

QMS-P02-F03



Audit Report

For

LPP S.A.

Stage 2

Audit Dates: 20/01/2025 to 22/01/2025

Organization Details

Company: LPP S.A.
Address: Ul. Lakowa 39/44-80-769 Gdansk- Poland
Contact Person: Kamila siedlecka
Email: kamila.siedlecka@lpp.com
Audit Criteria: ISO 9001:2015
EA Code: 4,5,23,29
Scope: Manufacturing and Sales of Clothing, Footwear, Accessories, Bags, Belts, Leather Goods(including Genuine Leather, Artificial Leather, and Mixture of them), Sunglasses, Cosmetics, Detergents, Home Fragrances, Home Furniture, Home Textile including (Bedroom Articles(Mats, Quilts, Cushions, Rugs, Curtains, Duvets , Pillows, Hangers and Hooks)), Clocks , Watches and Toys
No. of Sites: 1

Sites

Site Name	Location
NA	NA

Audit Objectives

To ensure that company has implemented effectively quality management system comply with ISO 9001:2015 requirements

Auditors

Auditor Name	Role
Adel Belal	Team Leader
Ahmed Helmy	Team member

Auditee Members

Auditee Name	Position
Kamila siedlecka	QC manager
Iqbal.hossain	Compliance manager

Anna staskiewicz	Regional manager
Magdalena Wisniewska	HR Director
Nguyen Thi Hanh	HR Officer
Fatema Begum	HR Specialist
Michalina Walczak	Production Manager
Nguyen Van Tuan	Production Supervisor
Md. Shafiqul Islam	Production Shift Leader
Pham Minh Chau	QC Inspector
Mohammad Imran Hossain	QC Coordinator
Krzysztof Rutkowski	IT Manager
Farhana Rahman	IT Support Officer
Pawel Szymanski	Procurement Manager
Tran Thi Hoa	Procurement Officer
Katarzyna Jankowska	Head of Design
Vo Thi Bich Ngoc	Senior Designer
Bartosz Wójcik	Warehouse Supervisor
Ngo Quang Hieu	Warehouse Coordinator
Sultana Akter	Warehouse Team Leader
Anna Grabowska	Sales & Marketing Director
Nguyen Van Phuc	Regional Sales Manager
Roksana Majewska	E-Commerce Manager
Tomasz Kowalczyk	Maintenance Manager
Le Van Minh	Maintenance Engineer
Md. Hasanuzzaman	Senior QA Specialist

No. of Man-Days

6.0

Audit Findings

Clause No.	Requirement\Departement	Evidence	Result
4.1	Understanding the organization and its context	<p>The company has main four brands RESERVED, CROPP, HOUSE, MOHITO and SINSAY. The company works in 39 countries. Total stores in Poland 1962 and abroad 856. The company uses PESTEL methods for risk assessment technique, due to the presence on different countries causes that company has to deal with many legal and other requirements such as the Egyptian decree for importers. Also the company has to deal with different cultures as well as different ages of customers as well as the community requirements for women rights where 80% of employees are women.</p>	OK
4..2	Understanding the needs and expectations of interested parties	<p>The process has defined its interested parties and their requirements such as the requirements of the GOEIC which each importer has to have ISO 9001 certificate. other interested parties as defined by the company suppliers, employees, top management and customers as well as the legal authorities in all operating countries. Sample of the requirements for employees are good work conditions, giving sense of stability and helpful tools. Samples of customer requirements are trendy garments that are visually attractive , good quality garments and low prices. Samples of supplier requirements are good communication, high payment for work and beneficial supplier-client relationships. Samples of top management requirements are providing relevant and accurate information , high profit sales that gives opportunity for growth and development.</p>	OK

Clause No.	Requirement\Departement	Evidence	Result
4.3	Determining the scope of the QMS	<p>The company has defined the scope of certification without any exclusion from the standad. The defeined scope is Manufacturing and Sales of Clothing, Footwear, Accessories, Bags, Belts, Leather Goods(including Genuine Leather, Artificial Leather, and Mixture of them), Sunglasses, Cosmetics, Detergents, Home Fragrances, Home Furniture, Home Textile including (Bedroom Articles(Mats, Quilts, Cushions, Rugs, Curtains, Duvets , Pillows, Hangers and Hooks)), Clocks , Watches and Toys.</p>	OK

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4.4	QMS and its processes	<p>The process needed for providing the services are clearly defined , the associated KPIs with the processes have been also defined and analysed on monthly bases. The QMS has been defined on the company quality management system manual dated March 2024 and the eleven documents sent for review such as:</p> <ol style="list-style-type: none"> 1- LPP Sustainable Strategy 2020-2025 2- LPP Sustainability report for 2022-2023 3- Policy on Human Rights (LPP Group) 4- LPP Code of Conduct 5- LPP Code of Conduct - manual for suppliers 6- Diversity Equality And Inclusion Policy 7- LPP rules 8- LPP rules for employees of retail stores 10- LPP Decade of changes. Towards safe production in Bangladesh 11- Rules of whistleblowing <p>The quality management system processes defined with align with PDCA concept as:</p> <ol style="list-style-type: none"> 1- QualityManagement 2- Product and ProcessDesignment 3- ProcessControl and Supplier Management 4- ProductionProcess 5- FinalInspections 6- Metrology 7- Human Resources 	OK
5.1	Leadership and commitment	<p>Top management commitment has been observed during the audit , by attend the opening and closing meeting as well as the evidence of attend the management review</p>	OK

Clause No.	Requirement\Departement	Evidence	Result
5.2	Quality policy	1- The has defined the DIVERSITY, EQUALITY AND INCLUSION POLICY and 2- Policy on Human Rights (LPP Group) Both policies drive the orgnization management system.	OK
5.3	Organizational roles, responsibilities and authorities	The top management has defined the rols , responsibilities and authorities for each position in the orgnization. Example from responsibilities for QC expert team have been observed.	OK

Clause No.	Requirement\Department	Evidence	Result
6.1	Actions to address risks and opportunities	<p>The company has established SWOT analysis to determined the risks and oppurtunities sample of such analysis are:</p> <ol style="list-style-type: none"> 1- 30-year experience in the clothing sector 2- Widerange-we operate on 39 markets. .3- Improvethethe management of inventory. 4- High costsof performance marketing. 5- Development of newmarkets(South Eastern-Europe, Western Europe). 6- Maintainingcostdiscipline. 7- Impactof the economicslowdownon the purchasingbehavior of clients. 8- War in Ukraine. <p>The compay has established since 2022 new department internal control and risk management department to control the risk management within the company.</p> <p>The company has defined the following risks startegy:</p> <ol style="list-style-type: none"> 1- OPERATING RISKS 2- STRATEGIC RISKS 3- REGULATORY AND COMPLIANCE RISKS 4- FINANCIAL RISKS 5- REPUTATIONAL RISKS 6- CLIMATE RISKS <p>For each risk the company has defined proper context.</p> <p>The company also has used the matrix assessment technique to evaluate the different risks.</p>	OK

Clause No.	Requirement\Department	Evidence	Result
6.2	Quality objectives and planning to achieve them	<p>The company has developed strategic objectives for 2024 as well as 2025. The objectives are established to enhance the communities not only for Poland but also where the company works. The samples of objectives for 2024 are:</p> <ol style="list-style-type: none"> 1- Update standards and procedure according to requirement for the market 2- Make audit for 150 factories 3- 80% results in BD consistent with PL after cross check 4- Reduce 5% customer complains 50% of Reserved garments in Eco Aware collection <p>The action plan for achieving such objectives has been reviewed.</p>	OK
6.3	Planning of changes	The company has established a complete process to deal with challenges.	OK
7.1	Resources	<p>There is enough allocated resources for the whole processes to be completed. The company focuses in the sustainable resources include the raw material. The company as well provide good working condition by providing good work conditions/stable situation giving sense of stability, ample opportunities for professional growth, motivation and fulfillment helpful tools and friendly relations in company, applying the code of conduct, human rights policy as well as sustainability policy. The company has defined the required equipment for monitoring and measurement and apply a calibration plan for the measuring equipment.</p>	OK
7.2	Competence	The company has defined a budget for training and other actions needed to enhance and maintain the employees competency. The company also has improve the organization culture to enhance the work environment to ensure the satisfaction of internal customers (employees).	OK

Clause No.	Requirement\Departement	Evidence	Result
7.3	Awareness	The awareness and training are found to be a culture on the organization development.	OK
7.4	Communication	The company has established may reporting system to measure and communicate its performance with the internal customer as well as the communities where the company work in. the reporting system include the annual growth report for 2023 (3961) and the target for 2024 (5000+), also the report include the percentage of employees gender 80% women to 20% men, also the area of spaces 215,000 m2 for 5 warehouses and distribution centers 175,000 m2.	OK
7.5	Documented information	All the data and documented information controlled through the IT	OK

Clause No.	Requirement\Department	Evidence	Result
8.1	Operational planning and control	<p>The company business model are as follow:</p> <ul style="list-style-type: none"> · Designing : the company has 3 design offices in Poland and 1 in Spain. LPP has more than 300 designers works in 5 different brands. The designers take part in fashion fairs in fashion capitals around the world, and on daily basis , follow street fashion and social media to creat original collections. · Manufacturing: over 1200 suppliers from Asia and Europe. Approx. 7% of collections of all LPP brands manufactured in close proximity and approx.. 93% in Asia. The company own no manufacturing plants. · Sales: the LPP collections from different brands are available in traditional stores and online in 39 countries on 3 continents. The online sales conducted in 34 countries.LPP sales aprox 430,000,000 of closing items and accessories annually. · Dispatch and logistics: LPP has very large area of warehouses 459,000 m2. The distribution center found in Poland and abroad such as Romania. LPP has over 44m e-commerce orders executed in the financial year. The company understand the importance of quality of logistics to customer , so LPP develop its destitution network. 	OK
8.2	Determination of requirements for products and services	<p>Most of company sales conducted through the e-commerce. The E-commerce has 40 cooperating model agencies, 55 professional photographic studios and photographic posts, more than 120 team of people responsible for content production and 54,000 photographed products per year. The E-commerce report shows increase the volume of the online sales, as well as the customer satisfaction with the products.</p>	OK

Clause No.	Requirement\Department	Evidence	Result
8.3	Design and development of products and services	<p>The design or project as called in LPP starts with analysis of previous seasons and determination of demand, inspirational meeting preparation of project, project sent to suppliers, evaluation of designs prepared by suppliers, meeting to decide on orders and sending comments to suppliers. The QC department is involved in the design stage (or project). For example in shoes, the shoe specialist advises the designer which technology to choose and what reinforcing elements to use (for example heel stiffener or the special tape inside). At the next stage the specialist does the fitting, checks the workmanship and makes comments on the documentation (size charts).</p> <p>The collection of LPP brands are created by designers and buyers in cooperation with visual merchandising teams. LPP benefit from international experience. In Reserved brand, designers and buyers create collections tailored to the expectations of customers from different countries and regions. LPP uses the world's largest trend platform – Worth Global Style Network (WGSN) – on everyday basis. GDANSK HQs the largest design center of LPP group. The HQ is creating the design for Reserved, Cropp and Sinsay brands.</p>	OK

Clause No.	Requirement\Department	Evidence	Result
8.4	Control of externally provided processes, products and services	<p>Since LPP has no manufacturing plant, therefore, the sewing of designed collections is outsourced to external companies. In 2023/23, none of individual suppliers manufactured goods of a value exceeding 5% of total purchases. The majority of orders were executed in Bangladesh 37.9%, China 28.8%, Myanmar 14.9%, Turkey 6.0%, India 4.3%, Pakistan 4.2% and Cambodia 3.1%. In 2023/23, Polish plants manufactured 0.5% of products ordered.</p> <p>LPP expect suppliers to follow the detailed guidelines contained in the document entitled: "LPP Quality Guidebook". The guidebook lays down product quality standards, concentrations of chemicals used in production and a list of banned substances according to the EU-wide REACH7 regulation.</p>	OK
8.5	Production and service provision	<p>LPP has 5 brands.</p> <p>Reserved is a brand whose collections reflect the latest trends, combining classic designs with original and hot fashion propositions. It draws inspiration from the multiculturalism of the great metropolises of Europe and America, but also from the everyday urban realities of Tokyo or Seoul. Reserved implements the goals of the new sustainable development strategy "For People, For Our Planet", in which LPP undertook to reduce its impact on the environment for the benefit of the planet and future generations. The brand is gradually increasing the share of environmentally friendly models from the Eco Aware line - in 2022 it was already 38%. Eco Aware products are made of more environmentally friendly products materials, in more sustainable processes. By 2025, over 50% of Reserved collection will be labeled with the Eco Aware label, and 100% of the stores of the brand will be included in the Eco Aware Stores</p>	OK

Clause No.	Requirement\Department	Evidence	Result
		<p>program.</p> <ul style="list-style-type: none"> - Cropp is a streetwear fashion brand that makes it easier for the customers to create their own style offering women's and men's collections, complemented by a wide range of accessories and shoes. Cropp also focuses on ecology. Every year the Eco Aware line is being expanded by clothes designed in accordance with the idea of sustainable development. In stores in Poland, plastic shopping bags were replaced with paper ones and online orders are packed in 100% recycled foil - House is a brand for young people who want to show, through their outfits, who they are and how they feel. The brand offers collections combining the latest trends with a casual style. It also inspires to be brave, play with one's look and create one's own image. The brand uses professional tools to analyze fashion trends and participates in fabric fairs. It also cares about environmentally friendly quality, to create a more sustainable fashion future for its customers - Mohito is addressed to women who love fashion and appreciate original urban elegance. From year to year, the brand increases its share of Eco Aware products in its collections. When creating an ecological line of clothes and accessories, the brand uses raw materials from sustainable and more environmentally friendly sources. - Sinsay responds to many customer needs by offering the latest trends at attractive prices. The variety of the brand's collections allows freedom creating fashionable styles for every occasion. Sinsay's offer is complemented by interior design elements and a line of cosmetics for makeup and care. 	

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8.6	Release of products and services	<p>Each product of the brands has its own quality requirements.</p> <ul style="list-style-type: none"> · All children's products are subject to metal detector tests to avoid any leftover bits from sewing needles. · Zips in garments are subject to durability tests. Tests are also carried out on buttons, fasteners and protruding applications/decorative elements. · LPP continuously analyse the reasons for garment returns in terms of quality defects. <p>The expected quality levels for all LPP brands are set according to an Acceptance Quality Limit (AQL) standard. Before placing an order, LPP buyers ask suppliers to provide material and product samples in order to assess the quality of fabrics and workmanship of the clothing ordered. LPP quality control department checks the quality standards of products before they are marketed. LPP has expanded the range of physical tests of materials that can be carried out at our Distribution Centre in Poland.</p> <p>LPP has conducted 13,307 the number of quality checks carried out In the 2022/22 reporting year.</p> <p>In 2022, LPP updated the detailed quality guidelines of the "LPP Quality Guidebook". The modified guidelines include, among other things, requirements for footwear and expanded requirements for functional fabrics. For example, every footwear supplier is required to have the sole binder, elasticity and sole abrasion tested by an official TUV SUD, UL or HQTS laboratory.</p> <p>Example of test reports for different products:</p> <ul style="list-style-type: none"> · Report # 2667/2023, 2666/2023 from GOEIC to check Residual such as heavy metals the test was conducted IAW E.S 7266/2011 , Primary aromatic amine derived from Azodye and Carcinogenic 	OK

Clause No.	Requirement\Department	Evidence	Result
		<p>dyes, these tests for 0004O-59X men' Shirt and 1796P-99X ladies Shirt</p> <ul style="list-style-type: none"> · Inspection report for reduced sample dated 19/5/2024 for order # 10120546 from supplier Ningbo Haishu Giga Imp&Exp [CN]. The inspection include : o PACKING o INSPECTED CARTONS NUMBERS o ACCESSORIES o BROKEN STITCH o SKIP STITCH o UNCUT THREADS o Measurement - CK-TOP001B 36 c/e top o GSM CHECK <p>Inspection decision was class A.</p>	
8.7	Control of nonconforming outputs	<p>LPP inform customers about detected product defects via the ..Statements for customers" website.</p> <p>In 2022/22, LPP recorded 1 defect - a "plastic smell" of the silicone lid of a ceramic cup. The product was withdrawn from sale and the items returned by customers were disposed of. No other defects, in particular defects that could have a negative impact on customers' health are identified.</p>	OK

Clause No.	Requirement\Departement	Evidence	Result
9.1	Monitoring, measurement, analysis and evaluation	<p>LPP has deefined the complete processes to be implemeneted in all partners factories.</p> <p>The processes measured are:</p> <ol style="list-style-type: none"> 1. Raw fiber 2. Yarn 3. Raw fabric 4. Fabric processing 5. Processed fabric 6. Pattern cutting 7. Value addition 8. Swing 9. Finished product 10. Checking and rework 11. Ironing and packing 12. Dispatch and delivery <p>The customer satisfaction is measured based on AI tools. The Q4 23/24 report show that MOHITO has 34% , SINSAY has 31% and RESERVED has 29% of LPP share sales.</p> <p>The considerable level of returns means >30%. And for complaints it is more than 3%.</p>	OK
9.2	Internal audit	<p>The quality assurance has quarterly audit over the all LPP departments and suppliers.</p> <p>Last audit report 20/9/2024on Dhaka office, the audit was satisfactory with 85% pass points grad B</p>	OK
9.3	Management review	<p>Last management review on last qualrter. the Management Board of LPP decided to establish a central procurement function for indirect procurement (general, non-production procurement) at the company.</p>	OK
10.1	General	<p>Top management is committed to enhance the company products and services for their partners and employees. The improvement towards the sustainability observed to be the main company goals which support the glob policy for 1.5Co.</p>	OK

Clause No.	Requirement\\Departement	Evidence	Result
10.2	Nonconformity and corrective action	All NCRs from audit or for return goods have been checked and analyzed with prooper corrective action to match LPP policy and customer needs and expectations.	OK
10.3	Continual improvement	The company has established a tool of improvement through the policy, objectives, IA, management review and corrective action	OK

Strength Point

well documented system

Area for Improvement

NA

Observation

NA

Minor NCR

NA

Major NCR

NA

Team Leader Recommendations

The company has enough evidence for effective quality management system, so the company is recommended for ISO 9001:2015 certification

Disclaimer Statement

The judgment of the management system is **based on the sample shown during the audit time.**

Lead Auditor Name:

Adel Belal

Signature