doubt on the Group's ability to continue as a going concern.

These financial statements are presented in Polish zlotys (PLN) and all values, unless otherwise indicated, are given in millions of PLN.

6.1. DECLARATION OF COMPLIANCE WITH THE IFRS

These consolidated financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) approved by the European Union, covering standards and interpretations accepted by the International Accounting Standards Board. As at the date of approval of these financial statements for publishing, considering the continuing process of implementation of the IFRS in the EU, the IFRS applicable to these financial statements do not differ from IFRS EU.

The optional earlier application of a standard or an interpretation has not been used in these financial statements.

6.2. AMENDMENTS AND NEW STANDARDS AND INTERPRETATIONS

Amendments to standards or interpretations in force and applied by the Group from 2024 and their impact on the consolidated financial statements:

Standard/interpretation	Effective date
Amendments to IAS 1 *Presentation of Financial Statements* The IAS Board clarified the principles for classification of liabilities as current or non-current, mainly in two respects: • it was clarified that the classification depends on the rights held by the entity as at the balance sheet date, • intentions of the management with regard to acceleration or delay in the payment of a liability are not taken into account. Due to the fact that the Group has already been applying the principles consistent with the revised standard, the amendments will not affect its financial statements.	annual periods beginning on or after 1 January 2024
Amendments to IAS 1 *Presentation of Financial Statements* The amendment clarifies that, as at the balance sheet date, an entity does not take into account covenants that will have to be met in the future when considering the classification of liabilities as current or non-current. On the other hand, the entity should disclose information about these covenants in the notes to the financial statements. The amendment had no impact on the consolidated financial statements.	annual periods beginning on or after 1 January 2024
Amendment to IFRS 16 *Leases* The amendment clarifies the requirements in relation to the measurement of the lease liability arising from sale and leaseback transactions. It is intended to prevent incorrect recognition of the result on a transaction for the retained right of use portion when the lease payments are volatile and do not depend on an index or a rate. The amendment had no impact on calculations in the consolidated financial statements.	annual periods beginning on or after 1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 *Financial Instruments: Disclosures* The amendments describe the characteristics of reverse factoring agreements and introduce mandatory additional disclosures, The amendment had no impact on the consolidated financial statements.	annual periods beginning on or after 1 January 2024

Standards and interpretations effective in the version published by the IASB but not endorsed by the European Union are presented below in the section referring to standards and interpretations that are not yet in force.

The optional earlier application of a standard or an interpretation has not been used in these financial statements.

Published standards and interpretations that have not entered into force for periods beginning on 1 February 2024 and their impact on the Group's financial statements:

Standard/interpretation	Effective date
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* The amendment clarifies how an entity should assess whether a currency is exchangeable and how it should determine the exchange rate in case of a currency not being exchangeable, and requires disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The Company estimates that the change will not affect its financial statements.	annual periods beginning on or after 1 January 2025
Amendments to IFRS 9 Financial Instrumentsand IFRS 7 *Financial Instruments: disclosures on the classification and measurement of financial instruments* The amendments to IFRS 9 introduce the option of choosing the accounting principle regarding the expiry date of the liability in the event that the payment is made via an electronic payment system (if certain conditions are met). The amendments to IFRS 9 regarding the SPPI test provide guidance to assist in assessing whether cash flows resulting from a contract are consistent with the *basic lending arrangement*. Moreover, the amendments introduce a clarification of the definition of the term of *non-recourse*. The amendments to IFRS 9 also provide additional guidance on the characteristics of *contractually linked instruments*. The amendments to IFRS 7 add new disclosure requirements: • concerning investment in equity instruments designated as measured at fair value through other comprehensive income, • for each class of financial assets measured at amortised cost or at fair value through other comprehensive income, as well as for financial liabilities measured at amortised cost. The Company estimates that the change will not affect its financial statements.	annual periods beginning on or after 1 January 2026
Amendments to IFRS 9 Financial Instrumentsand IFRS 7 *Financial Instruments: disclosures on PPA* (Contracts Referencing Nature-dependent Electricity). The amendments to IFRS 9 include information on which PPAs may be used in hedge accounting and the specific terms permitted in such hedging relationships. The amendments to IFRS 7 introduce new disclosure requirements for PPAs as defined in the amendments to IFRS 9. The Company estimates that the amendment will not affect its financial statements.	annual periods beginning on or after 1 January 2026
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, IAS 7 These are purely organisational changes within the Annual Improvements cycle that will not affect the financial statements of the company.	annual periods beginning on or after 1 January 2026
New IFRS 18 Presentation and *Disclosure in Financial Statements* The new standard will replace IAS 1 "Presentation of Financial Statements". IFRS 18 introduces, among others: • new structure of the profit and loss account, • increased requirements in the scope of data aggregation and disaggregation, • requirements to disclose management-defined performance measures. The Group continues to assess the impact of the new standard on its financial statements.	annual periods beginning on or after 1 January 2027
New IFRS 19 *Subsidiaries without public accountability: disclosures* The standard applies to subsidiaries without public accountability where their parent company prepares consolidated financial statements in accordance with IFRS. The new IFRS 19 waives the disclosures required by other standards and replaces them by a new list. The new standard will not have an impact on its financial statements as LPP SA is a parent company and it does not apply to public entities.	annual periods beginning on or after 1 April 2027

7. KEY ACCOUNTING PRINCIPLES

The key accounting principles applied when preparing these consolidated financial statements are presented in relevant subsequent notes.

These principles were applied in all presented years on a continuous basis, except for new standards and interpretations described in section 6.2, applied for the first time.

7.1. CONVERSION OF ITEMS DENOMINATED IN FOREIGN CURRENCY

The functional currency for the parent company and the presentation currency for the Group is the Polish zloty (PLN).

The functional currency of foreign subsidiaries is their local currency.

At the balance sheet date, the assets and liabilities of foreign subsidiaries are converted into the Group's presentation currency at the exchange rate of the National Bank of Poland prevailing as at the balance sheet date, while their statements of comprehensive income are converted at the average weighted exchange rate for the financial period concerned. Exchange gains and losses arising from such translation are recognised in other comprehensive income and accumulated in a separate equity item.

When a foreign entity is disposed of, the exchange differences accumulated in the equity of the foreign entity concerned are recognised in profit or loss.

The following exchange rates were adopted for the purposes of the balance sheet measurements:

	As at 31 January 2025	As at 31 January 2024
EUR	4.2130	4.3434
CZK	0.1676	0.1753
BGN	2.1541	2.2997
100HUF	1.0329	1.1280
UAH	0.0973	0.1069
RON	0.8466	0.8726
RSD	0.0359	0.0371
100KZT	0.7813	0.8955
BAM	2.1460	2.2154
GBP	5.0404	5.0848
100MK	6.8368	7.0493
BYN	1.1861	1.2928
100ALL	4.2498	4.1840
100UZS	0.0311	0.0000

The average weighted exchange rates for individual financial period were as follows:

	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
EUR	4.2965	4.5034
CZK	0.1708	0.1867
BGN	2.1969	2.3015
100HUF	1.0770	1.1820
UAH	0.0982	0.1139
RON	0.8635	0.9071
RSD	0.0367	0.0384
100KZT	0.8410	0.9150
BAM	2.1924	2.2949
GBP	5.0962	5.1762
100MK	6.9820	7.2760
BYN	1.2213	1.3660
100ALL	4.2800	4.1900
100UZS	0.0311	0.0000

7.2. CONSOLIDATION PRINCIPLES

The financial statements of the subsidiaries are prepared in accordance with the accounting standards applicable in each country, however, for consolidation purposes, their financial data has been restated so that the consolidated financial statements are prepared on the basis of uniform accounting principles. Adjustments are introduced to eliminate any discrepancies in the accounting principles applied. The financial statements of subsidiaries cover reporting periods consistent with that of the parent company.

All material balances and transactions between Group entities, including unrealised gains from intra-Group transactions, have been fully eliminated.

Subsidiaries are consolidated from the date on which the Group has taken control over them and cease to be consolidated from the date on which such control expires. The parent company exercises control when:

- it has authority over the entity concerned,
- it is subject to exposure to variable returns or is entitled to variable returns from its exposure in a given entity,
- it has the ability to use its powers to shape the level of returns generated.

The Group verifies the fact of exercising control over other entities if circumstances have arisen indicating a change in one or more of the aforementioned control exercising conditions.

8. ADJUSTMENTS OF ERRORS AND CHANGES IN ACCOUNTING PRINCIPLES

There were no adjustments to previous years or changes in accounting policies during the reporting period.

9. REVENUES AND EXPENSES

9.1. SALES REVENUE

ACCOUNTING POLICY

Upon contract conclusion, the Group evaluates whether a given contract meets all required criteria, i.e.:

- The parties concluded a contract (in written or oral form or in accordance with an adopted trading practice) and are obligated to perform their duties;
- The Group is able to identify rights of each party to goods or services to be transferred;
- The Group is able to identify payment conditions for goods or services to be transferred;
- The contract has economic content (i.e. one may expect that, as a result of the contract, there will be a change in risk, timing or amount of the entity's future cash flows); and
- It is probable that the Group will be paid a consideration due in exchange for goods or services to be transferred to the customer.

When assessing whether payment of the consideration is probable, the Group takes into account only the customer's ability and intention to pay the amount of the consideration in due time.

Identification of performance obligations
Upon contract conclusion, the Group evaluates goods and services promised in the contract with the customer and identifies individual contractual obligations. The Group analyses whether a product or service is different or similar and, depending on findings made, performance obligations to which revenue is allocated are recognised as required.

Determining the transaction price
The Group assigns a transaction price to each liability in an amount reflecting the value of consideration payable in exchange for the transfer of promised goods or services.

Fulfilment of performance obligations
Revenue is recognised at the time, or in the course, of fulfilling a performance obligation by transferring a promised good or service to the customer. The above takes place when an entity transfers "control" over goods or services to a contracting party. Such control is the ability to manage the use of a given asset and obtain all major benefits from it.

Due to the loyalty programme available for Sinsay, the revenue from the sale of goods is adjusted in case of unused points as of the balance sheet date. According to the terms and conditions published on the Sinsay website, customers can earn points for their purchases, which they can later exchange for discount vouchers. The points are activated 30 days after the purchase date and are valid for six months.

As regards contracts involving services provided by the Group, under which the Group has the right to receive from the customer a consideration in an amount directly reflecting the value for the customer of a performance made so far. The Group recognises revenue over time, versus benefits transferred.

Contract assets
In contract assets, the Group recognises the rights to a consideration payable in exchange for goods or services, provided by the Group to the customer if this right is subject to a condition other than the lapse of time (e.g. to the entity's future performances). The Group assesses whether there has been an asset impairment according to IFRS 9.

Trade receivables
In trade receivables, the Group recognises the rights to a consideration payable in exchange for goods or services, provided by the Group to the customer if this right is unconditional (with the only condition for the consideration to be due and payable is the lapse of time). The Group recognises receivables in line with IFRS 9.

Contract liabilities
In contract liabilities, the Group recognises the consideration received or due from the customer, which involves the duty to provide the customer with goods or services.

Refund liabilities
The Group recognises customer refund liabilities due to the fact that customers make product claims and return goods purchased. Revenue from the sale of goods is updated by adjusting the estimated value of such returns, divided into traditional and online sales. The detailed description of the rules and applied indicators can be found in note 5.2.

Sale of goods
The Group pursues business activity covering mainly the sale of goods, including retail sales in traditional and online stores and as well as wholesale.

According to the provisions of the standard, if a contract provides for a single performance obligation, i.e. the sale of goods, the revenue is recognised at a point of time (i.e. when the customer gains control of such goods). In the case of retail outlets (stores), revenue is recognised at the time of transaction. Revenue recognition in wholesale sales depends on the Incoterms under which the transaction is performed. For online sales, the Group recognises revenue upon delivery of the goods to the customer, taking into account estimated expected returns.

REVENUE BY CATEGORY

The table below presents revenues from contracts with customers broken down by geographical regions and categories that most accurately reflect the nature of cooperation and management analyses.

The geographical areas indicated below include the following countries within the LPP SA Group:

Poland	Western Europe	Central and Eastern Europe	Southern and Eastern Europe	Countries of the Baltic Sea region	Trade agents	Other
Poland	Germany, Italy, Finland, Great Britain	Czech Republic, Slovakia, Hungary	Romania, Bulgaria, Greece, North Macedonia, Serbia, Bosnia and Herzegovina, Croatia, Slovenia	Lithuania, Latvia, Estonia	UAE*, Türkiye*	Ukraine, Kazakhstan, Belarus and franchise sales

The target country for goods sold to trade agents in the transition period, based on the sales contract of the Re Trading company, was the Russian Federation.

Revenue from contracts with customers for the period from 01.02.2024 to 31.01.2025 (PLN m)	Poland	Western Europe	Central and Eastern Europe	Southern and Eastern Europe	Countries of the Baltic Sea region	Trade agents	Other	Total
Type of sales								
online	2,576	512	705	1,077	165	0	369	5,404
offline	6,153	724	1,796	3,287	626	787	1,416	14,790
Total	**8,729**	**1,236**	**2,501**	**4,364**	**791**	**787**	**1,785**	**20,194**
Type of brand								
Sinsay	3,897	293	1,217	2,986	345	0	1,136	9,875
Reserved	2,587	876	737	774	267	0	346	5,587
Cropp	647	25	154	198	69	0	146	1,239
House	755	15	147	151	47	0	116	1,230
Mohito	725	26	246	255	64	0	40	1,357
Other	118	0	0	0	0	787	0	905
Total	**8,729**	**1,236**	**2,501**	**4,364**	**791**	**787**	**1,785**	**20,194**

Revenue from contracts with customers for the period from 01.02.2023 to 31.01.2024 (PLN m)	Poland	Western Europe	Central and Eastern Europe	Southern and Eastern Europe	Countries of the Baltic Sea region	Trade agents	Other	Total
Type of sales								
online	1,958	318	650	877	171	0	311	4,286
offline	5,427	540	1,627	2,602	587	1,188	1,150	13,121
Total	**7,385**	**858**	**2,277**	**3,479**	**757**	**1,188**	**1,461**	**17,406**
Type of brand								
Sinsay	2,675	126	976	2,167	289	0	762	6,995
Reserved	2,485	670	777	752	282	0	377	5,342
Cropp	642	26	153	198	75	0	154	1,247
House	677	13	140	140	47	0	119	1,137
Mohito	714	23	231	223	64	0	50	1,304
Other	192	0	0	0	0	1,188	0	1,380
Total	**7,385**	**858**	**2,277**	**3,479**	**757**	**1,188**	**1,461**	**17,406**

As part of the Re Trading divestment agreement, the parties provided for a transitional period during which LPP SA undertook to support the investor, among others, in the processes of purchasing goods. The sale of goods relating to the aforementioned support is presented in the Trade Agents column and amounted to PLN 787 million in 2024 (2023: PLN 1,188 million).

The Group has not identified any contractors exceeding 10% revenue.

ASSETS AND LIABILITIES UNDER CONTRACTS WITH CUSTOMERS

The Group sells clothes and accessories to target customers in traditional and online stores in Poland and abroad, with payments made in cash or by payment cards. Due to this business model, the balance of receivables is relatively low. Trade and other receivables also include wholesale settlements.

Contractual liabilities include gift cards purchased. Such gift cards will be utilised by customers for purchasing clothes in traditional stores. As estimated by the Group, an average gift card utilisation period is 12 months.

Considering that the main distribution channel is retail sale and, to a lesser extent, wholesale, and taking into account product returns envisaged in the Group's policy, the Group estimates the value of customer refund liabilities as at each balance sheet date. Such an estimate is made based on a percentage of product returns determined in consideration of data from the preceding quarter. This value is presented in the Refund liabilities item.

At the balance sheet date, the Group estimated the value of unused points, which is presented in the table below under Loyalty program. It results from the value of one point, the number of points at the end of the reporting period that could be used and the probability of their realization estimated based on historical realizations.

The Group recognised the following assets and liabilities under contracts with customers:

PLN m	As at 31 January 2025	As at 31 January 2024
Trade receivables	757	810
Refund asset	60	47
Refund liabilities	103	85
Contract liabilities	36	29
Loyalty program	62	26

9.2. COST OF SALES

A detailed breakdown of items comprised in the total value of the cost of goods sold is shown in the table below.

Cost of sales (PLN m)	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Cost of sales and services sold	9,461	8,288
Revaluation write-off on inventory	28	154
Estimated product returns	-14	-2
Total cost of sales	**9,475**	**8,440**

9.3. OTHER OPERATING INCOME AND COSTS

ACCOUNTING POLICY

Other operating income and expenses comprise operating income and costs of operations other than the Group's basic operations, for example profit or loss on the sale of tangible fixed assets, fines and charges, donations, revaluation write-offs on assets etc.

Subsidies are recognised when there is reasonable certainty that it will be received and all ancillary conditions are satisfied.

If there are indications of impairment, the Group tests tangible fixed assets for impairment. Impairment losses are recognised when the tests indicate a recoverable amount lower than the carrying amount.

Other operating income (PLN m)	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Gain on disposal of non-financial non-current assets	0	0
Subsidies	3	2
Revaluation of assets, including:	32	0
– revaluation write-offs on non-current assets net	26	0
– revaluation write-offs on receivables net	6	0
Operating income, including:	69	65
– profit on cancellation of contracts measured in accordance with IFRS 16	20	25
– compensations	6	12
Total other operating income	**104**	**67**

Other operating costs (PLN m)	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Loss on disposal of non-financial tangible fixed assets	0	0
Revaluation of assets, including:	0	71
– revaluation write-offs on non-current assets net	0	43
– revaluation write-offs on receivables net	0	28
Other operating expenses, including	149	114
– losses in current and non-current assets	114	92
– donations	7	3
Total other operating costs	**149**	**185**

9.4. FINANCIAL INCOME AND COSTS

ACCOUNTING POLICY

Financial income and costs comprise, in particular, interest, revaluation of loans, foreign exchange differences and dividends.

Interest income and interest expense are recognised regularly when accrued, applying the effective interest method, over the net carrying value of a given financial asset.

Dividends are recognised at the time of determining the rights of eligible shareholders.

If there are indications of impairment, the Group tests investment for impairment. Impairment losses are recognised when the tests indicate a recoverable amount lower than the carrying amount.

Foreign exchange differences are recognised on a net basis.

Financial income (PLN m)	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Interest, including:	22	16
– on deposits	13	11
– on loans and receivables	9	5
Measurement of units in funds	43	28
Dividends	0	0
Other financial income, including:	77	54
– discount	77	54
Total financial income	**142**	**98**

In the reporting period, the Group presented the item Discount in the amount of PLN 77 million (2023: PLN 54 million) in connection with the sale of Re Trading OOO.

Financial costs (PLN m)	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Interest expenses – bank loans	52	81
Interest expenses – bonds	11	16
Interest expenses – budgetary and other	0	1
Interest expenses – lease liabilities	150	109
Others, including:	93	127
– revaluation write-off on loans	2	0
– currency translation balance	82	121
Total financial costs	**306**	**334**

The Group recorded a negative balance of currency translation differences due to the appreciation of the PLN against the USD, the currency in which the company imports goods from Asia.

9.5. COSTS BY TYPE

Costs by type (PLN m)	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Amortization and depreciation	1,688	1,381
Rent and leases	623	540
Store and warehouse operation services	1,083	609
Transport	788	626
Consumption of materials and energy	582	506
Payroll and social security costs	2,271	1,781
Other costs by type	1,224	1,122
including: Advertising	639	433
Total costs by type	**8,259**	**6,565**

The reconciliation of cost values in the comparative model with the calculation model in the table below:

Costs by type (PLN m)	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Costs by type, including:	8,259	6,565
Items recognised in costs of stores and distribution	7,129	5,646
Items recognised in overheads	1,130	919

9.6. COSTS OF DEPRECIATION, EMPLOYEE BENEFITS AND INVENTORY

Items recognised in cost of sales (PLN m)	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Measurement of inventory at a purchase price	9,461	8,288
Revaluation write-off on inventory	28	154
Estimated product returns	-14	-2
Total	**9,475**	**8,440**

Items recognised in costs of stores and distribution (PLN m)	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Depreciation of property, plant and equipment	618	497
Depreciation of intangible assets	6	9
Depreciation of the right of use	968	790
Costs of inventory consumption for advertising purposes	1	1
Costs of employee benefits, including:	1,635	1,256
– payroll	1,429	1,096
– social security costs	206	160
Total	**3,228**	**2,553**

Items recognised in overheads (PLN m)	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Depreciation of property, plant and equipment	36	32
Depreciation of intangible assets	39	34
Depreciation of the right of use	21	19
Costs of inventory consumption for advertising purposes	1	1
Costs of employee benefits, including:	636	525
– payroll	538	446
– social security costs	98	79
Total	**733**	**611**

Items recognised in other operating costs (PLN m)	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Surplus of inventory deficits over surpluses	74	76
Inventory disposal	31	10
Donations	7	3
Total	**112**	**89**

10. INCOME TAX

ACCOUNTING POLICY

Mandatory charges of the financial result comprise current and deferred income tax not recognised in other comprehensive income or directly in equity.

The current tax charge is calculated on the basis of the tax result for the financial year concerned. Changes in estimates referring to previous years are recognised as an adjustment to the current year's charge. Tax charges are calculated based on the tax rates applicable for the financial year.

Deferred tax is calculated using the balance sheet method as the tax payable or refundable in the future on the differences between the carrying amounts of assets and liabilities and the corresponding tax values used to calculate the tax base.

A deferred tax liability is recognised on all taxable temporary gains, while a deferred tax asset is recognised to the extent that it is probable that future taxable gains may be deducted by the recognised deductible temporary losses.

The Group offsets deferred tax assets and liabilities and recognises the value in the Statement of Financial Position on a net basis separately for each Group company.

If, in the Group's opinion, it is likely that an individual company's approach to the tax issue or a group of tax issues will be accepted by the tax authority, each company determines the taxable income (tax loss), the tax base, unused tax losses, unused tax credits and the tax rates with regard to the tax approach planned or applied in its tax return. When assessing this probability, the Group assumes that the tax authorities with the power to control and challenge the tax treatment will carry out such an audit and will have access to any information.

If the Group determines that it is not probable that the tax authority will accept the company's approach to a tax issue or a group of tax issues, the company reflects the effects of the uncertainty in the tax accounting in the period during which it determined the foregoing. The Group recognises an income tax liability using one of two methods, depending on which of them better reflects the manner in which the uncertainty may materialise:

- the company determines the most likely scenario – it is a single amount among possible results, or
- the company recognises the expected value – it is the sum of the probability-weighted amounts among possible results

Income tax (PLN m)	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Current income tax	456	403
Deferred income tax	48	32
Total income tax	**504**	**435**

As part of the BEPS 2.0 initiative, a global reform of income taxes is being implemented. Its key element is the necessity to pay a top-up tax where the effective tax rate in a given tax jurisdiction is less than 15%.

On 15 November 2024, an act was signed implementing the EU requirements for a global minimum tax Pillar II in Poland. The Polish regulations have been in force since 1 January 2025.

LPP SA is in the process of analysing how the aforementioned regulations will affect the tax burden of the Company and other subsidiaries in the Polish jurisdiction and abroad.

The Group has used the option of not recognising deferred income tax assets and liabilities related to Pillar II income taxes and not disclosing information on these assets and liabilities.

10.1. EFFECTIVE TAX RATE

The reconciliation of income tax on the financial result before tax at the statutory tax rate, with the income tax reported in the financial result for the periods from 1 February 2024 to 31 January 2025 and the comparative period, is shown presented in the table below.

Income tax (PLN m)	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Pre-tax profit/ loss	2,251	2,047
Income tax at a statutory tax rate of 19% applicable in Poland	**428**	**389**
Effect of difference in tax rates between countries	19	76
Adjustments relating to current income tax of previous years	3	3
Fixed costs other than tax deductible costs	70	29
Fixed income other than taxable base	-16	-62
Income tax (charge) recognised in profit or loss	**504**	**435**

On 25 October 2023, LPP SA signed the agreement with the National Revenue Administration (NRA) under the Co-operation Programme. The aim of the Programme is to ensure the compliance with the tax law, with an active support of the NRA, taking into account the individual needs and expectations of the Company. The agreement will allow the Company to increase business and tax transparency, cooperate more efficiently with the NRA and reduce the risk of business activities in terms of taxes, by agreeing business changes and operations with the tax authorities in advance.

Income tax is calculated based on the following tax rates:

0%	Estonia, Latvia	19%	Poland
9%	Hungary	20%	Belarus, Finland, Kazakhstan
10%	Bulgaria, North Macedonia, Bosnia and Herzegovina, Kosovo	21%	Slovakia, Czech Republic
		22%	Greece, Slovenia
15%	Serbia, Lithuania	24%	Italy
16%	Great Britain, Romania	25%	Spain
18%	Ukraine, Croatia	33%	Germany

10.2. DEFERRED INCOME TAX – FINANCIAL RESULT

Deferred income tax recognised in the financial result for the period from 1 February 2024 to 31 January 2025 and for the comparative period resulted from the following items:

Deferred income tax (PLN m)	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Difference between balance sheet and tax depreciation of fixed assets	6	-9
Difference between the right of use and the lease liability	-38	-25
Revaluation of inventory	1	23
Revaluation of trade receivables	-2	6
Margin on goods unsold outside the Group	16	-5
Fee on expenditure sold	0	-3
Tax loss	-12	-10
Unpaid remuneration and surcharges	2	4
Provision for goods returned	2	0
Tax credit	-8	-7
Estimated return/estimated rent subsidies	-14	-19
Other temporary differences	-6	1
Foreign exchange differences from the conversion	5	12
Total	**-48**	**-32**

10.3. DEFERRED TAX ASSETS AND LIABILITIES

The value of the deferred tax assets and liabilities recognised in the statement of financial position results from the the items and figures shown in the table below.

Deferred income tax assets (PLN m)	As at 31 January 2025	As at 31 January 2024
Difference between balance sheet and tax depreciation of fixed assets	-48	-54
Difference between the right of use and the lease liability	82	120
Revaluation of inventory	56	55
Revaluation of trade receivables	3	5
Margin on goods unsold outside the Group	50	34
Fee on expenditure sold	4	4
Tax loss	77	89
Unpaid remuneration and surcharges	15	13
Provision for goods returned	7	5
Tax credit	19	27
Estimated return/estimated rent subsidies	-3	11
Other temporary differences	-9	-3
Total	**253**	**306**

Deferred income tax liabilities (PLN m)	As at 31 January 2025	As at 31 January 2024
Difference between balance sheet and tax depreciation of fixed assets	2	2
Other temporary differences	0	0
Total	**2**	**2**

As at 31 January 2025, the Group recognised deferred tax assets due to tax losses in the Group subsidiaries in the amount of PLN 77 million (2023: PLN 89 million). The most significant values were calculated amounting to PLN 59 million at LPP SA and PLN 11 million at LPP BLR. According to the tax regulations in the aforementioned countries, there is no limitation period for the settlement of the tax loss.

In addition, the Group disclosed deferred tax assets arising from a tax credit relating to business activities carried out by LPP Logistics Sp. z o.o. in the economic zone in the amount of PLN 19 million (2023: PLN 27 million).

11. EARNINGS PER SHARE

ACCOUNTING POLICY

Basic earnings per share are calculated by dividing the net profit for the period concerned by the weighted average number of issued shares of LPP SA outstanding in a given period.

Diluted earnings per share are calculated by dividing the net profit for the period concerned by the weighted average number of shares outstanding during the period adjusted by the weighted average number of shares that would be issued upon conversion of all dilutive prospective equity instruments into shares.

The calculation of basic and diluted earnings per share is presented below.

Earnings per share	01.02.2024 – 31.01.2025	01.02.2023 – 31.01.2024
Number of shares used as the denominator of the formula		
Weighted average number of shares	1,855,624	1,855,190
Dilutive effect of options convertible to shares	0	1,260
Diluted weighted average number of shares	1,855,624	1,856,450
Earnings per share		
Net profit (loss) attributable to shareholders of the parent company (PLN million)	1,747	1,607
Net Profit (loss) on continuing operations (PLN million)	1,747	1,612
Net profit (loss) attributable to shareholders of the parent company per share (PLN)	941.46	866.22
Diluted net profit (loss) attributable to shareholders of the parent company per share (PLN)	941.46	865.63
Net profit (loss) on continuing operations per share (PLN)	941.46	868.91
Diluted net profit (loss) on continuing operations per share (in PLN)	941.46	868.32

In the period from the balance sheet date to the date of drawing up these financial statements, there were no other transactions involving any shares or potential shares.

12. DIVIDENDS PAID AND OFFERED FOR PAYMENT

ACCOUNTING POLICY

Dividends are recognised at the time of determining the rights of eligible shareholders.

On 12 July 2024, the Ordinary General Meeting of Shareholders of LPP SA adopted Resolution no. 21 on the allocation of part of the profit generated for the year ended 31 January 2024 for dividend payment in the total amount of PLN 1 132 million. The dividend record date was set for 11 October 2024, while the payment was made in two parts: in advance on 30 April 2024 in the amount of PLN 529 million and on 30 October 2024 in the amount of PLN 603 million. The dividend per share amounted to PLN 610.00.

Also in the current financial year, on 31 January 2025, the Supervisory Board of LPP SA approved the disbursement of the advance dividend payment for the year ended 31 January 2025. The advance payment was determined in the amount of PLN 612, i.e. PLN 330 per share. The date for determining the list of shareholders was set on 23 April 2025 while the date of the advance payment disbursement was set on 30 April 2025.

In the comparative period, on 30 June 2023, by resolution no. 19, the GM of LPP SA decided to allocate a part of the profit generated for the year ended 31 January 2023 and a part of previous years' profit for dividend payment in the total amount of PLN 798 million. The dividend record date was set for 10 July 2023, whereas the payment was made in two instalments: on 14 July 2023 and on 10 October 2023. The dividend per share amounted to PLN 430.00.

13. DISCONTINUED OPERATIONS

No discontinued operations took place in the current period.

In 2022, LPP SA sold its subsidiary, Re Trading OOO. A detailed description of the transaction is included in note 13 in the Consolidated Annual Report for 2022.

As at 31 January 2025, the discounted value of receivables from the disposal of the Re Trading OOO company amounted to PLN 326 million and was presented in the Statement of financial position in the item: Long-term receivables in the amount of PLN 148 million (2023: PLN 229 million) and in the item Short-term receivables in the amount of PLN 178 million (2023: PLN 90 million). In accordance with the contract, the date of payment for the divestment of the company was deferred in agreed proportions maximum to 2026. The portion attributable for repayment at the end of 2024 has been accomplished.

14. TANGIBLE FIXED ASSETS

ACCOUNTING POLICY

Tangible fixed assets are initially carried at purchase price increased with all costs directly related to the purchase and adaptation of an asset to the working conditions for its intended use. Costs incurred after the date when a fixed asset was put to use, such as costs of maintenance and repairs, are charged to the financial result as they are incurred.

As at the balance sheet date, tangible fixed assets are measured at a purchase price less accumulated depreciation and impairment write-offs.

Depreciation is applied by the Group on the straight-line basis. Tangible fixed assets are depreciated over their pre-determined expected useful life. This period is revised annually.

Depreciation rates applied for specific groups of tangible fixed assets are as follows:

Asset group	depreciation rate
Buildings, premises, civil engineering structures, including:	2.5-50%
Expenditure in a third-party facility	*10-20%*
Technical equipment and machines	2.5-50%
Means of transport	10-25%
Other tangible fixed assets, including:	10-40%
Furniture	*10-12.5%*

The value of tangible fixed assets is also periodically tested for impairment, if any, resulting from any events or changes in the business environment or within the Group itself, which could cause an impairment of these assets below their current carrying amount.

When fixing depreciation rates for individual items of tangible fixed assets, the Group determines whether there are any components of such asset, the purchase price of which is important as compared with the purchase price of the entire fixed asset, and whether the usability period for these components is different from the usability period for the remaining part of the fixed asset.

Tangible fixed assets under construction are measured as at the balance sheet date at a level of the total costs directly associated with their purchase or manufacturing, less the impairment write-offs due to permanent loss of value.

A given item of tangible fixed assets may be removed from the statement of financial position after its sale or when no economic benefits of the asset further use are expected. Profits or losses arising from the sale, disposal or cessation of use of tangible fixed assets are specified as a difference between sales revenue and their net value and are recognised in the result, in other operating income or expenses.

External financing costs are capitalised as part of costs of production of tangible and intangible fixed assets. External financing costs comprise interest calculated applying the effective interest rate method and foreign exchange differences involved in external financing, up to the amount corresponding to the adjustment of the interest cost.

At the end of each financial year, an impairment analysis is performed. The principles applied in determining whether a fixed asset is subject to a write-off are described in note 5.2.

Changes in tangible fixed assets (by type) in the period from 1 February 2024 to 31 January 2025 (PLN m)	Land	Buildings, premises, civil engineering structures	Technical equipment and machines	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Advances for tangible fixed assets	Total fixed assets
Opening balance of gross value of tangible fixed assets	198	3,805	946	29	1,298	198	6	6,480
Foreign exchange differences from the conversion	0	-85	-10	-1	-37	-4	0	-137
Acquisitions	51	131	138	11	172	1,279	258	2,040
Transfer from fixed assets under construction	0	735	1	0	212	-948	0	0
Sale	0	0	2	3	1	3	0	9
Liquidation	0	75	14	0	34	1	0	124
Other decreases	0	0	2	0	0	7	238	247
Other increases	0	3	2	0	0	1	0	6
Closing balance of tangible fixed assets, gross	**249**	**4,514**	**1,059**	**36**	**1,610**	**515**	**26**	**8,009**
Opening balance of accumulated depreciation (redemption)	0	1,506	452	13	693	0	0	2,664
Foreign exchange differences from the conversion	0	-38	-6	-1	-18	0	0	-63
Depreciation for the period	0	407	113	5	129	0	0	654
Sale	0	0	2	2	1	0	0	5
Liquidation	0	70	13	0	30	0	0	113
Other decreases	0	3	1	2	0	0	0	6
Other increases	0	4	0	2	1	0	0	7
Closing balance of accumulated depreciation (redemption)	**0**	**1,806**	**543**	**15**	**774**	**0**	**0**	**3,138**
Opening balance of impairment write-offs	0	154	1	0	11	7	0	173
Foreign exchange differences from the conversion	0	-5	0	0	-1	-1	0	-7
Increase	0	6	0	0	0	0	0	6
Use of	0	3	0	0	1	0	0	4
Reversal	0	30	0	0	1	1	0	32
Closing balance of impairment write-offs	**0**	**122**	**1**	**0**	**8**	**5**	**0**	**136**
Total net value of tangible fixed assets as at 01 February 2024	198	2,145	493	16	594	191	6	3,643
Total net value of tangible fixed assets as at 31 January 2025	**249**	**2,586**	**515**	**21**	**828**	**510**	**26**	**4,735**

Impairment loss – items in the statement of comprehensive income	Base
Increase – other operating costs, revaluation of non-financial assets	0
Decrease – other operating income, revaluation of non-financial assets	26

Changes in tangible fixed assets (by type) in the period from 1 February 2023 to 31 January 2024 (PLN m)	Land	Buildings, premises, civil engineering structures	Technical equipment and machines	Means of transport	Other tangible fixed assets	Tangible fixed assets under construction	Advances for tangible fixed assets	Total fixed assets
Opening balance of gross value of tangible fixed assets	198	3,384	928	26	1,094	195	9	5,834
Foreign exchange differences from the conversion	0	-155	-22	-2	-64	-5	-1	-249
Acquisitions	0	50	88	6	122	761	38	1,065
Transfer from fixed assets under construction	0	608	12	0	142	-747	-15	0
Sale	0	8	2	1	1	0	0	12
Liquidation	0	54	19	0	28	0	0	101
Other decreases	0	22	39	0	0	8	25	94
Other increases	0	2	0	0	33	2	0	37
Closing balance of tangible fixed assets, gross	**198**	**3,805**	**946**	**29**	**1,298**	**198**	**6**	**6,480**
Opening balance of accumulated depreciation (redemption)	0	1,289	415	11	628	0	0	2,343
Foreign exchange differences from the conversion	0	-66	-12	-1	-30	0	0	-109
Depreciation for the period	0	329	90	4	106	0	0	529
Sale	0	6	2	1	1	0	0	10
Liquidation	0	44	18	0	25	0	0	87
Other decreases	0	0	21	0	0	0	0	21
Other increases	0	4	0	0	15	0	0	19
Closing balance of accumulated depreciation (redemption)	**0**	**1,506**	**452**	**13**	**693**	**0**	**0**	**2,664**
Opening balance of impairment write-offs	0	129	2	0	17	8	0	156
Foreign exchange differences from the conversion	0	-12	-1	0	-2	-1	0	-16
Increase	0	53	0	0	0	0	0	53
Use of	0	7	0	0	2	0	0	9
Reversal	0	9	0	0	2	0	0	11
Closing balance of impairment write-offs	**0**	**154**	**1**	**0**	**11**	**7**	**0**	**173**
Total net value of tangible fixed assets as at 01 February 2023	198	1,966	511	15	449	187	9	3,335
Total net value of tangible fixed assets as at 31 January 2024	**198**	**2,145**	**493**	**16**	**594**	**191**	**6**	**3,643**

Impairment loss – items in the statement of comprehensive income	Base
Increase – other operating costs, revaluation of non-financial assets	43
Decrease – other operating income, revaluation of non-financial assets	0

In the balance sheet period, in the category of Advances for tangible fixed assets, there was a significant increase in the value of advances and, to a large extent, their settlement. This phenomenon mainly concerned Ukraine and was related to the construction of showrooms in this area.

In the period ended 31 January 2025, the Group recognised impairment write-offs due to tangible fixed assets relating to unprofitable stores or stores designated for closure in the amount of PLN 6 million (2023: PLN 53 million).

In the same period, a partial utilisation of created write-offs due to the closure of stores in the amount of PLN 4 million took place, as well as a partial reversal of write-offs in the amount of PLN 32 million (2023: utilisation in the amount of PLN 9 million and a reversal of write-offs in the amount of PLN 11 million).

As at 31 January 2025, the Group had contractual liabilities related to the purchase of tangible fixed assets in the amount of 843 million (2023: PLN 156 million).

The above amount consisted of the following liabilities:

- Liabilities related to the development of LPP brand stores – PLN 70 million
- Liabilities under contracts for the extension of logistics centres – PLN 726 million
- Liabilities under contracts for the construction of office buildings – PLN 47 million.

As at the balance sheet date, there were limitations on the disposal of real estate held in Pruszcz Gdański and Gdańsk in connection with investment loans. A detailed description is included in note 24.

15. LEASES

ACCOUNTING POLICY

Upon contract conclusion, the Group assesses whether a given agreement is a lease agreement or covers leased assets. The agreement is a lease agreement or covers leased assets if it transfers the right to control the use of an identified asset for a given period in exchange for a consideration.

The Group applies a single model for recognising and measuring all leases, except for short-term and low-value leases. As at the lease commencement date, the Group recognises a right-of-use asset and a lease liability.

Right-of-use assets
The Group recognises right-of-use assets as at the lease commencement date. These assets are measured at cost and decreased with total depreciation write-offs and impairment write-offs. The cost of right-of-use assets comprises the amount of lease liabilities recognised, initial direct costs incurred as well as any and all lease fees paid on or before the commencement date, decreased with any lease incentives received.

Lease liabilities
As at the lease commencement date, the Group measures lease liabilities in the amount of the current value of lease fees due and payable on that date. In principle, lease fees comprise fixed lease fees.

When calculating the current value of lease fees, the Group applies the lessee's marginal interest rate as at the lease commencement date if a percentage rate for the lease may not be easily determined. After the lease commencement date, the amount of lease liabilities is increased with interest and decreased with lease payments made. Furthermore, the balance sheet value of lease liabilities is re-measured if there is a change in the lease term and fixed lease fees.

Short-term and low-value leases
The Group applies an exemption as regards recognition of its short-term lease contracts (i.e. contracts with a lease term of 12 months or less, with no purchase option) as short-term lease. The Group also applies a relevant exemption as regards recognition of the lease of low-value assets. These charges are recognised as costs at their payment date.

LPP SA and its subsidiaries are parties to lease agreements for brand stores, offices, warehouses, transportation means and for exercising the right of perpetual usufruct of land.

The following lease terms are applied:

- for brand stores – from 3 to 10 years, with the lease extension option;
- for office and warehouse space – from 3 to 6 years;
- for cars – from 5 to 10 years;
- for the right of perpetual usufruct – as decided by the City Hall.

Specific lease agreements may be extended or terminated. The Management Board makes a judgement to determine a term in respect of which there is reasonable certainty that such agreements will last.

Furthermore, the Group concluded agreements on the lease of store floorspace and cars, with a lease term of 12 months or less, and lease agreements covering office equipment and low-value equipment. As regards short-term and low-value leases, the Group benefits from a relevant exemption.

The carrying amounts of right-of-use assets and their changes in the reporting period are presented in the table below:

Changes in the right of use in the period from 1 February 2024 to 31 January 2025 (PLN m)	Store lease	Other lease	Total right of use
Opening balance, gross value of the right of use	5,244	303	5,547
Foreign exchange differences from the conversion	-139	-8	-147
Increases (new leases)	1,124	363	1,487
Amendments to lease agreements	475	8	483
Revaluation of lease liabilities*	-161	-37	-198
Closing balance, gross value of the right of use	**6,543**	**629**	**7,172**
Opening balance of accumulated depreciation (redemption)	2,212	90	2,302
Foreign exchange differences from the conversion	-56	-1	-57
Depreciation for the period	912	77	989
Amendments to lease agreements	-20	0	-20
Revaluation*	-130	-12	-142
Closing balance of accumulated depreciation (redemption)	**2,918**	**154**	**3,072**
Total net value of the right of use as at 1 February 2024	3,032	213	3,245
Total net value of the right of use as at 31 January 2025	**3,625**	**475**	**4,100**

Changes in the right of use in the period from 1 February 2023 to 31 January 2024 (PLN m)	Store lease	Other lease	Total right of use
Opening balance, gross value of the right of use	4,346	340	4,686
Foreign exchange differences from the conversion	-254	-6	-260
Increases (new leases)	963	111	1,074
Amendments to lease agreements	344	30	374
Revaluation of lease liabilities*	-155	-172	-327
Closing balance, gross value of the right of use	**5,244**	**303**	**5,547**
Opening balance of accumulated depreciation (redemption)	1,680	118	1,798
Foreign exchange differences from the conversion	-94	-2	-96
Depreciation for the period	755	55	810
Amendments to lease agreements	-7	0	-7
Revaluation*	-122	-81	-203
Closing balance of accumulated depreciation (redemption)	**2,212**	**90**	**2,302**
Total net value of the right of use as at 1 February 2023	2,666	222	2,888
Total net value of the right of use as at 31 January 2024	**3,032**	**213**	**3,245**

**The revaluation applies to agreements physically liquidated due to the winding-up of a contract or liquidation due to the transition to turnover rentals.*

The carrying amounts of right-of-use liabilities and their changes in the reporting period are presented below:

Lease liabilities (PLN m)	As at 31 January 2025	As at 31 January 2024
Opening balance	3,907	3,663
Increases (new agreements)	1,622	1,216
Amendments to lease agreements	525	405
Revaluation*	-56	-138
Foreign exchange differences	-131	-204
Interest	150	109
Payments	-1,246	-1,144
Closing balance	**4,771**	**3,907**
Short-term	1,248	1,015
Long-term	3,523	2,892
Total	**4,771**	**3,907**

**The revaluation applies to agreements physically liquidated due to the winding-up of a contract or liquidation due to the transition to turnover rentals.*

Amendments to lease agreements involved changes in lease terms, changes in lease fees subject to a rate or index and from measurement of value in a foreign currency.

In the reporting period, the Group presented the following values in the financial statements for continuing operations:

- costs of depreciation of the right of use: PLN 989 million (2023: PLN 810 million);
- Interest costs: PLN 150 million (2023: PLN 109 million);
- costs of rent under unmeasured agreements in accordance with IFRS 16: PLN 623 million (2023: PLN 540 million).

As at 31 January 2025 and 31 January 2024, the Group reports the distribution of lease liabilities based on their maturity dates in non-discounted values, as follows:

Undiscounted lease liabilities (PLN m)	As at 31 January 2025	As at 31 January 2024
Up to 1 month	112	90
From 1 to 3 months	224	180
From 3 months to 1 year	1,007	812
Above 1 year	3,791	3,083
Total	**5,134**	**4,165**

16. INTANGIBLE ASSETS

ACCOUNTING POLICY

Intangible assets include patents and licenses, computer software, costs of brand store concepts and other intangible assets meeting criteria set forth in IAS 38.

As at the balance sheet date, intangible assets are recognised at their purchase price or their manufacturing cost, less depreciation and impairment write-offs. Intangible assets with a determined useful life are depreciated on the straight-line basis for the period of their economic usability. Useful lives of specific intangible assets are verified annually.

Depreciation rates applied to specific groups of intangible assets are as follows:

Asset group	depreciation rate
Costs of completed store concept works	20%
Acquired concessions, patents, licences and similar assets	10-50%

Costs of brand store concept works
The Group's companies carry out works involving the design and construction of model clothing stores.

Expenditure directly associated with such works is recognised as intangible assets.

Expenditure incurred on concept works carried out as part of a given project are transferred to a subsequent period if one may consider that they will be recovered in the future. Future benefits are assessed based on the principles provided for in IAS 36.

Upon initial recognition of expenditure on store concept works, the historical cost model is applied, according to which assets are recognised at their purchase prices or their manufacturing cost less accumulated depreciation and accumulated impairment write-offs. Completed works are depreciated applying the straight-line method over an expected benefit-gaining period lasting five years.

The key intangible asset is the House trademark recognised in the statement of financial position under a separate item of fixed assets as the Trademark. Its carrying amount as at 31 January 2025 amounted to PLN 78 million (2023: PLN 78 million).

The useful life of this asset is unspecified.

In the current reporting period, the Group carried out an annual impairment test involving this asset (as part of testing cash generating units to which also goodwill is allocated) which confirmed that no impairment write-offs were required for the asset concerned. Test details are described in note 17.

As at 31 January 2025, other key intangible assets were as follows:

- Platform for online sales. As at 31 January 2025, its carrying amount amounted to PLN 26 million (2023: PLN 0);
- Platform for the allocation of goods. As at 31 January 2025, its carrying amount amounted to PLN 15 million (2023: PLN 6 million)
- Application for product order management. As at 31 January 2025, its carrying amount amounted to PLN 36 million (2023: PLN 24 million);
- Mobile sales app for Sinsay. As at 31 January 2025, the carrying amount amounted to PLN 23 million (2023: PLN 0);
- App for managing goods in brands. As at 31 January 2025, its carrying amount amounted to PLN 11 million (2023: PLN 14 million).
- Software supporting sales in retail stores in subsidiaries. As at 31 January 2025, the carrying amount amounted to PLN 16 million (2023: PLN 16 million);
- Employee information workflow platform. As at 31 January 2025, the carrying amount amounted to PLN 13 million (2023: PLN 0);
- App supporting price management. As at 31 January 2025, its carrying amount amounted to PLN 9 million (2023: PLN 0);
- App managing the positioning of e-commerce websites. As at 31 January 2025, its carrying amount amounted to PLN 7 million (2023: PLN 0);
- App for self-service cash desks. As at 31 January 2025, its carrying amount amounted to PLN 7 million (2023: PLN 0);
- System supporting identification and stock-taking of goods in stores and warehouses. As at 31 January 2025, its carrying amount amounted to PLN 4 million (2023: PLN 7 million);
- SAP financial-accounting and payroll system. As at 31 January 2025, its carrying amount amounted to PLN 5 million (2023: PLN 3 million).

Changes in intangible assets in the period from 1 February 2024 to 31 January 2025 (PLN m)	Costs of completed concept works	Software	Intangible assets under development	Total
Opening balance of gross intangible assets	4	351	117	472
Acquisitions	0	0	147	147
Transfer from intangible assets under development	0	62	-62	0
Liquidation	0	0	0	0
Other increases	0	0	2	2
Other decreases	0	0	12	12
Closing balance of gross intangible assets	**4**	**413**	**192**	**609**
Opening balance of accumulated depreciation (redemption)	1	200	0	201
Depreciation for the period	1	44	0	45
Decrease	0	0	0	0
Closing balance of accumulated depreciation (redemption)	**2**	**244**	**0**	**246**
Closing balance of impairment write-offs	**0**	**0**	**0**	**0**
Total net value of intangible assets as at 1 February 2024	3	151	117	271
Total net value of intangible assets as at 31 January 2025	**2**	**169**	**192**	**363**

Changes in intangible assets in the period from 1 February 2023 to 31 January 2024 (PLN m)	Costs of completed concept works	Software and licences	Intangible assets under development	Total
Opening balance of gross intangible assets	3	285	63	351
Acquisitions	0	0	132	132
Transfer from intangible assets under development	3	72	-75	0
Liquidation	2	6	0	8
Other increases	0	0	1	1
Other decreases	0	0	4	4
Closing balance of gross intangible assets	**4**	**351**	**117**	**472**
Opening balance of accumulated depreciation (redemption)	3	163	0	166
Foreign exchange differences from the conversion	0	0	0	0
Depreciation for the period	0	43	0	43
Decrease	2	6	0	8
Closing balance of accumulated depreciation (redemption)	**1**	**200**	**0**	**201**
Closing balance of impairment write-offs	**0**	**0**	**0**	**0**
Total net value of intangible assets as at 1 February 2023	0	122	63	185
Total net value of intangible assets as at 31 January 2024	**3**	**151**	**117**	**271**

In the reporting period ended 31 January 2025 and the comparative period, there were no revaluation write-offs on intangible assets.

17. GOODWILL

ACCOUNTING POLICY

Goodwill is initially recognised at cost of purchase and is calculated as a difference between the two values:

- the sum of a consideration for the control of non--controlling interests and the fair value of blocks of shares (stocks) held in the acquired entity before the acquisition date, and
- the fair value of the entity's identifiable acquired net assets.

The excess of the sum calculated as indicated above over the fair value of the entity's identifiable acquired net assets is recognised in the assets of the separate statement of the financial position as goodwill. Goodwill represents a payment made by the acquiring company expecting future economic benefits from assets which may not be identified individually or recognised separately.

As at the reporting date, goodwill is measured at the cost of purchase less accumulated impairment write-offs applied so far and deductions for the disposal of part of shares to which it was previously assigned. Impairment write-offs up to the value assigned to a cash-generating unit (group of units) are not reversible.

Goodwill is tested for impairment before the end of the reporting period in which the merger occurred, and then in each subsequent annual reporting period. If there are any prerequisites for impairment, an impairment test is carried out before the end of each reporting period in which such prerequisites occurred.

As at 31 January 2025, goodwill remained unchanged and amounted to PLN 183 million (2023: PLN 183 million). It was created following the merger of LPP SA with Artman in July 2009.

The table below shows the changes in goodwill:

Gross value (PLN m)	As at 31 January 2025	As at 31 January 2024
Opening balance	209	209
Increases	0	0
Decreases	0	0
Closing balance	**209**	**209**

Revaluation write-offs (PLN m)	As at 31 January 2025	As at 31 January 2024
Opening balance	26	26
Increases	0	0
Closing balance	**26**	**26**

Net value (PLN m)	As at 31 January 2025	As at 31 January 2024
Opening balance	183	183
Closing balance	**183**	**183**

According to IAS 36 and the accounting policy, as at 31 January 2025, an impairment test was carried out for the goodwill of the Artman company of the carrying amount of PLN 183 million and the trademark of the carrying amount of PLN 78 million.

The recoverable value of cash-generating units with an allocated value was determined based on their value in use, applying the discounted cash flow (DCF) model.

The detailed assumptions for the estimates are as follows:

The goodwill of Artman and the House brand – estimated applying the DCF method for cash flows generated by House stores.

The valuation was based on the following assumptions:

- period covering estimated cash flows – 5 years (2025-2029), without recognising a residual value,
- annual sales of stores tested – a consistent increase year by year at a pace similar to that recorded in 2024;
- operating costs of stores tested – a consistent increase year by year at a pace similar to that in 2024;
- in the forecast period, a discount rate is variable and calculated based on the sum of Wibor 6 months plus risk bonus. In 2024, the discount rate was 10.80% (2023: 10.82%) and will remain unchanged by 2029.

The above-mentioned parameters comply with the experience gained so far (for costs-sales assumptions) and are coherent with information originating from external sources for other figures.

No rational change of assumptions adopted will result in the need to apply a revaluation write-off of goodwill and trademark.

18. OTHER ASSETS

18.1. OTHER FINANCIAL ASSETS

ACCOUNTING POLICY

Other financial assets comprise items such as deposit receivables, loans granted, value of participation units in money market funds and positive forward contract measurement.

The accounting policy on financial assets is presented in note 33.

Other financial assets (PLN m)	As at 31 January 2025	As at 31 January 2024
Fixed assets		
Other receivables	7	9
Other long-term financial assets	**7**	**9**
Current Assets		
Other receivables	4	2
Receivables from payment card operators	74	63
Originated loans	0	3
Forward contract measurement	6	0
Other short-term financial assets	**84**	**68**
Total other financial assets	**91**	**77**

Loans granted are measured at amortised cost applying the effective percentage rate method. Due to the absence of an active market, it was assumed that the balance sheet value of loans was the same as their fair value.

As at 31 January 2025, the Group had loans granted in the amount of PLN 2 million, for which an impairment loss had been created (2023: PLN 3 million).

Interest on loans in PLN is approx. 4-6%, with maturity dates falling between in the years 2025-2028.

Changes in the carrying amount of loans are as follows:

Changes in the carrying amount (PLN m)	As at 31 January 2025	As at 31 January 2024
Opening balance	3	4
Loans granted in the period	0	0
Interest accrued	0	0
Loans repaid including interest	-1	-1
Impairment loss	-2	0
Closing balance	**0**	**3**

18.2. OTHER NON-FINANCIAL ASSETS

ACCOUNTING POLICY

Other non-financial assets include state budget receivables, except for corporate income tax receivables constituting a separate item in the financial statements, and other benefits not recognised as financial instruments. Receivables related to value added tax represent the most significant item. This value may be adjusted by a revaluation write-off if there are such indications.

Other non-financial assets (PLN m)	As at 31 January 2025	As at 31 January 2024
Current assets:		
State budget receivables	132	52
Other receivables	2	14
Other short-term non-financial assets	**134**	**66**
Other non-financial assets, total	**134**	**66**

19. DEPOSITS AND MUTUAL FUNDS

Deposits and mutual funds (PLN m)	As at 31 January 2025	As at 31 January 2024
Participation units in funds	865	561
Deposits and mutual funds	**865**	**561**

In the reporting period, the Group acquired participation units in money market funds worth PLN 257 million, which is recognised in the Statement of cash flows in investing activities. As at 31 January 2025, the value of the units amounted to PLN 865 million (2023: 561 million) and consisted of the value of the units acquired on the date of purchase in the amount of PLN 782 million and its valuation in the amount of PLN 83 million. The measurement of the aforementioned instruments is included in level 2 of the fair value hierarchy in relation to participation units in unlisted funds.

20. INVENTORY

ACCOUNTING POLICY

As at the balance sheet date, the inventory is measured at purchase prices not higher than their net selling prices.

The following items as recognised as inventories:

- trade goods,
- materials (fabrics and sewing accessories) purchased and delivered to external contracting parties for processing purposes,
- IT consumables related to the operation, maintenance and development of the computer network,
- spare parts for devices in the logistics centre, other than tangible fixed assets,
- advertising materials.

Trade goods in domestic warehouses are recorded by quantity and value and measured as follows:

- in the case of imported goods – at purchase prices comprising the purchase price, costs of transportation outside and inside Poland to the first unloading site in Poland as well as customs duties; to convert values in foreign currencies, the average exchange rate from the day preceding the invoice issue date is used;
- in the case of goods purchased in Poland – at purchase prices; costs associated with the purchase of these goods, due to their immaterial value, are charged directly to operating costs as incurred.

Trade goods sold from Reserved, Cropp, House, Mohito and Sinsay collections are measured at average weighted prices.

Trade goods in bonded warehouses are measured at purchase prices comprising a purchase price and the costs of transportation outside and inside Poland to the first unloading site in Poland. The value of goods delivered from bonded warehouses (moved to local warehouses or sold directly abroad) is measured based on the detailed identification of goods for individual lots delivered to bonded warehouses.

The Parent Company's trade goods in transit are measured at purchase prices increased with the costs of transportation outside and inside Poland, known at the time of preparing the statement of financial position. In relation to imported goods in transit, the average exchange rate of the National Bank of Poland effective on the balance sheet date is applied.

The Group has two regular sales periods: (1) March-June for Spring/Summer collections, (2) September-December for Autumn/Winter collections. After such periods, clearance sales start.

Inventories that have lost their commercial value or usable value are subject to the revaluation write-off in accordance with the principle described in note 5.2.

The value of the write-off in the period is recognised in the cost of sales and is presented on a net basis.

The value of the Group's inventories consists mainly of trade goods. A detailed structure of inventories is presented in the table below:

Inventory – carrying amount (PLN m)	As at 31 January 2025	As at 31 January 2024
Materials	15	14
Goods	4,594	2,979
Right of return assets	60	47
Total	**4,669**	**3,040**

In the reporting period, due to the estimated measurement of clearance goods, the Group, according to the revaluation write-off policy, recognised relevant impairment write-offs on inventories in the statement of financial position.

Changes in their value in the reporting period and the comparative period are presented in the table below.

Revaluation write-off (PLN m)	As at 31 January 2025	As at 31 January 2024
Opening balance	343	205
Wrtite-offs created in the period	28	154
Wrtite-offs reversed in the period	0	0
Write-offs reversed – discontinued operations	0	0
Foreign exchange differences	-11	-16
Closing balance	**360**	**343**

In the current period, revaluation write-offs on inventory were created in the amount of PLN 28 million due to a higher volume of inventory unsold as at the date of drawing up the statement.

21. TRADE RECEIVABLES

ACCOUNTING POLICY

The Group implements a simplified approach to trade receivables, measuring a write-off for expected credit losses, in the amount equal to expected credit losses over lifetime using a provision matrix. The Group uses its historical credit loss data, adjusted where appropriate for the impact of forward-looking information. Trade receivables are recognised and carried at amounts initially invoiced, less allowances for lifetime expected credit losses.

Short-term receivables are measured in amounts payable due to negligible discounting.

Detailed information on the structure of the Group's short-term receivables is presented in the table below.

Trade receivables (PLN m)	As at 31 January 2025	As at 31 January 2024
Trade receivables	757	810
Revaluation write-offs on trade receivables	72	78
Trade receivables gross	**829**	**888**

Changes in the value of revaluation write-offs in the reporting period and the comparative period are presented in the table below.

Revaluation write-off (PLN m)	As at 31 January 2025	As at 31 January 2024
Opening balance	78	51
Wrtite-offs created in the period	18	31
Wrtite-offs used in the period	0	0
Wrtite-offs reversed in the period	24	3
Foreign exchange differences	0	-1
Closing balance	**72**	**78**

22. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents comprise cash in hand and at bank, deposits payable on demand and short-term highly liquid investments (up to 3 months).

The balance of cash and cash equivalents, shown in the cash flow statement, is adjusted with foreign exchange differences from the balance sheet measurement of cash in a foreign currency.

The fair value of cash and cash equivalents as at 31 January 2025 amounts to PLN 846 million (2023: PLN 1,076 million).

Cash (PLN m)	As at 31 January 2025	As at 31 January 2024
Cash in hand and at bank	429	1,076
Other cash	417	0
Total	**846**	**1,076**

For the purpose of preparing the cash flow statement, the Group classifies cash in the manner adopted for presenting its financial position. The difference in the value of cash recognised in the statement of financial position and in the cash flow statement is affected by the following factors:

Cash (PLN m)	As at 31 January 2025	As at 31 January 2024
Cash and cash equivalents in the statement of financial position	846	1,076
Adjustments:		
Foreign exchange differences from balance sheet measurement of cash in foreign currency	-72	-76
Cash and cash equivalents recognised in the statement of cash flows	**774**	**1,000**

23. SHARE CAPITAL AND OTHER CAPITALS

ACCOUNTING POLICY

According to the Articles of Association of LPP SA and the entry in the National Court Register, the share capital is shown in the nominal value of issued shares.

Shares acquired in the Parent Company and retained reduce equity. Treasury shares are measured at a purchase price.

Capital from the sale of shares above their nominal value is created from the surplus of the issue price above the shares' nominal value, decreased by share issue costs.

Other capitals comprise:
- supplementary capital,
- capital from the settlement of the merger transaction,
- reserve capital.

The value of the supplementary capital comprises:
- profit brought forward from previous years, qualified based on decisions of General Meetings of Shareholders,
- the amounts of remuneration paid in shares, awarded in compliance with the incentive programme addressed to particular individuals.

The capital from the settlement of the merger transaction was created at the time of settlement of goodwill arising upon acquisition of Artman SA.

23.1. SHARE CAPITAL

As at 31 January 2025, the share capital amounted to PLN 3.7 million and increased by PLN 1.4 thousand compared to 31 January 2024. It was divided into 1,855,890 shares of a nominal value of PLN 2 per share.

The table below shows the total number of shares divided into separate issues.

Series/issue	Type of share	Type of preference	Type of limitation of rights attached to shares	As at 31 January 2025	As at 31 January 2024
A	bearer	ordinary	none	100	100
B	registered	preferential	none	350,000	350,000
C	bearer	ordinary	none	400,000	400,000
D	bearer	ordinary	none	350,000	350,000
E	bearer	ordinary	none	56,700	56,700
F	bearer	ordinary	none	56,700	56,700
G	bearer	ordinary	none	300,000	300,000
H	bearer	ordinary	none	190,000	190,000
I	bearer	ordinary	none	6,777	6,777
J	bearer	ordinary	none	40,000	40,000
K	bearer	ordinary	none	80,846	80,846
L	bearer	ordinary	none	21,300	21,300
M	bearer	ordinary	none	3,467	2,767
Number of shares, total				**1,855,890**	**1,855,190**

All shares issued are paid in full.

Registered shares held by the Semper Simul Foundation, in the total number of 350,000, are preferential in terms of voting rights at the General Meeting of Shareholders. Each registered share gives right to 5 votes.

The shareholding structure of the Parent Company as at 31 January 2025 is presented in the table below.

Shareholder	Number of shares held (pcs.)	Shareholding	Number of votes at the GM	Share in the total number of votes at the GM	Par value of shares
Semper Simul Foundation*	578,889	31.2%	1,978,889	60.8%	1,157,778
Other shareholders	1,277,001	68.8%	1,277,001	39.2%	2,554,002
Total	**1,855,890**	**100.0%**	**3,255,890**	**100.0%**	**3,711,780**

** The Semper Simul Foundation is closely associated with Mr Marek Piechocki (Article 3(1)(26)(D) of the MAR).*

The shareholding structure of the Parent Company as at 31 January 2024 is presented in the table below.

Shareholder	Number of shares held (pcs.)	Shareholding	Number of votes at the GM	Share in the total number of votes at the GM	Par value of shares
Semper Simul Foundation*	578,889	31.2%	1,978,889	60.8%	1,157,778
Other shareholders	1,276,301	68.8%	1,276,301	39.2%	2,552,602
Total	**1,855,190**	**100.0%**	**3,255,190**	**100.0%**	**3,710,380**

** The Semper Simul Foundation is closely associated with Mr Marek Piechocki (Article 3(1)(26)(D) of the MAR).*

23.2. SHARE PREMIUM

This item is a separated amount of the supplementary capital, resulting from the surplus on the sale of shares above their nominal value, with the carrying amount of PLN 364 million (2023: PLN 364 million).

23.3. OTHER CAPITALS

Values of specific types of capital are presented in the table below.

Type of capital (PLN m)	As at 31 January 2025	As at 31 January 2024
Supplementary capital	2,943	2,438
Capital from the settlement of the merger transaction	-1	-1
Reserve capital	38	29
Total	**2,980**	**2,466**

The supplementary capital presented under equity as at 31 January 2025 was created mainly from net profit brought forward from previous years and following measurement of remunerations paid in shares.

The structure of the supplementary capital is as follows:

Type of supplementary capital (PLN m)	As at 31 January 2025	As at 31 January 2024
Created under statutory law based on the write-off on financial result	1	1
Created according to the Articles of Association based on the write-off on financial result	2,868	2,366
Created from the amount of remuneration paid in shares	74	71
Total	**2,943**	**2,438**

24. BANK LOANS, BORROWINGS AND DEBT SECURITIES

ACCOUNTING POLICY

All credit facilities, loans and debt securities are initially recognised at fair value less costs of obtaining the credit or loan.

Following initial recognition, all bank loans, borrowings and debt securities are measured at depreciated cost applying the effective interest rate method.

Revenues and costs are measured in profit or loss at the time of removing a liability from the balance sheet and as a result of settlement of an effective interest rate.

As at 31 January 2025, the debt arising from bank loans was as follows:

Utilisation of loans as at 31 January 2025

Bank	PLN m	currency in million	Bank loan cost	Maturity date
Pekao SA	20	-	wibor 1m+bank's margin	30.09.2025
Pekao SA	24	-	wibor 1m+bank's margin	31.08.2027
Pekao SA	45	-	wibor 1m+bank's margin	31.12.2027
PKO BP SA	201	-	wibor 1m+bank's margin	04.02.2026
PKO BP SA	249	-	wibor 1m+bank's margin	21.12.2025
PKO BP SA	152	-	wibor 1m+bank's margin	11.07.2032
BNP Paribas Bank Polska SA	140	-	wibor 1m+bank's margin	28.02.2025
Citibank Bank Handlowy SA	167	-	wibor 1m+bank's margin	07.01.2026
Santander Bank Polska SA	1	-	wibor 1m+bank's margin	17.10.2025
Total	**999**			

Bank loans amounting to PLN 999 million included:

- Long-term loans in the amount of PLN 182 million,
- Short-term loans in the amount of PLN 817 million (of which PLN 48 million is the portion of long-term investment loans falling due within 12 months of the balance sheet date)

Long-term loans outstanding as at 31 January 2025 were as follows:

- PLN 51 million – investment loan to finance the modernisation of the head office of LPP SA,
- PLN 131 million – investment loan for the construction of a Distribution Center in Brześć Kujawski

As at 31 January 2024, the debt arising from bank loans was as follows:

Utilisation of loans as at 31 January 2024

Bank	PLN m	currency in million	Bank loan cost	Maturity date
PKO BP SA	248	-	wibor 1m+bank's margin	11.07.2032
PKO BP SA	173	-	wibor 1m+bank's margin	21.12.2025
Pekao SA	40	-	wibor 1m+bank's margin	30.09.2025
Pekao SA	32	-	wibor 1m+bank's margin	31.08.2027
Pekao SA	45	-	wibor 1m+bank's margin	31.12.2027
BNP Paribas Bank Polska SA	1	-	wibor 1m+bank's margin	30.11.2024
Total	**539**			

Detailed information on bank loans as at 31 January 2025 is provided below.

Bank	Type of loan/facility	Loans amount and currency		Security
		PLN m	currency	
Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna	Investment loan	199	PLN	contractual mortgage on real estate in Brzesc Kujawski with a balance sheet value of PLN 116 million, assignment of receivables from the real estate insurance agreement, blank promissory note with a promissory note declaration, surety of LPP SA, guarantee of payment of principal amount and interest instalments by LPP SA
Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna	Working capital loan	250	PLN	1. contractual mortgage up to the amount of PLN 375,000,000 on the real estate in Pruszcz Gdanski with a balance sheet value of PLN 194 million; 2. assignment of receivables under the insurance agreement for the aforementioned real estate; 3. blank promissory note with a promissory note declaration; 4. surety granted by LPP S.A. up to the amount of PLN 375,000,000; 5. transfer of receivables under the lease agreement concluded between LPP Logistics and LPP SA; 6. guarantee to cover capital and interest instalments granted by LPP S.A.
Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna	Multi-target credit facility	600	PLN	blank promissory note with a promissory note declaration
Bank Polska Kasa Opieki S.A.	Investment loan	105	PLN	blank promissory note with promissory note declaration and the statement of submission to enforcement, power of attorney to bank accounts of Pekao SA
Bank Polska Kasa Opieki S.A.	Investment loan	105	PLN	ordinary mortgage on real estate in Gdansk with a balance sheet value of PLN 0.7 million, assignment of receivables from real estate insurance policies, blank promissory note with promissory note declaration and the statement of submission to enforcement, power of attorney to bank accounts of Pekao SA, mortgage on real estate
Bank Polska Kasa Opieki S.A.	Investment loan	64	PLN	contractual mortgage on real estate in Gdansk with a balance sheet value of PLN 190 million
BNP Paribas Bank Polska SA	Multi-target and multi-currency facility	PLN 500 million, including: 2 million USD; 1 million EUR	PLN/USD/EUR	blank promissory note with promissory note declaration and the statement of submission to enforcement, KUKE guarantee in the amount of PLN 400 million
Citibank Bank Handlowy SA	Multi-target and multi-currency facility	180	PLN	blank promissory note with promissory note declaration and statement of submission to enforcement under the bank enforcement order
	Revolving line for bank guarantees	10	PLN	blank promissory note with promissory note declaration and statement of submission to enforcement under the bank enforcement order
Santander Bank Polska SA	Overdraft	50	PLN	statement of submission to enforcement, blank promissory note with promissory note declaration
	Revolving loan	150	PLN	

25. EMPLOYEE BENEFITS

ACCOUNTING POLICY

According to remuneration schemes, the Group's employees have the right to retirement and pension benefits paid as one-off payments when an employee retires. The value of the said benefits depends on the duration of work and the employee's average remuneration. The Group creates a provision for future retirement-related liabilities in order to allocate costs to relevant periods.

The current value of such liabilities is calculated by an independent actuary. Accumulated liabilities are equal to discounted future payments, with due consideration of labour turnover, and relate to the period until the balance sheet date. Demographic and labour turnover information is based on historical data. This value is shown in the non-current part of the statement of financial position.

Remeasurement of liabilities arising from employee benefits provided for in specified benefit schemes, covering actuarial profit and loss, is recognised in other comprehensive income, without later reclassification to profit or loss.

Furthermore, the Group calculates liabilities arising from unused holiday leave and unpaid remuneration, comprising also bonuses for the current period to be disbursed in the next reporting period. These liabilities are shown in the short-term part of the financial statement in question.

25.1. RETIREMENT AND PENSION BENEFITS

The value of retirement and pension benefits based on actuarial valuation is shown below:

Retirement and pension benefits (PLN m)	As at 31 January 2025	As at 31 January 2024
Opening balance	2	2
Adjustment	0	0
Current employment costs	1	0
Closing balance	**3**	**2**

Analysis of sensitivity to changes in actuarial assumptions

Change in the adopted discount rate by 0.5 pp. (PLN m)	Body height	decrease
As at 31.01.2025		
Retirement severance pay	1.8	2.0
Pension severance pay	0.1	0.1
As at 31.01.2024		
Retirement severance pay	1.5	1.6
Pension severance pay	0.1	0.1

Change in the turnover rate by 0.5 pp. (PLN m)	Body height	decrease
As at 31.01.2025		
Retirement severance pay	1.9	1.9
Pension severance pay	0.1	0.1
As at 31.01.2024		
Retirement severance pay	1.5	1.6
Pension severance pay	0.1	0.1

Change in the remuneration increase rate by 0.5 pp. (PLN m)	Body height	decrease
As at 31.01.2025		
Retirement severance pay	2.0	1.7
Pension severance pay	0.1	0.1
As at 31.01.2024		
Retirement severance pay	1.6	1.5
Pension severance pay	0.1	0.1

25.2. OTHER EMPLOYEE BENEFITS

A summary of other employee benefits is presented in the table below:

Other employee benefits (PLN m)	Unpaid remuneration	Unused holiday leave
As at 01.02.2024	**134**	**47**
– provision created	173	11
– provision utilised	134	0
– provision reversed	0	0
As at 31.01.2025	**173**	**58**
As at 01.02.2023	**104**	**44**
– provision created	134	3
– provision utilised	104	0
– provision reversed	0	0
As at 31.01.2024	**134**	**47**

26. PROVISIONS

ACCOUNTING POLICY

Provisions are created when the Group has a duty arising from past events and when it is probable that the exercise of the said duty will results in outflows of economic benefits, and when the amount of such liability may be reliably estimated. Costs relating to a given provision are recognised in the Group's profit or loss, decreased with any and all returns.

The Group calculates the provision for other costs at the level of existing costs incurred for this type of service.

As at 31 January 2025, the value of the provisions amounted to PLN 5 million (2023: PLN 6 million).

27. TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

Short-term trade liabilities are shown in the amount payable and recognised according to IFRS 9 as financial liabilities measured at amortised cost.

Other financial liabilities comprise mainly bonds issued and measured at amortised cost and negative forward derivatives measured as at the balance sheet date at fair value.

Other non-financial liabilities comprise, in particular, liabilities owed to the tax office as VAT. Other non-financial liabilities are recognised at amounts payable.

Short-term liabilities (PLN m)	As at 31 January 2025	As at 31 January 2024
Trade liabilities	2,144	1,594
Reverse factoring liabilities	3,337	2,101
Other financial liabilities (forwards)	6	1
Other financial liabilities (bonds)	0	310
Financial liabilities	**5,487**	**4,006**
Liabilities due to taxes and other benefits	178	172
Other non-financial liabilities	11	7
Non-financial liabilities	**189**	**179**
Total short-term liabilities	**5,676**	**4,185**

As part of effective financial operations, the Parent Company has signed reverse factoring (the so-called supply trade finance) agreements under which, upon the presentation of an invoice for purchases made, the bank (factor) pays liabilities owed to the supplier in line with the agreed payment deadline. If the supplier decides on automatic payment, the bank (factor) pays liabilities owed to suppliers within 7 business days. If the supplier does not decide on automatic payment, the bank (factor) pays liabilities owed to suppliers within 7 days from the date of notification by the supplier of the intent to buy out a given liability. The Group repays the liability owed to the bank (factor) in the initial period specified on invoices, i.e. within a timeframe of 90 to 180 days. The Group does not incur costs of early payment of liabilities to suppliers by the factor. As assessed by the Group, the type of such liabilities remains unchanged and their terms and conditions do not differ substantially from the Group's other trade liabilities not subject to reverse factoring. Therefore, they remain classified as trade liabilities.

As at 31 January 2025, the Group held domestic and foreign invoices with factoring banks of the value of USD 822 million (2023: PLN 245 million and USD 463 million).

The Group's limits on reverse factoring are as follows:

- USD 375 million – determined until 30 November 2025;
- USD 167 million – determined for indefinite period, revolving on 28 February 2025;
- USD 750 million – determined for indefinite period, revolving on 30 June 2025;
- USD 80 million – determined for indefinite period, revolving on 28 February 2026;
- USD 100 million – determined for indefinite period, revolving on 31 January 2026.

The limit that the Group could utilise as at 31 January 2025 amounted to USD 649 million.

In December 2024, LPP SA redeemed in full 300,000 unsecured ordinary five-year series A bonds issued in previous years with a nominal value of PLN 1,000 each.

28. ACCRUALS

ACCOUNTING POLICY

In prepayments of assets, the Group recognises prepaid expenses relating to future reporting periods, including, first of all, rents.

In accruals, in the liabilities column of the statement of financial position, the Group presents payments received from lessors for resold expenditure for store equipment. This involves lease agreements in respect of which neither right-of-use asset nor lease liabilities were recognised due to the type of payment or short-term contract duration.

The resale of the expenditure results from the conclusion of a lease agreement and is a form of reimbursement of costs incurred to adjust the store for sales purposes.

Prepayments – assets (PLN m)	As at 31 January 2025	As at 31 January 2024
Non-current		
Rent	0	3
Software supervision	1	0
Licence fees, subscriptions, web domains	1	2
Other long-term prepayments	3	4
Total long-term accruals	**5**	**9**
Short-term		
Rent	8	20
Insurance	14	14
Real estate tax and other taxes	16	7
Software supervision	3	5
Licence fees, subscriptions, web domains	15	13
Other short-term prepayments	25	23
Total short-term accruals	**81**	**82**

Accruals – liabilities (PLN m)	As at 31 January 2025	As at 31 January 2024
Non-current		
Remuneration for expenditure resold	30	37
Surcharges on lease agreements	6	8
Total long-term accruals	**36**	**45**
Short-term		
Loyalty scheme	62	26
Remuneration for expenditure resold	17	22
Surcharges on lease agreements	1	1
Other sale	2	2
Total short-term accruals	**82**	**51**

29. CONTINGENT LIABILITIES AND ASSETS

ACCOUNTING POLICY

In the statement of financial position, the Group does not recognise conditional assets or liabilities which, in the LPP SA Group's opinion, are not likely to be fulfilled in the future. The values of guarantees and sureties are treated as conditional assets and liabilities and are recognised in the note below.

In 2024, the LPP SA Group companies used bank guarantees to secure the payment of rent for the leased floorspace for brand stores, offices and a warehouse.

As at 31 January 2025, the total value of bank guarantees issued at the request and under the responsibility of LPP SA amounted to PLN 350 million, of which:

- the value of guarantees issued to secure agreements concluded by LPP SA amounted to PLN 95 million,
- the value of guarantees issued to secure agreements concluded by consolidated subsidiaries amounted to PLN 225 million,
- the value of guarantees issued to secure agreements for the lease of warehouse and office space concluded by LPP SA amounted to PLN 30 million.

In 2024, the Company also received guarantees as collateral for payments from a contracting party. The value of the guarantees received amounts to PLN 18 million.

In the opinion of the Management Board, any outflow of funds recognised in off-balance sheet/ contingent liabilities is unlikely. The majority of these liabilities involve guarantees securing payment of rent by the LPP SA Group entities.

29.1. LITIGATION

LPP SA is not a party to any proceedings before a court, authority competent for arbitration or public administration body concerning the liabilities or receivables with the value exceeding, individually or in total, 10% of equity of LPP SA.

With the participation of the Issuer, administrative proceedings are pending, initiated by the Office of the Polish Financial Supervision Authority by decision of 3 October 2024, concerning the imposition of a financial penalty on LPP SA pursuant to Article 96(1)(i) of the Act on Public Offerings in connection with the suspicion of failure to fulfil the obligation referred to in Article 17 (1 in conjunction with Article 7 of the MAR), through the failure to immediately disclose confidential information about the negotiations agreed by the parties, which ended on 10 May 2020, key terms and conditions and structure of the sale by the Company of 100% of the shares in OOO Re Trading. The Company actively participates in the proceedings, presenting its position. Among others, on 24 February 2025, it submitted, pursuant to Article 18k(2) in conjunction with Article 18k(1) of the Act of 21 July 2006 on Financial Market Supervision, the application for issuing a decision on the possibility of concluding an arrangement with the Issuer regarding the conditions of extraordinary mitigation of sanctions.

In addition, the Office for Competition and Consumer Protection (UOKiK) is conducting explanatory proceedings to determine whether the Company, in connection with its marketing activity referring to ecological issues, has committed an infringement justifying the initiation of proceedings concerning practices infringing the collective interests of consumers. The UOKiK enquiry is part of a coordinated effort by the European antitrust authorities targeting companies in the clothing industry with regard to standards for the use of ECO labelling of clothing. At the request of the President of the Office for Competition and Consumer Protection, LPP SA submitted a wide range of explanations and evidence. At this stage the Company is not charged for applying practices violating the collective interest of consumers. In the event that the authority decides that there are grounds to attribute such practices to the Company, the maximum legally permitted level of the fine is no more than 10% of the turnover generated in the financial year preceding the imposition of the fine.

30. INFORMATION ON THE RELATED PARTIES

30.1. TRANSACTIONS WITH RELATED PARTIES

In the period ended 31 January 2025, the Group concluded transactions with an entity, Krzyżagórska Łoboda and Partners, in which persons classified as key personnel exercise control. These transactions related to legal support. The value of the annual cost amounted to PLN 4 million (2023: PLN 3 million).

30.2. REMUNERATION OF KEY MANAGEMENT OFFICERS OF THE PARENT COMPANY

The Group recognises members of the Management Board and the Supervisory Board of the parent company as key management officers.

In the period from 1 February 2024 to 31 January 2025, short-term benefits paid to members of the Management Board of the parent company amounted to PLN 5.8 million (2023: PLN 5.8 million).

The remuneration presented separately for each of the persons classified as key management officers were as follows:

Surname and first name (in PLN m)	Position	As at 31 January 2025	As at 31 January 2024
Marek Piechocki	President of the Management Board	1.7	1.7
Przemysław Lutkiewicz	Management Board Member	0.7	1.0
Jacek Kujawa	Management Board Member	0.0	0.8
Marcin Bójko	Management Board Member	0.2	0.0
Sławomir Łoboda	Management Board Member	1.1	1.0
Marcin Piechocki	Management Board Member	1.1	1.0
Mikołaj Wezdecki	Management Board Member	1.0	0.3

From 1 February 2024 to 31 January 2025, the value of short-term benefits of members of the Parent Company Supervisory Board amounted to PLN 129 thousand (2023: 126 thousand).

The remuneration presented separately for each member of the Supervisory Board were as follows:się następująco:

Surname and first name (in PLN thousand).	Position	As at 31 January 2025	As at 31 January 2024
Miłosz Wiśniewski	Chair of the Supervisory Board	40	37
Alicja Milińska	Supervisory Board Member	18	2
Jagoda Piechocka	Supervisory Board Member	18	5
Piotr Piechocki	Supervisory Board Member	25	26
Grzegorz Słupski	Supervisory Board Member	28	25
Magdalena Sekuła	Supervisory Board Member	0	16
Wojciech Olejniczak	Supervisory Board Member	0	15

30.3. SHARE-BASED REMUNERATION OF KEY MANAGEMENT OFFICERS OF THE PARENT COMPANY

ACCOUNTING POLICY

The Company's Management Board receives share-based bonuses under relevant resolutions. The transaction cost is measured by reference to fair value as at the date of awarding such rights. The value of remuneration for work of management officers is specified indirectly by reference to the fair value of financial instruments vested. The fair value of options is measured as at the vesting date, taking into consideration also non-market vesting conditions such as the attainment of an expected financial result, when determining the fair value of share options.

The remuneration cost and, on the other side, an increase in equity is measured based on the best available estimates on the number of options to be vested in a given period. When determining the number of options to be vested, non-market vesting conditions are taken into account. The Company adjusts the said estimates if, based on later information, the number of options vested differs from earlier estimates. Adjustments of estimates, relating to the number of options vested, are shown in the profit or loss for the current period, without making adjustments to previous periods.

In 2023, the Incentive Scheme for the Management Board of the Parent Company was launched for three subsequent years 2024, 2025 and 2026. The Incentive Scheme for the said years is independent, i.e. bonus ratios for specific financial years, their levels and the number of shares will be determined by the Supervisory Board for each financial year separately.

In 2024, the Supervisory determined that, for the financial year from 1 February 2024 to 31 January 2025, members of the Company's Management Board may receive, in total, up to 756 ordinary bearer shares if all conditions set forth in the Rules are met:

- they have served a full financial year as a member of the Management Board;
- they remain in the Management Board by the date of conclusion of the share acquisition agreement;
- The Company will achieve certain operating profit thresholds.

The settlement date of the Incentive Scheme, separate for each financial year, should fall within three months from the date of publishing of the Consolidated Annual Report by the Company. The issue price per share equals its nominal value and amounts to PLN 2. Due to the failure to achieve the originally planned profit this year, the management board will not receive any shares for 2024 under the Incentive Scheme.

For the financial year from 1 February 2023 to 31 January 2024, members of the Management Board of LPP SA received 700 ordinary bearer shares with the issue price of PLN 2 per share, with the fair value of PLN 10 million. The new share issue was registered on 19 August 2024.

Number of shares awarded under the Incentive Scheme is as follows:

Surname and first name (pcs)	Position	As at 31 January 2025	As at 31 January 2024
Marek Piechocki	President of the Management Board	0	250
Przemysław Lutkiewicz	Management Board Member	0	150
Sławomir Łoboda	Management Board Member	0	150
Marcin Piechocki	Management Board Member	0	150
Mikołaj Wezdecki	Management Board Member	0	0

31. FINANCIAL RISK MANAGEMENT

The Group is exposed to numerous risks associated with financial instruments.

The risks affecting the Group include:
- credit risk
- liquidity risk
- market risk comprising currency and interest rate risk.

The Group's financial risk management is coordinated by LPP SA in close cooperation with the management boards and directors of the subsidiaries. In the risk management process, the following objectives are of major importance:

- hedging of short-term and medium-term cash flows;
- stabilisation of volatility of the Group's financial result;
- execution of assumed financial forecasts through meeting the budgetary assumptions;
- achieving the rate of return on long-term investments including the acquisition of optimal funding sources for investment activities.

Furthermore, the parent company enters into transactions involving derivatives, namely *forward* contracts. This transaction is aimed at managing currency risk occurring in the course of business activity.

The Management Board of the parent company verifies and agrees the rules for managing each type of risk.

According to IFRS 7, LPP SA has analysed risks related to financial instruments, affecting the Group.

31.1. CREDIT RISK

The maximum credit risk is reflected by the carrying amount of all receivables as well as guarantees and sureties granted.

Carrying amounts of the above-mentioned financial assets are presented in the table below.

Positions (PLN m)	As at 31 January 2025	As at 31 January 2024
Loans	0	3
Trade receivables	757	810
Other receivables	11	11
Receivables from payment card operators	74	63
Participation units in funds	865	561
Measurement of forward contracts	6	0
Cash and cash equivalents	846	1,076
Guarantees and sureties granted	350	312
Total	**2,909**	**2,836**

The Group constantly monitors outstanding payments owed by clients and to creditors, analysing credit risk individually or as part of specific classes of assets. Furthermore, as part of credit risk management, the Group enters into transactions with contracting parties with confirmed creditworthiness.

The Group considers as default the contracting party's non--performance of a liability upon expiry of 90 days from its payment deadline. The Group takes into account future-related information in applied parameters of the model for estimating expected losses, by adjusting basic coefficients of insolvency probability. Receivables from recipients are interest-free and usually have a market payment term. Consequently, in the opinion of the Management Board of the Parent Company, there is no additional credit risk beyond the level determined by the write-off on expected credit losses, relevant for the Group's trade receivables.

The Group monitors itself exposure to credit risk arising from receivables from recipients by way of a periodical analysis of the financial position of contracting parties and determining crediting limits. As assessed by the Management Board of LPP SA, there is no credit risk exposure.

The credit risk associated with financial instruments in the form of cash on bank accounts is limited as parties to the transactions are banks with high credit ratings of international rating agencies. The Group does not have a significant concentration of credit risk. The risk is spread over a large number of banks it uses and customers with whom it cooperates. In the opinion of the Management Board of LPP SA, the credit risk arising from cash and participation units in funds is irrelevant.

The value of guarantees and sureties granted is shown in note 29.

The classification of gross trade receivables broken down by the length of overdue period as at 31 January 2025 and in the comparative period is given in the table below.

Gross trade receivables (PLN m)	As at 31 January 2025	As at 31 January 2024
Not overdue	503	410
Overdue up to one year	320	477
Overdue for over one year	6	1
Total	**829**	**888**

As at the balance sheet date, the Group had recognised revaluation write-offs on receivables in the amount of PLN 72 million. These write-offs relate to trade receivables overdue up to one year and above.

LPP SA and its subsidiaries do not use hedging instruments for the aforementioned financial risks and no hedge accounting is applied.

31.2. LIQUIDITY RISK

The Group's objective is to maintain a balance between continuity and flexibility of funding by using funding sources such as overdrafts, investment loans, forward derivatives, reverse factoring and bonds. The Parent Company has appointed a special team to monitor cash flows in terms of maturity dates for both investments and financial assets.

As at 31 January 2025, the Group held unused borrowings of PLN 1.4 billion (2023: PLN 2 billion), in respect of which all terms and conditions have been met. As at the balance sheet date, the Group fulfils all covenants and other contractual conditions.

As at 31 January 2025, the Company had investment loans and credit facilities. A detailed description of the Group's financial position in terms of borrowings is presented in note 24.

The Group uses also reverse factoring. A detailed description of this category of financing is included in note 27 while the values are included in note 31.3. The payment deadline of reverse factoring liabilities corresponds to payment deadlines of other trade settlements.

At the balance sheet date, the Group's financial liabilities fell within the following maturity ranges.

Bank loans (PLN m)	As at 31 January 2025	As at 31 January 2024
Up to 1 month	209	18
From 1 to 3 months	124	35
From 3 months to 1 year	530	156
Above 1 year	192	361
Total	**1,055**	**570**

**undiscounted values*

Bonds (PLN m)	As at 31 January 2025	As at 31 January 2024
Up to 1 month	0	0
From 1 to 3 months	0	0
From 3 months to 1 year	0	310
Above 1 year	0	0
Total	**0**	**310**

Undiscounted lease liabilities (PLN m)	As at 31 January 2025	As at 31 January 2024
Up to 1 month	112	90
From 1 to 3 months	224	180
From 3 months to 1 year	1,007	812
Above 1 year	3,791	3,083
Total	**5,134**	**4,165**

The liquidity risk involves also liabilities stemming from purchases of goods and services.

The classification of gross trade receivables broken down by the length of overdue period as at 31 January 2025 and in the comparative period is given in the table below.

Gross trade liabilities (PLN m)	As at 31 January 2025	As at 31 January 2024
Not overdue	5,438	3,685
Overdue up to one year	42	10
Overdue for over one year	1	0
Total	**5,481**	**3,695**

31.3. CURRENCY RISK

The Group is exposed to currency risk from concluded transactions. Such risk occurs when the Parent Company sells or purchases goods in currencies other than its functional currency. In the Group, the basic settlement currency in most transactions involving purchases of trade commodities is USD. Ca 95% of transactions concluded by LPP SA are denominated in foreign currencies other than the reporting currency, while 43% of sales in the Parent Company is denominated in its reporting currency.

Apart from the currency risk involving the settlement currency used for purchasing trade commodities, there is also a risk associated with the fact of settling retail space rents in EUR.

As at 31 January 2025, the Group's financial assets and liabilities denominated in two main foreign currencies, converted into PLN applying a closing exchange rate as at the balance sheet date, which are of importance for the financial statements, are given in the table below.

As at 31 January 2025 (PLN m)	Values denominated in currency		Converted value
	USD	EUR	
Cash	259	182	441
Trade receivables	448	76	524
Investment funds	783	0	783
Trade liabilities	3,606	203	3,809
Lease liabilities	0	1,411	1,411

Since the main cost for the parent company are purchases of trade goods made mainly in USD, LPP SA started using for this currency hedging derivative instruments (forward contracts) and USD deposits to hedge the risk involved in exchange rate fluctuations. By taking such action, LPP SA is capable of adjusting, to a major extent, foreign exchange losses adversely affecting the Group's result. As at 31 January 2023, a negative mark-to-market of forward contracts amounted to PLN 6 million (2023: PLN 1 million) and was recognised as other financial liabilities (note 27) and the positive mark-to-market of forward contracts amounted to in the amount of PLN 6 million (year 2023: none) which was disclosed as other financial assets (note 19).

Negative mark-to-market of forward contracts (PLN m)	As at 31 January 2025	As at 31 January 2024
Velocity	5	1
BNP Paribas	1	0
Total	**6**	**1**

Positive mark-to-market of forward contracts (PLN m)	As at 31 January 2025	As at 31 January 2024
Bank Pekao SA	6	0
Total	**6**	**0**

The sensitivity of gross profit (loss) to rational and probable USD and EUR exchange rate fluctuations, with assumed steadiness of other factors, is shown in the table below.

Balance sheet items	Increase/decrease of the foreign exchange rate	Effect on profit/loss
31 January 2025 – USD	+ 5%	-106
	– 5%	106
31 January 2024 – USD	+ 5%	-58
	– 5%	58
31 January 2025 – EUR	+ 5%	-68
	– 5%	68
31 January 2024 – EUR	+ 5%	-48
	– 5%	48

When analysing the impact of fluctuations in USD exchange rates in 2024, it is necessary to take into account the forward derivatives and deposits denominated in USD used by the parent company.

31.4. INTEREST RATE RISK

The interest rate risk is related to the continuous utilisation by LPP SA of debt financing based on a variable value of WIBOR rates and, to a minor extent, to loans granted and bonds issued. Bank loans bearing a floating interest rate involve a cash flow risk. In the opinion of the Management Board of the parent company holds the view that a prospective change in interest rates will have no major impact on the results earned by the Group.

The tables below present the analysis of the impact of interest rate changes on the statement of comprehensive income. This analysis covers financial items of the Group's statement of financial position as at the balance sheet date.

		Interest rate risk +/ – 75 bp IR	
Balance sheet items (PLN m)	**Value**	**Effect on profit/loss**	**Effect on profit/loss**
Financial assets			
Loans	0	0	0
Cash	846	6	-6
Participation units	865	7	-7
Impact on pre-tax financial assets		*13*	*-13*
Tax (19%)		-2	2
Impact on post-tax financial assets		*10*	*-10*
Financial liabilities			
Bank loans	999	-8	8
Impact on pre-tax financial assets		*-8*	*8*
Tax (19%)		1	-1
Impact on post-tax financial assets		*-6*	*6*
Total		**4**	**-4**

As at 31 January 2025, the Group's net profit would have been higher by PLN 4 million if interest rates in PLN, EUR and USD had been higher by 75 basis points, assuming that all the other parameters remained unchanged. This result is due to a substantially higher balance of cash compared with bank loans and borrowings taken out.

32. FAIR VALUES OF ASSETS AND LIABILITIES

Fair value is defined as an amount for which, at arm's length basis, a given asset could be exchanged, and a liability discharged, between well-informed unrelated interested parties. As regards financial instruments for which there is an active market, their fair value is determined based on parameters deriving from the active market (sales and purchase prices). As regards financial instruments for which there is no active market, their fair value is determined on the basis of measurement techniques, where model input data is variables deriving from active markets (exchange rates, interest rates).

In the Group's opinion, the carrying value of financial assets and liabilities is close to their fair value due to a short maturity term.

The Group classifies the following items in the category of equity instruments measured at fair value through profit or loss:

- participation units in money market funds (note 19);
- derivatives such as FX forward contracts (note 27).

Derivatives are recognised as assets when their value is positive and as liabilities when their value is negative.

The fair value of FX forward contracts is determined by reference to the current forward rates prevailing for contracts of similar maturity.

The Group determines the fair value of financial assets and financial liabilities taking into account market factors wherever possible. Fair value measurements are classified into three groups based on the origin of the input data for the measurement:

- Level 1 – input data at level 1 are quoted prices (non-adjusted) in active markets for equivalent assets or liabilities to which the entity has access on the measurement date,
- Level 2 – input data at level 2 are input data other than quoted prices taken into account at level 1, which are observable for a given asset or liability, or indirectly,
- Level 3 – input data at level 3 are non-observable input data relating to the respective asset or liability.

All assets and liabilities measured at fair value or where their fair value is disclosed in the financial statements (except for units in unlisted funds) are classified in the fair value hierarchy on the basis of the lowest level of input data (level 1) significant to the measurement to fair value taken as a whole.

33. FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

Each contract resulting in creation of a financial asset for one party and, at the same time, a financial liability or equity instrument for the other party is a financial instrument.

A financial asset or a financial liability is recognised in the statement of financial position when the Company becomes a party to that instrument. Standardised purchase and sale transactions of financial assets and liabilities are recognised as at the transaction date.

A financial asset is derecognised from the statement of financial position when the contractual rights to the economic benefits and risks have been exercised, have expired or the Group has waived them.

The Group derecognises a financial liability from the statement of financial position upon its expiry, i.e. when the obligation specified in the contract has been discharged, cancelled or has expired.

Classification and measurement
According to IFRS 9, except for some trade receivables, a financial asset is initially measured at fair value which, in the case of financial assets other than measured at fair value through profit or loss, is increased by transaction costs which may be directly assigned to the purchase of such financial assets.

After initial recognition, an asset is measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss. An entity classifies a financial asset based on its business model applied for financial asset management and the characteristics of cash flows resulting from the cash flow agreement for the financial asset (Solely Payments of Principal and Interest – SPPI criterion).

As at the purchase date, the Group measures financial assets and liabilities at fair value, i.e. most frequently, at fair value of the payment made (for assets) or the payment received (for liabilities).

As at the balance sheet date, the Group's financial assets and liabilities, in accordance with IFRS 9, are measured in accordance with the principles set out below.

Classification of financial assets

- measured at amortised cost,
- measured at fair value through profit or loss,
- measured at fair value through other comprehensive income.

For the purpose of measurement subsequent to initial recognition, financial assets are classified into one of the following four categories:

- debt instruments measured at amortised cost,
- debt instruments measured at fair value through other comprehensive income,
- equity instruments measured at fair value through other comprehensive income,
- financial assets measured at fair value through profit or loss.

The Group classifies the following items as financial assets measured at amortised cost:

- trade and other receivables,
- loans granted,
- cash and cash equivalents.

A financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held in accordance with a business model that seeks to hold financial assets to gain contractual cash flows, and
- the contractual terms related to the financial asset generate cash flows within specified time limits that are only repayments of the principal amount and interest on the outstanding principal amount.

Financial assets that do not meet the criteria for measurement at amortised cost or at fair value through comprehensive income are measured at fair value through profit or loss.

The Group classifies the following items in the category of equity instruments measured at fair value through profit or loss:

- participation units in money market funds,
- forward contracts.

Impairment of financial instruments
In case of trade receivables, the Group applies a simplified approach and measures the write-off on expected credit losses in an amount equal to the expected credit losses throughout the lifetime using a provision matrix. The Group uses its historical credit loss data, adjusted where appropriate for the impact of forward-looking information.

In case of other financial assets, the Group measures the write-off on expected credit losses in an amount equal to 12 months of expected credit losses. If the credit risk associated with a given financial instrument has increased significantly since its initial recognition, the Group measures the write-off on expected credit losses on the financial instrument in an amount equal to the expected credit losses throughout the lifetime.

Financial derivatives
Financial derivatives used by the Company to hedge the foreign exchange risks are primarily FX forward contracts. Such financial derivatives are measured at fair value. Derivatives are recognised as assets when their value is positive and as liabilities when their value is negative.

Profits and losses on changes in the fair value of derivatives that do not comply with the principles of hedge accounting are recognised directly in the net profit or loss for the financial year.

The fair value of FX forward contracts is determined by reference to the current forward rates prevailing for contracts of similar maturity.

Financial liabilities
Financial liabilities other than hedging derivatives are recognised under the following items in the statement of statement of financial position:

- bank loans and borrowings,
- other financial liabilities,
- trade and other liabilities.

Following the initial recognition, financial liabilities are measured at amortised cost applying the effective interest rate, except for financial liabilities held for trade or designated as measured at fair value through profit or loss (derivatives other than hedging instruments). Short-term trade liabilities are measured in the amount payable due to insignificant discounting effects.

The value of financial assets presented in the consolidated statement of financial position relates to the following categories of financial instruments defined in IFRS 9:

1. measured at amortised cost (AZK)
2. measured at fair value through profit or loss (fair value)

As at 31 January 2025

Non-current assets (PLN m)	AZK	Fair value
Other financial assets	7	0

As at 31 January 2025

Current assets (PLN m)	AZK	Fair value
Trade receivables	757	0
Other financial assets	78	0
Measurement of forward contracts	0	6
Participation units in funds	0	865
Cash and cash equivalents	846	0

As at 31 January 2024

Non-current assets (PLN m)	AZK	Fair value
Other financial assets	9	0

As at 31 January 2024

Current assets (PLN m)	AZK	Fair value
Trade receivables	810	0
Other financial assets	68	0
Participation units in funds	0	561
Cash and cash equivalents	1,076	0

The value of financial liabilities presented in the statement of financial position relates to the categories of financial instruments defined in IFRS 9 as financial liabilities measured at amortised cost (ZZK) and financial liabilities measured at fair value through profit or loss.

As at 31 January 2025

Long-term liabilities (PLN m)	ZZK	Fair value	Beyond IFRS 9
Bank loans and borrowings	182	0	0
Lease liabilities	3,523	0	0

As at 31 January 2025

Short-term liabilities (PLN m)	ZZK	Fair value	Beyond IFRS 9
Trade liabilities	5,481	0	0
Lease liabilities	1,248	0	0
Measurement of forward contracts	0	6	0
Other liabilities	0	0	189
Bank loans and borrowings	817	0	0

As at 31 January 2024

Long-term liabilities (PLN m)	ZZK	Fair value	Beyond IFRS 9
Bank loans and borrowings	490	0	0
Lease liabilities	2,892	0	0

As at 31 January 2024

Short-term liabilities (PLN m)	ZZK	Fair value	Beyond IFRS 9
Trade liabilities	3,695	0	0
Lease liabilities	1,015	0	0
Bonds	310	0	0
Measurement of forward contracts	0	1	0
Other liabilities	0	0	179
Bank loans and borrowings	49	0	0

34. OPERATING SEGMENTS

Financial results and other information regarding geographical segments for the period from 1 February 2024 to 31 January 2025 and for comparative period are presented in the tables below. The division of individual geographical segments is presented in detail in note 9.1.

For the year ended 31 January 2025 (PLN m)	Poland	Western Europe	Central and Eastern Europe	Southern and Eastern Europe	Countries of the Baltic Sea region	Trade agents	Other	Total
Sales revenue	8,729	1,236	2,501	4,364	791	787	1,785	20,194
Operating profit (loss)	**1,496**	**-19**	**199**	**533**	**85**	**-80**	**201**	**2,415**
Profit before tax								**2,251**
Income tax								504
Net profit (loss)								**1,747**

For the year ended 31 January 2025 (PLN m)	Poland	Western Europe	Central and Eastern Europe	Southern and Eastern Europe	Countries of the Baltic Sea region	Trade agents	Other	Values not allocated to segments	Total
Consolidated segment assets	11,381	1,246	1,173	2,211	436	0	801	253	17,501
Consolidated segment liabilities	7,383	1,123	777	1,251	296	0	368	1,001	12,199

Other disclosures	Poland	Western Europe	Central and Eastern Europe	Southern and Eastern Europe	Countries of the Baltic Sea region	Trade agents	Other	Total
Capital expenditure of the segment	814	103	230	378	60	0	437	2,022
Segment depreciation	692	189	230	403	94	0	80	1,688
Impairment losses on fixed assets	0	1	3	1	1	0	0	6
Reversal of impairment losses on fixed assets	5	2	6	15	0	0	4	32
Other non-cash expenses	74	9	11	39	5	0	11	149

For the year ended 31 January 2024 (PLN m)	Poland	Western Europe	Central and Eastern Europe	Southern and Eastern Europe	Countries of the Baltic Sea region	Trade agents	Other	Total
Sales revenue	7,385	858	2,277	3,479	757	1,188	1,461	17,406
Operating profit (loss)	**1,351**	**19**	**234**	**263**	**111**	**158**	**148**	**2,283**
Profit before tax								**2,047**
Income tax								435
Net profit (loss)								**1,612**

For the year ended 31 January 2024 (PLN m)	Poland	Western Europe	Central and Eastern Europe	Southern and Eastern Europe	Countries of the Baltic Sea region	Trade agents	Other	Values not allocated to segments	Total
Consolidated segment assets	9,048	977	958	1,576	413	0	524	306	13,802
Consolidated segment liabilities	5,585	852	674	883	275	0	275	541	9,085

Other disclosures	Poland	Western Europe	Central and Eastern Europe	Southern and Eastern Europe	Countries of the Baltic Sea region	Trade agents	Other	Total
Capital expenditure of the segment	296	134	187	336	46	0	28	1,027
Segment depreciation	606	134	189	304	84	0	64	1,381
Impairment losses on fixed assets	5	0	17	29	2	0	0	53
Reversal of impairment losses on fixed assets	0	4	0	1	1	0	5	11
Other non-cash expenses	49	4	15	28	5	0	13	114

35. CAPITAL MANAGEMENT

The Group manages capital with the aim of ensuring the Group's remaining a going concern and the expected rate of return for shareholders and other entities interested in the financial position of the Group.

The Group monitors the level of capital based on the carrying amount of equity. On the basis of the amount of capital determined in such a way, the Group calculates the ratio of capital to total financing sources excluding debt in accordance with IFRS 16. The Group assumes maintaining this ratio at a level not lower than 0.3.

Moreover, to monitor its debt servicing capacity, the Group calculates the net debt (i.e. liabilities from leases, loans, borrowings and other debt instruments adjusted for cash and value of units in funds) to EBITDA (operating result adjusted for depreciation and amortisation). The Group assumes maintaining the debt to EBITDA ratio at a level not higher than 2.5.

The aforementioned targets of the Group are compliant with the requirements imposed by the loan agreements, presented in detail in note 24.

Neither the Group nor the Parent Company is subject to external capital requirements.

In the reporting period analysed, the capital to total funding ratio amounted to 0.42 (2023: 0.48), whereas the net debt to EBIDTA ratio stood at 0.99 (2023: 0.85).

36. EMPLOYMENT STRUCTURE

In the year ended 31 January 2025, average employment (FTEs) in the entire Group amounted to 22,821 FTEs (2023: 21,489 FTEs).

37. INFORMATION ON THE REMUNERATION OF THE STATUTORY AUDITOR OR THE AUDIT FIRM

On 21 July 2022, LPP SA signed the agreement on the audit of the annual financial statements of the Company and the LPP SA Group for the years 2022-2024 and on the review of interim semi-annual financial statements of the Company and the LPP SA Group in the aforementioned period. The entity authorised to audit and review the financial statements of the Company and the LPP SA Group was chosen by the Supervisory Board of LPP SA acting under Article 35 of its Articles of Association of LPP SA.

The entity chosen was Grant Thornton Polska Prosta spółka akcyjna with its registered office in Poznań, entered in the list of Polish Board of Statutory Auditors under no 4055.

The remuneration of the auditor and the companies included in the network for the year ended 31 January 2025 and for the comparative period, broken down by types of services, amounted to:

Remuneration paid or due (in PLN thousand)	01.02.2024 – 31.01.2025		01.02.2023 – 31.01.2024	
	Remuneration of the network	including the audit firm	Remuneration of the network	including the audit firm
Mandatory audit of the annual financial statements	618	364	348	303
Audit of the interim financial statements	183	183	0	0
Review of the interim financial statements	104	104	273	273
Other services	170	170	257	257
Total	**1,075**	**821**	**878**	**833**

38. EVENTS AFTER THE BALANCE SHEET DAY

At the time of signing the consolidated financial statements, no letter changing the terms of the loan agreement or its termination had been received and no other event occurred that would cause changes in the value in the financial statements.

GDAŃSK, 2 APRIL 2025

MANAGEMENT BOARD OF LPP SA

MAREK PIECHOCKI
The CEO

MARCIN BÓJKO
Member of the Management Board

SŁAWOMIR ŁOBODA
Member of the Management Board

MARCIN PIECHOCKI
Member of the Management Board

MIKOŁAJ WEZDECKI
Member of the Management Board

04

STATEMENTS OF THE MANAGEMENT BOARD

STATEMENT ON RELIABILITY OF THE FINANCIAL STATEMENTS

In line with the requirements set forth in the Regulation by the Minister of Finance, dated 29 March 2018, on current and interim information provided by issuers of securities [...] (Regulation), the Management Board of LPP SA declares that, to the best of the Board's knowledge, the annual consolidated financial statements for the financial year 2024 and comparative data have been prepared in accordance with accounting principles currently in effect and present a true and fair view of the assets and the financial standing of LPP Group as well as the financial result in the periods presented, and that the report of the Management Board on the operations of LPP Group, together with the statement on corporate governance for 2024 (with due consideration of disclosure requirements for the report on the operations of the parent company for the said period) and sustainability statement present a true and fair view of the development, achievements and the standing of LPP Group and LPP SA, including a description of basic risks and threats.

GDAŃSK, 2 APRIL 2025

MANAGEMENT BOARD OF LPP SA

MAREK PIECHOCKI
The CEO

MARCIN BÓJKO
Member of the Management Board

SŁAWOMIR ŁOBODA
Member of the Management Board

MARCIN PIECHOCKI
Member of the Management Board

MIKOŁAJ WEZDECKI
Member of the Management Board

STATEMENT OF THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

In line with the requirements set forth in the Regulation by the Minister of Finance, dated 29 March 2018, on current and interim information provided by issuers of securities […] (Regulation), the Management Board of LPP SA informs that, based on the statement of the Supervisory Board of LPP SA, the entity authorized to audit financial statements, which has audited the annual consolidated financial statements of LPP Group and the separate financial statements of LPP SA and audit of sustainability statement has been chosen in accordance with the provisions of law, including those governing the selection of, and the procedure for selecting, an audit company.

The audit company Grant Thornton Polska Prosta spółka akcyjna based in Poznań and members of the auditing team met the conditions for preparing an impartial and independent report on the audit of the annual consolidated financial statements in accordance with binding laws as well as professional and ethical standards.

Furthermore, the Management Board of LPP SA informs that, based on the statement made by the Supervisory Board of LPP SA, binding laws governing the rotation of audit companies and a key statutory auditor as well as mandatory waiting periods have been complied with.

LPP SA has implemented a policy for choosing an audit company and a policy for the provision by an audit company or its affiliate or network member of additional non-audit services, including those conditionally permitted to be rendered by an audit company.

GDAŃSK, 2 APRIL 2025

MANAGEMENT BOARD OF LPP SA

MAREK PIECHOCKI
The CEO

MARCIN BÓJKO
Member of the Management Board

SŁAWOMIR ŁOBODA
Member of the Management Board

MARCIN PIECHOCKI
Member of the Management Board

MIKOŁAJ WEZDECKI
Member of the Management Board

05

STATEMENT OF, AND ASSESSMENT BY, THE SUPERVISORY BOARD

STATEMENT OF THE SUPERVISORY BOARD OF LPP SA ON THE FULFILMENT BY THE AUDIT COMMITTEE OF STATUTORY REQUIREMENTS

Following the duty stemming from § 70(1) (8) and § 71(1)(8) of Regulation of the Minister of Finance, dated 29 March 2018, on current and interim information provided by issuers of securities and the terms and conditions for recognition of information required under the laws of an EU non-member state as equivalent (Journal of Laws of 2018, item 757), the Supervisory Board of LPP SA hereby declares:

a) compliance with the provisions on the appointment, composition and operation of the Audit Committee of the Supervisory Board of LPP SA, including those governing fulfilment by its members of independence criteria and requirements to have knowledge and skills related to the industry sector in which LPP SA operates as well as provisions on accounting or auditing financial statements,

b) – that the Audit Committee of the Supervisory Board of LPP SA performed the tasks of an audit committee as provided for in binding provisions of laws, in particular those provided for in Article 130(1) of the Act dated 11 May 2017 on Statutory Auditors, Audit Companies and Public Supervision (Journal of laws of 2024, item 1035, as amended).

GDAŃSK, 2 APRIL 2025

SUPERVISORY BOARD OF LPP SA:

MIŁOSZ WIŚNIEWSKI
Chair 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 SŁUPSKI
Member of the Supervisory Board

ASSESSMENT BY THE SUPERVISORY BOARD OF LPP SA

The Supervisory Board, having reviewed:

- the financial statements of LPP SA and LPP Group for the financial year 2024,
- LPP Management Board's report on the operations of the Company's Group in the financial year 2024 (incorporating the report on the Company's operations and sustainability statement in the said period),
- the opinion and the report of the statutory auditor on the audit of the Company's financial statements for the financial year 2024;
- the opinion and the report of the statutory auditor on the audit of the financial statements of the Company's Group for the financial year 2024;
- report on the certification of the sustainability statement of LPP Group for the financial year 2024.

Acknowledges that, in the opinion of the Supervisory Board:

- the Management Board's report on the operations of the Company's Group in the financial year 2024, incorporating the Management Board's report on the Company's operations in the said period;
- the financial statements of LPP SA for the financial year 2024 and
- the consolidated financial statements of LPP Group for the financial year 2024 are complete and accurate and contain data which exhaustively presents the standing of the Company and LPP Group.

Furthermore, the Supervisory Board indicates that the Management Board's report on the operations of LPP Group for 2024 incorporates also the Management Board's report on the operations of the Company (as parent company) and sustainability statement. The joint presentation of the two reports is permissible under Article 55(2a) of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2023, item 120, as amended) and § 71(8) of the Regulation of the Minister of Finance of 29 March 2018 on current and interim information submitted by issuers of securities and on the terms and conditions for recognition as equivalent of information required under the laws of a non-member state (Journal of Laws of 2018, item 757). The obligation to include the sustainability statement of LPP Group in the Management Board's report on the operations of LPP Group is provided for in the provisions of Article 63x of the Act of 29 September 1994 on Accounting (consolidated text: Journal of Laws of 2023, item 120, as amended).

The Supervisory Board recommends that the Annual General Meeting of Shareholders should adopt the resolution approving:

- the Management Board's report on the operations of the Company's Group and the Company's operations with sustainability statement in the financial year 2024;
- the Company's financial statement for the financial year 2024;
- consolidated financial statement of LPP Group for the financial year 2024.

The Supervisory Board takes such view based on the analysis of documents referred to above and the results of works of the Board's Audit Committee and the Supervisory Board itself. These activities have led to the conclusion that the above-mentioned documents are complete, accurate and contain data which exhaustively presents the standing of the Company and LPP Group.

GDAŃSK, 2 APRIL 2025

SUPERVISORY BOARD OF LPP SA:

MIŁOSZ WIŚNIEWSKI
Chair 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 SŁUPSKI
Member of the Supervisory Board

WWW.LPP.COM

discoverlpp

company/lpp-sa

discoverlpp

discoverlpp