

## **RULES AND REGULATIONS OF THE MANAGEMENT BOARD OF LPP S.A.,**

### **REGISTERED OFFICE IN GDAŃSK**

#### **§ 1.**

Terms used in these Rules and Regulations shall have the following meanings:

1. LPP S.A. - LPP S.A., registered office in Gdańsk, 39/44 Łąkowa street, entered into the Register of Entrepreneurs of the National Court Register maintained by the District Court in Gdańsk - 12<sup>th</sup> Commercial Division of the National Court Register under the entry number KRS 0000000778;
2. General Meeting - the General Meeting of Shareholders of LPP S.A.;
3. Supervisory Board - the Supervisory Board of LPP S.A.;
4. Management Board - the Management Board of LPP S.A.;
5. Memorandum and Articles of Association - the Memorandum and Articles of Association of LPP S.A.;
6. Commercial Companies Code - the Commercial Companies Code Law of 15 September 2000 (Journal of Laws No. 94, item 1037, as amended).

#### **§ 2.**

1. The Management Board acts on the basis of the Commercial Companies Code, the Memorandum and Articles of Association, these Rules and Regulations and resolutions adopted pursuant to the effective laws and the Memorandum and Articles of Association by the General Meeting and the Supervisory Board.
2. The remit of the Management Board includes all matters which are not reserved to other bodies of LPP S.A.;
3. The Management Board in particular:
  - a) conducts the affairs of LPP S.A.
  - b) represents LPP S.A. in court and outside of court;
  - c) employs and dismisses employees and determines their remuneration;
  - d) guided by the best interests of LPP S.A., specifies the strategy and main objectives of LPP S.A., submits them to the Supervisory Board for approval and is responsible for their implementation;
  - e) maintains the efficiency and transparency of the management system of LPP S.A., and conducts its business activities according to the effective law and good practice;
  - f) it shall, within two months from the date of its appointing, submit the action plan for LPP S.A. to the Supervisory Board, covering the period for which is has been appointed;
4. The Management Board shall obtain the approval of the Supervisory Board prior to carrying out the following actions:
  - a) acquiring and disposing of real estate ownership title, acquiring and disposing of perpetual leasehold of real property;
  - b) assumption of obligations of third parties;
  - c) setting up new business entities and acquiring, disposing of or pledging shares in existing entities;
  - d) letting the enterprise or its part;
  - e) acquiring and disposing of plants and subsidiaries of LPP S.A.;
  - f) disposing of the entire LPP S.A. enterprise or its part;
  - g) allowing employees to participate in the company's profit and assigning special retirement and disability pension entitlements;
  - h) any operations connected with trading in securities, capital and financial investments;
  - i) appointing a chartered auditor of LPP S.A.;
5. Members of the Management Board are obliged to participate in the General Meeting and, if necessary and confirmed in writing by the President of the Supervisory Board, in the meetings of the Supervisory Board.

#### **§ 3.**

1. The Management Board comprises two to five members, including the President of the Management Board, and from one to four Vice Presidents of the Management Board. The Supervisory Board shall establish the number of the Management Board members.

2. The Supervisory Board shall appoint and dismiss members of the Management Board for the period of five years.
3. The mandates of the Management Board members shall expire on the day of the General Meeting during which a financial statement for the business year in which they have performed their duties, is approved.

§ 4.

The President of the Management Board, two Vice Presidents acting jointly or a Vice President of the Management Board acting together with a commercial proxy shall be entitled to make statements and sign on behalf of LPP S.A.

§ 5.

1. The President of the Management Board shall organise work of the Management Board, manage its operations, coordinate the cooperation of the Management Board with other bodies of LPP S.A. and present a position of the Management Board to the Supervisory Board and during the General Meeting.
2. In case of absence of the President of the Management Board, their rights and duties shall be performed by the Vice President of the Management Board appointed by the President.

§ 6.

1. The Management Board shall discuss and adopt resolutions during meetings.
2. The meetings of the Management Board shall be convened by the President of the Management Board when necessary, but at least once a month.
3. Furthermore, the President of the Management Board shall be obliged to convene the meeting of the Management Board upon a written request of the Supervisory Board or at least two members of the Management Board. In this case, the meeting of the Management Board should take place not later than within 7 days of the date of submitting the written request to the President of the Management Board.
4. Persons invited by the President of the Management Board, in particular the members of the Supervisory Board, commercial proxies, experts and advisers are allowed to participate in the meetings of the Management Board next to its Members.

§ 7.

1. A meeting of the Management Board shall be opened and chaired by the President of the Management Board.
2. The President of the Management Board presiding over a meeting is entitled, in particular:
  - a) to announce the opening and closing of the meeting, as well as intermissions during the meeting;
  - b) to ensure that the meeting is conducted correctly and efficiently;
  - c) to hold votings and confirm their results.
3. The minutes from the meeting shall be drafted. The minutes shall be prepared by a person appointed by the President of the Management Board. The minutes shall include in particular:
  - a) date and venue of the meeting,
  - b) names of the Management Board members present at the meeting,
  - c) a note on accepting the minutes of the previous meeting, with a proviso that each member of the Management Board shall have the right to submit reservations to the minutes in writing; the submitted reservations shall be included in the minutes and filed in the minute book.
  - d) the meeting agenda approved by the Management Board, or a note that it has been carried out in accordance with the agenda specified in the invitations,
  - e) an opinion of a member of the Management Board, if they apply for it to be included in the minutes; a member of the Management Board shall have the right to provide the content of their opinion to be included in the minutes.
  - f) an opinion of any other person participating in the meeting, if a member of the Management Board requests to include it in the minutes,
  - g) a note on a document presented during the meeting, if a member of the Management Board requested it to be included in the minutes,
  - h) contents of adopted resolutions and the results of votings, specifying the method of voting by each member of the Management Board, dissenting opinions.

4. The attendance list signed by the members of the Management Board present at the meeting and a person drafting the minutes constitutes the appendix to the minutes.
5. Copies of documents presented at the meeting shall be included in the minutes, if so requested by at least one member of the Management Board.
6. The minutes from the meeting are signed by all members of the Management Board present at the meeting. The minutes must be submitted to them for signature within 5 days from the meeting.
7. The minutes from the meetings of the Management Board are kept at the registered office of the Company, as specified by the Company's Management Board.

#### § 8.

1. Resolutions of the Management Board may be adopted provided that all the members have been appropriately notified about the meeting of the Management Board.
2. Resolutions of the Management Board are adopted by absolute majority of votes, unless the Memorandum and Articles of Association provide otherwise.
3. The voting shall be open. Secret voting shall be ordered at the request of at least one member of the Management Board.
4. The duties of the President of the Management Board shall include:
  - a. Oversight and management of the purchasing department,
  - b. Oversight and management of the production preparation department,
  - c. Oversight and management of the Promo Stars department,
  - d. Oversight and management of the marketing department,
  - e. Oversight and management of the Reserved export department,
  - f. Oversight and management of the export department,
  - g. Oversight and management of the underwear sales department,
  - h. Oversight and management of the hypermarket department,
  - i. Oversight and management of the Reserved Stores department,
  - j. Oversight and management of the wholesale/subsidiaries department,
  - k. Oversight and management of the hypermarket department,
  - l. Oversight and management of the investment and settlement department,
5. The duties of the Financial Vice President include:
  - a) Oversight and management of the financial department,
  - b) Oversight and management of the payroll and HR department,
  - c) Oversight and management of the transport department,
  - d) Oversight and management of the administration and engineering department,
  - e) Maintaining relations with the media and implementing the information policy of the Company, which includes providing information about the Company,
  - f) Maintaining relations with: investors, Securities Commission, the National Depository for Securities, Stock Exchange.
6. The duties of the Logistics Vice President include:
  - a) Oversight and management of the operations department,
  - b) Oversight and management of the import department,
  - c) Oversight and management of the IT department,
7. The duties of the Accounting Vice President include the oversight and management of the accounting department.
8. The division of responsibilities provided above is of general nature, decisions in all important matters concerning the Company shall be taken jointly by the Management Board.

#### § 9.

1. A member of the Management Board, when performing their duties in the Board, should be guided by the interests of LPP S.A. and refrain from any actions which could result in financial benefits gained solely by the member of the Management Board.
2. When taking decisions regarding LPP S.A., members of the Management Board should not exceed the limits of reasonable economic risk.
3. The Management Board, when making decisions regarding the Company, shall be obliged to perform a thorough, comprehensive analysis of all matters conditioning decisions made in respect of LPP S.A., taking into account the interests of LPP S.A.

4. When specifying the interests of LPP S.A., the most important aspects considered should be the interests of the shareholders, employees and other entities cooperating with LPP S.A. within the scope of its business activity, justified by the long-term perspective, and whenever possible, the interests of the creditors of LPP S.A. and local communities.
5. Members of the Management Board shall be absolutely loyal and honest towards the Company, and refrain from conducting any competitive business activity.
6. If a member of the Management Board obtains information regarding the possibility to invest, or perform a transaction advantageous to LPP S.A. and connected with its business activity, they are obliged to immediately provide the Management Board with the information about such transaction in order to consider taking advantage of it by the Company. Using the information specified in the previous sentence by a member of the Management Board, or providing it to a third person shall be permitted only with the approval of the Management Board and when it does not contravene the interests of LPP S.A.
7. A member of the Management Board shall be obliged to immediately inform the Supervisory Board every time a conflict of interests arises in connection with their duties of the Management Board members, or about the possibility of such conflict.
8. When making transactions with the shareholders and other persons whose interests affect the interests of LPP S.A., the Management Board and its particular members should make every effort so that the value of the transactions and their conditions are established with regard to market conditions.
9. A member of the Management Board shall have the right to hold shares in LPP S.A., as well as shares in parent companies of LPP S.A. and shares of its subsidiary companies.
10. Members of the Management Board shall be obliged to treat investments in shares of LPP S.A., shares of parent companies of LPP S.A. and shares of subsidiary companies of LPP S.A. as long-term investments. Immediately upon obtaining the mandate, members of the Management Board are obliged to submit a statement to the Company, in which they undertake not to dispose of shares in LPP S.A., shares in parent companies of LPP S.A. and shares in subsidiary companies of LPP S.A. within one year of the day of acquisition of such shares.

§ 10.

1. The remuneration of the Management Board members shall be determined by the Supervisory Board, and subsequently reviewed each year.
2. When determining and reviewing remuneration for particular members of the Management Board, the Supervisory Board should take into account the necessary amount of work involved in performing the duties of a Management Board member, scope of duties and responsibility related to performing the duties of a Management Board member, the financial result of LPP S.A., the size of LPP S.A. The incentive scheme to improve quality and work efficiency of particular members of the Management Board should be considered when establishing the amount and structure of the remuneration.
3. The total amount of remuneration for all members of the Management Board shall be disclosed in the annual report.

§ 11.

These Rules and Regulations shall be published on the website of LPP S.A.

§ 12.

These Rules and Regulations shall enter into force as of the day of their adoption by the Management Board.