



SUSTAINABILITY  
REPORT

MELON  
FASHION GROUP

ZARINA Befree LOVE REPUBLIC sela



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# WORD FROM CEO

MIKHAIL  
URZHUMTSEV



Dear friends,

The elapsed year was unpredictable and difficult. Long-term planning sank into oblivion. The alluring horizons moved even further away. It seemed that the world was covered with a dark and hopeless fog. However, we realized that stability is our support and this gave us the strength to move forward. From the perspective of a commercial company, we understood that the exit of foreign competitors made it possible for us to increase our market share. From a different angle, active growth and expansion should not contradict consciousness, damp our intention to become ESG pioneers of fashion retail in Russia.

In 2022, we adopted and published the ESG strategy, which is an important step for the company. While making preparations, auditing ourselves, we came to an understanding: a global transformation is ahead.

We asked ourselves three questions. Are we doing enough? Can we change anything? What should we do? The answers did not scare us. On the contrary, they gave us motivation and excitement to keep on, with our eyes open. We understood that our goal to become an ESG forefront was unattainable in a trimester, a year, five years or even a decade. But if we change ourselves and our processes, as well as habits of people around us, we would be able to do much more. After all, the future of entire generations lies ahead. And endless growth on a finite planet is utopia. This is what inspires us to break through ahead.

The strategy and commitments of Melon Fashion Group in the field of sustainable development are based on the belief that small but progressive steps can meet any challenges. So, we started looking for eco-friendly solutions to reduce the production of plastic bags, without which it is impossible to imagine any retailer. We became actively involved in educating our employees, suppliers and customers, and also increased the number of audits of enterprises that manufacture products of Melon Fashion Group brands.

Sustainable development is an integral part of our business today. There is still a lot to do, but our intentions are strong. As a customer-focused company, we will continue to inspire and build trusting relationships with our customers to assure them that they buy from a responsible company. At the same time, we will continue to work on increasing the level of transparency of production and supply chain in order to give customers the opportunity to trace the entire production line of a certain product.

Last but not least, I am infinitely proud of dedication, optimism and resilience of Melonians who not only work efficiently and develop the fashion industry, but also level up themselves, bring innovative ideas. They actively volunteer to implement the company's social projects and build corporate volunteering. Melon is a super team!

I will sum it up saying: there will definitely be a bright future. Our company is not the only one working on sustainability. We see how the customer is changing. How the level of consciousness of our employees, suppliers and other industry players is growing. All this gives confidence that challenges of the time

won't be an obstacle to transformation in the fashion industry. This is not only possible – it is already happening. Together we can play an important role in the transformation of society if we use our influence to promote reasonable ideas. I am happy that we – Melon – are among the engines of this progress. We are bound to be successful!



---

Your MM

# WORD FROM HEAD OF SUSTAINABILITY SECTION

YANA  
TROFIMOVA

**Dear readers,**

A few years ago, we took the path of ESG transformation, and I am proud to say that we have already come to a more systematic approach. We understood what way we should take, developed a roadmap and proceeded to execute our plans.

The company has now a Sustainable Development Group, which started working from scratch: identifying priority areas, forming policies and codes in the field of sustainable development.

These steps became the basis for our ESG strategy, which was released in 2022. It reflects the key goals and objectives, indicators and metrics that we strive for. This is a significant step for Melon Fashion Group, it manifests our revised approach to business and the fact that the company builds its long-term plans in accordance with the principles of sustainable development.

In 2022, we also created a working group which included representatives of each brand and each department. This allowed us to use a deeper and more comprehensive approach to carrying out the tasks within the framework of the ESG strategy.

Quite a number of Melonians became sustainability ambassadors ready to support and promote projects and ideas inside and outside the company. This is very important because sustainable development is not only a task of the management or of people in charge, but also that of every employee.

It is important to keep going and not to stop at what has been accomplished, despite any difficulties and challenges. We should continue doing important things and dealing with sustainable development issues that concern Melon Fashion Group and the whole society.

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Sincerely,  
Yana Trofimova

**WE ARE MELON  
FASHION  
GROUP**



1.1.

# COMPANY OPERATIONS

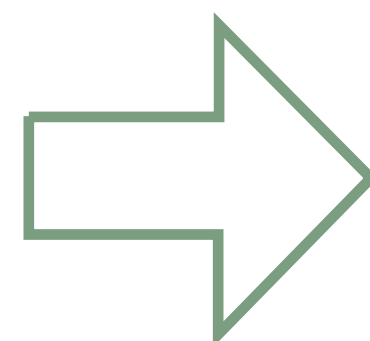
Melon Fashion Group is a dynamically developing company, one of the leaders of the Russian fashion retail. The portfolio includes four popular and in-demand brands: ZARINA, Befree, LOVE REPUBLIC and sela. The company performs a full cycle of fashion business: from collection design and production to promotion and distribution through sales channels.

A diversified brand portfolio, with each brand having its own DNA, development strategy and a clear target audience, makes Melon Fashion Group one of the brightest and strongest representatives of the Russian fashion business.

1.2.

# KEY FIGURES

2022 IN FIGURES



STORES

867

in 5 countries (Russia, Kazakhstan, Belarus, Armenia, Kyrgyzstan)

SALES

46

BILLION RUBLES

EMPLOYEES

6 934

31 TONS OF CLOTHES COLLECTED

IN 35 CITIES

SHARE OF E-DOCUMENT FLOW

76%

30%

OF PRODUCTS MANUFACTURED IN ETHICALLY AUDITED FACTORIES

4.8

TONS OF RECYCLABLE MATERIALS COLLECTED UNDER THE GREEN OFFICE PROGRAM

# ZARINA

## Brand values

POWER, MEANING, STYLE

## Brand concept

MODERN CASUAL FEMININE STYLE  
AT AFFORDABLE PRICES

WITHIN THE FRAMEWORK OF SUSTAINABLE DEVELOPMENT, ZARINA DEVELOPS INITIATIVES IN SUPPORT OF WOMEN. BRAND COMMUNICATIONS WITH THE INVOLVEMENT OF POPULAR BLOGGERS AND INFLUENCERS ARE AIMED AT REVEALING WOMEN'S POTENTIAL, SELF-CONFIDENCE AND CAPABILITIES.



# Befree

## Brand values

FASHION, HUMANITY, INCLUSIVITY, CONSCIOUS FUTURE

## Brand concept

YOUTH FASHION FOR ANY AGE

BEFREE IS AMBASSADORS OF INCLUSION AND DIVERSITY. THE BRAND ENGAGES MODELS OF DIFFERENT BODY AND APPEARANCE TYPES, AS WELL AS NON-PROFESSIONAL MODELS AND CUSTOMERS, IN ADVERTISING AND JOINT CREATION OF COLLECTIONS



# LOVE REPUBLIC

## Brand values

FEMALE ENERGY, AMBITION, CONFIDENCE, HEDONISM

## Brand concept

A BRAND FOR BOLD AND CONFIDENT WOMEN

LOVE REPUBLIC IS A WHOLE WAY OF THINKING AND LIVING, WHERE EVERYONE CARES WHAT THEY DO AND WHAT FUTURE AWAITS THEM. LOVE REPUBLIC - WITH LOVE FOR YOURSELF, FOR PEOPLE, FOR THE PLANET.





**Brand values**

FAMILY, CARE, COMFORT

**Brand concept**

LIFESTYLE CASUAL BRAND OF CLOTHING FOR THE WHOLE FAMILY

SELA IS A FAMILY BRAND WHICH SEES ITS SOCIAL RESPONSIBILITY IN ENLIGHTENING CHILDREN AND PROMOTING CONSCIOUS ATTITUDE TO ECOLOGY AMONG THEM. THIS IS NOT ONLY ABOUT RELATIONSHIPS WITH THE ENVIRONMENT, BUT ALSO ABOUT RELATIONSHIPS WITHIN SOCIETY.



# MISSION OF THE COMPANY

**Our goal is to be at the forefront of fashion retail. The whole culture of our company is aimed at achieving this goal in all aspects of Melon Fashion Group's operations.**

We want not only to show high business efficiency, but also to offer a variety of clothes, beautiful and comfortable stores, as well as high-quality service. The most important thing is that we strive to give our customers an opportunity to express themselves with the help of clothing, not only in terms of design, but also in terms of a conscious approach to fashion.



# OUR VALUES

The corporate culture of the company is based on Melon Book, the philosophy of the company with Cults that unite our team and constitute the key guideline in our work. Every Melonian believes in

C  
U  
L  
T  
OF

FREEDOM  
BUSINESS  
COMMON SENSE  
START-UP SPIRIT  
LACONISM  
OPENNESS  
**SUSTAINABILITY**





# SUSTAINABLE DEVELOPMENT AT MELON FASHION GROUP

## 2.1. MANAGEMENT APPROACH

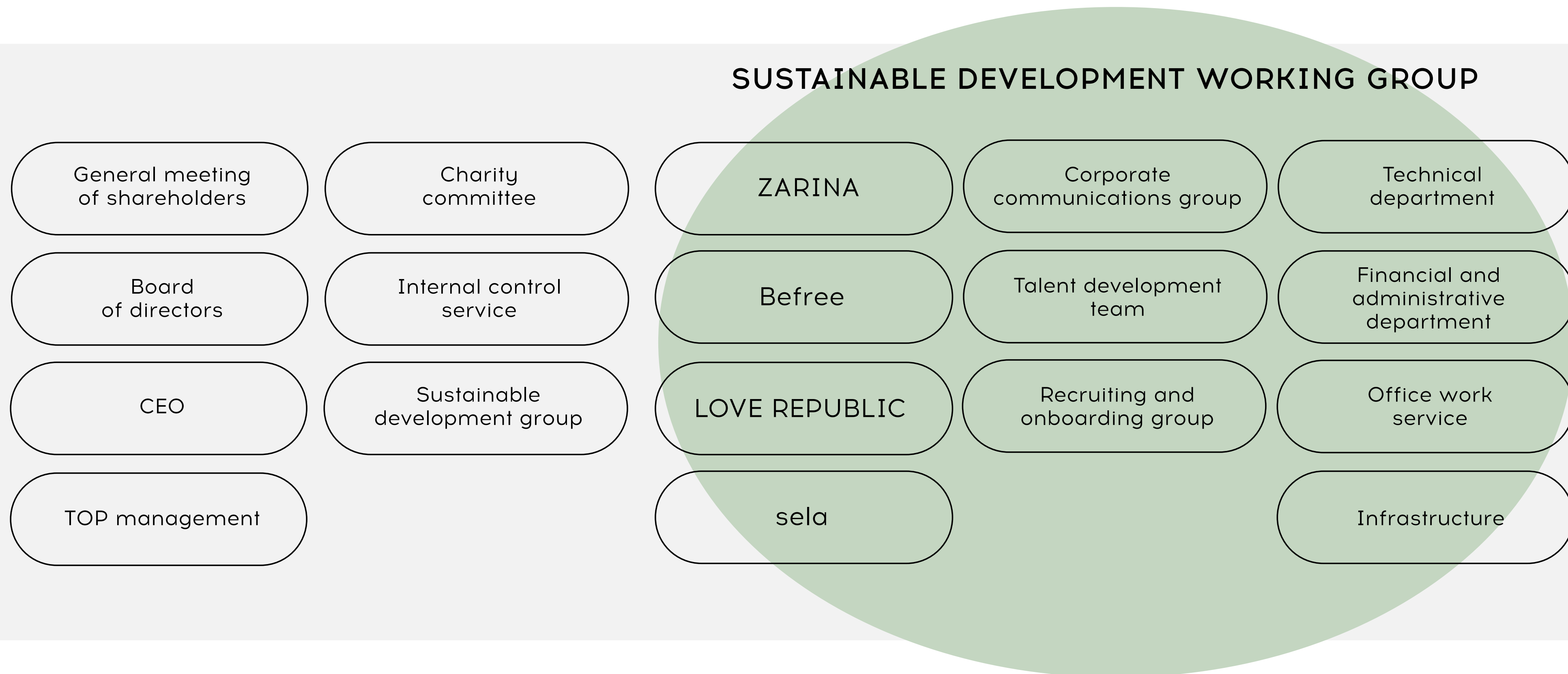
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We adhere to an integrated approach in creating a management system of the economic, environmental and social aspects of the Company's operations. Focusing on best business practices, we strive to integrate aspects related to sustainable development into the overall corporate governance structure. In 2022, a Sustainable Development

Group appeared in Melon Fashion Group - a single coordinating center of the company's activities in the field of sustainability. The Group is responsible for strategic planning and elaborating ESG initiatives, it determines priority areas for the company as a whole and individual recommendations for departments in order to coordinate actions between departments and promote the ideas of sustainable

development among employees. In 2022, there was organized a working group, it included representatives of various business functions (a representative of each department and a representative of services important for the strategy implementation). On a monthly basis, participants meet to discuss current projects and tasks, coordinate further actions and share results.

# THE COMPANY'S SUSTAINABLE DEVELOPMENT MANAGEMENT SCHEME



## 2.2.

# ESG STRATEGY

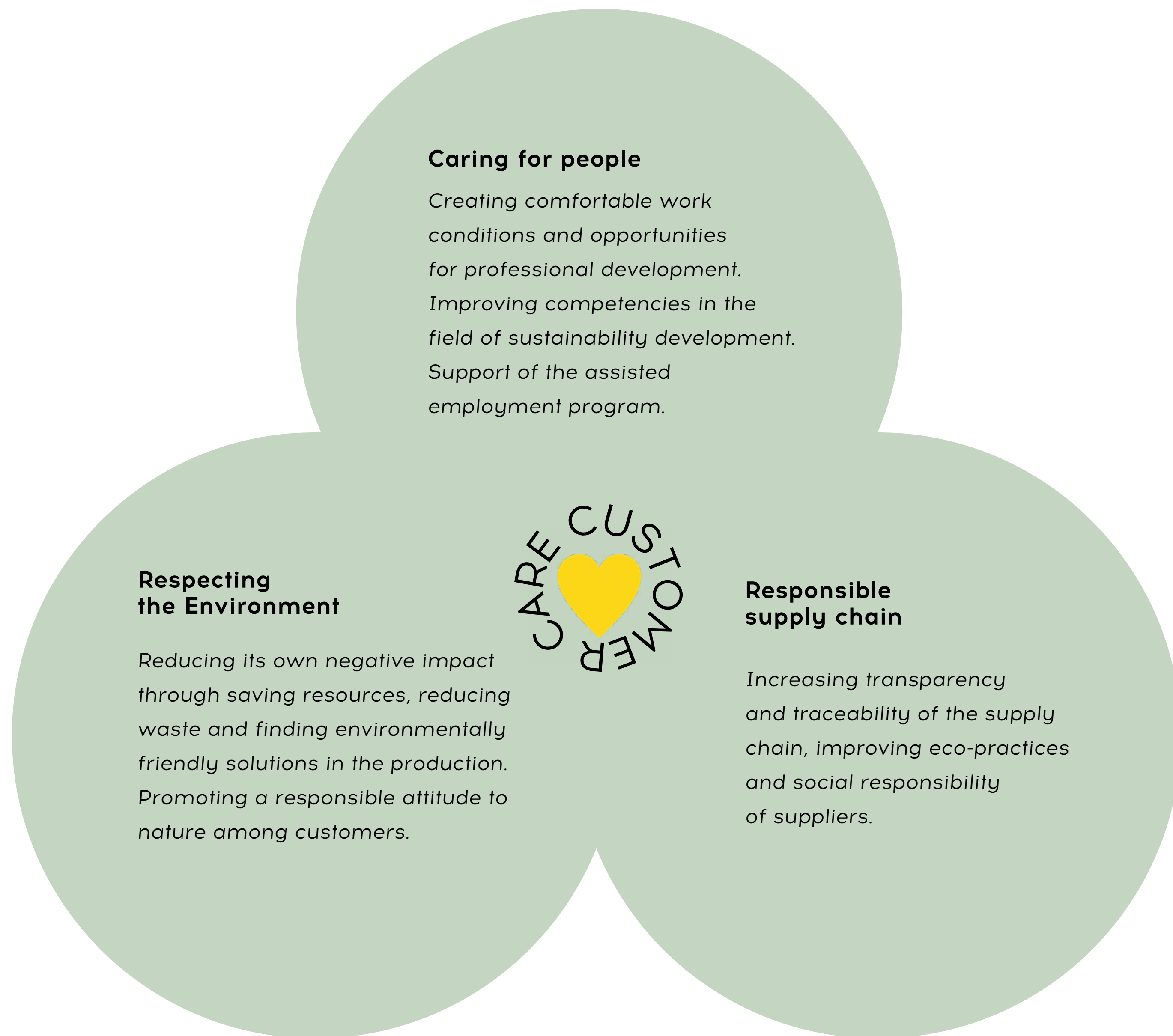
Since its foundation, the company has initiated and supported various projects in the field of charity and sustainable development. In 2021, we realized that it was time for implementation of a systematic approach. Rethinking the company's own capabilities as those of a responsible business and revising its approach to development led to the formation of the ESG strategy, which was approved by the Board of Directors and presented in 2022. Melon Fashion Group has become the first Russian fashion company to take a decisive step towards a sustainable fashion business.

**As part of the strategy, the company has identified priority tasks for itself:**

- *Reduction of its own negative impact on the environment;*
- *Support and development of comfortable work conditions for its employees;*
- *Support of the assisted employment program for young people with low starting opportunities;*
- *Work on increasing transparency and traceability of the supply chain.*

**Customer care is at the core of the strategy. Pursuing ESG goals, we provide customers with the opportunity to follow the responsible consumption principles, choose a conscious approach to fashion.**

When developing the strategy, we focused on the results of the analysis of Melon Fashion Group's current practices in the field of sustainable development and requests of external parties concerned, and we also took into account the experience of international fashion retailers. In addition, we took into consideration potential contribution of the company to the UN Sustainable Development Goals (UN SDGs).



**Caring for people**

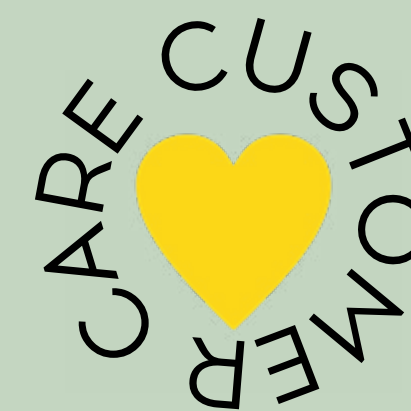
*Creating comfortable work conditions and opportunities for professional development.  
Improving competencies in the field of sustainability development.  
Support of the assisted employment program.*

**Respecting the Environment**

*Reducing its own negative impact through saving resources, reducing waste and finding environmentally friendly solutions in the production.  
Promoting a responsible attitude to nature among customers.*

**Responsible supply chain**

*Increasing transparency and traceability of the supply chain, improving eco-practices and social responsibility of suppliers.*



## KEY UN SDGS:



### SDG 8 - Satisfying work and economic growth

We strive to provide comfortable work conditions for all our employees and promote their professional development.



### SDG 12 - Responsible consumption and production

We intend to improve our business processes by implementing solutions for more rational use of natural resources.



### SDG 13 - Combating climate change

We promote principles of environmental responsibility, attract the attention of customers to environmental problems and strive to reduce greenhouse gas emissions.

## INDIRECT UN SDGS:



### SDG 3 - Good health and well-being

We care about the health and well-being of every employee in our team.



### SDG 9 - Industrialization, innovation and infrastructure

We work with suppliers to improve their environmental practices.

Read more about Melon Fashion Group's contribution to the UN SDGs in Appendix 9.2. In 2022, the Sustainability section appeared on the Melon Fashion Group website, where the company's goals and steps in the field of ESG strategy and brand initiatives are highlighted in detail, key documents and an archive of reports on sustainable development are also posted.

2.3.

## FOCUSES

**The main strategy focuses of the coming years include training of the team and suppliers principles of sustainable development, search for eco-friendly solutions in packaging, increase of the share of products produced in ethically audited factories.**





## PACKAGING

The company pays special attention to packaging, striving to reduce the production of plastic bags.

The focus is on the use of secondary raw materials (according to the results of 2022, 40% of all packages with the addition of recyclables).

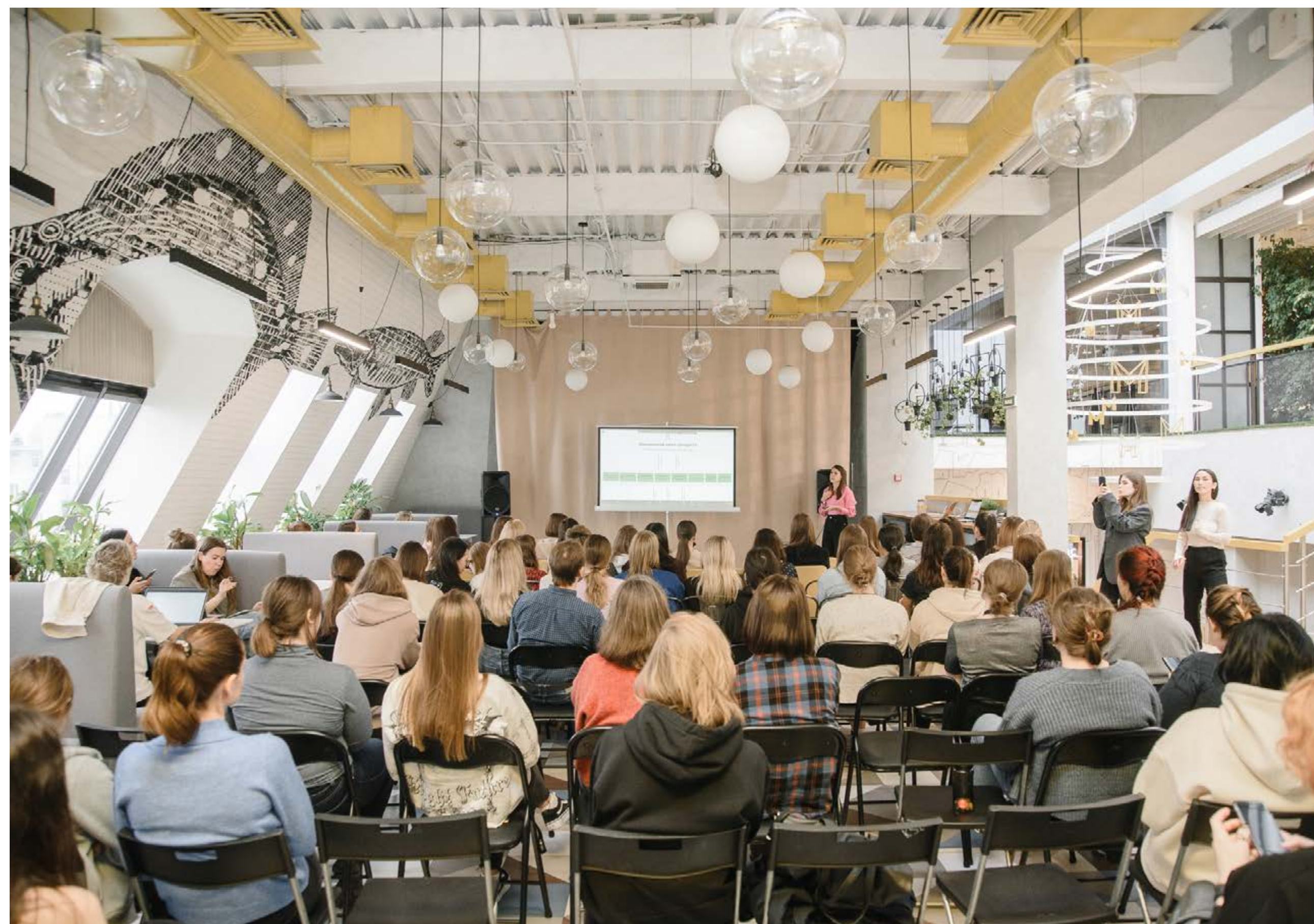
### **Thus, the following solutions were implemented:**

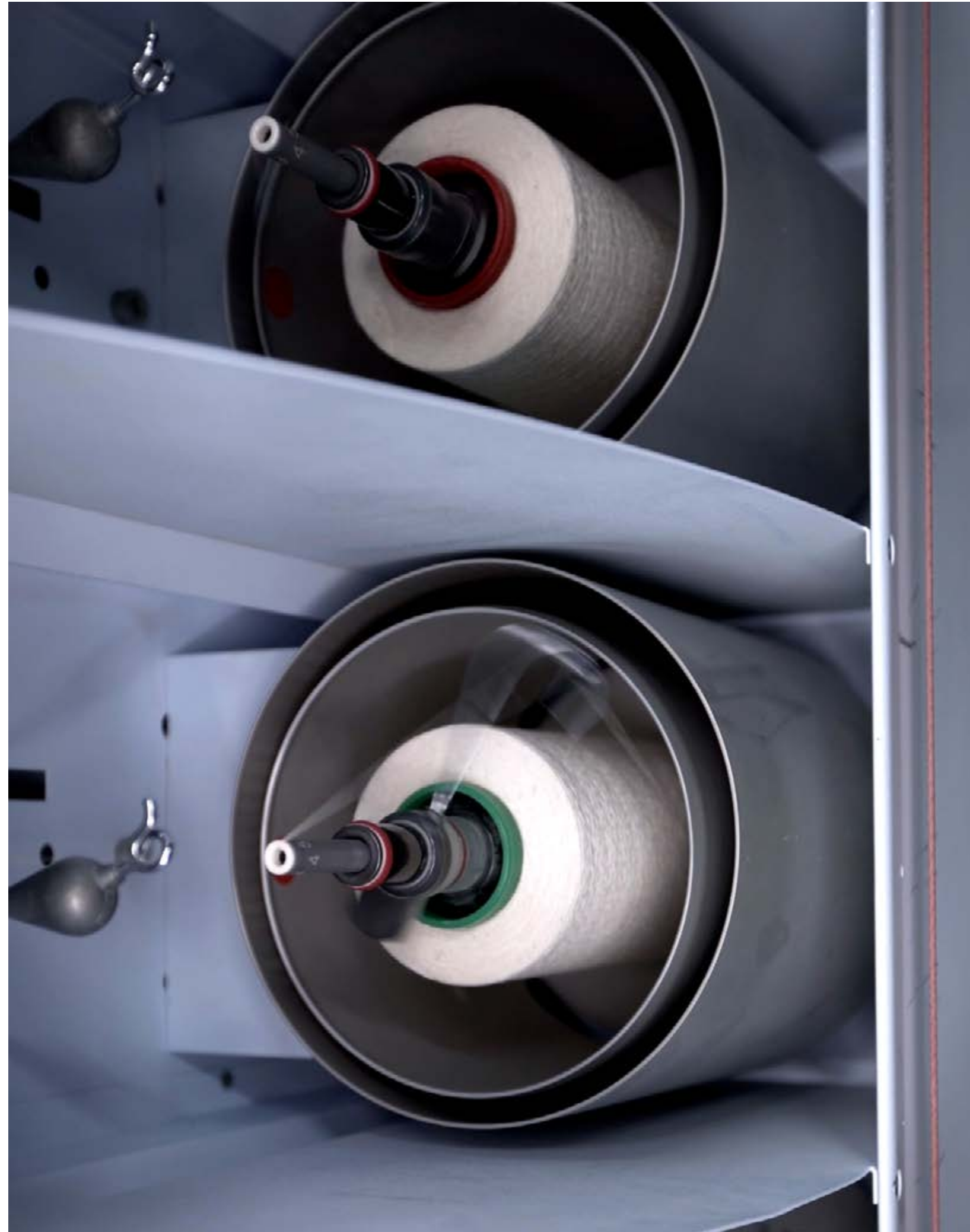
- *Revision of the approach basing on modern requirements (Reduce, reuse, recycle)*
- *Search for opportunities to produce more environmentally friendly packaging*
- *Realization of programs to increase customer awareness of responsible consumption*
- *Reducing the amount of packaging*



# TRAINING

In order to achieve strategic goals at the initial stage, it is important to consistently immerse yourself in the topic of sustainable development. The Sustainable Development Group focused on the development of materials for training employees, expanding their skills in the field of sustainability. As a result, a program in the principles of sustainable development for employees was developed. Educational lectures were also held on eco-materials, plastic recycling, proper waste separation, etc.





# AUDITS

Fashion industry, namely manufacturing, seriously affects the environment. Therefore, the company sets high priority to interaction with suppliers. Ethical audits of the largest partner factories are conducted on an ongoing basis resulting in recommendations for improving performance. We believe that joint efforts can solve broader environmental and social issues.

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## Our main tasks in this sector include:

- Increase in the number of audits
- Increase in the share of products manufactured by ethically audited factories
- Creation of our own system for evaluating factories by social and environmental parameters

## 2.4.

# DOCUMENTS

In 2022, Melon Fashion Group adopted a number of policies regulating the company's approach to sustainable development and the process of its interaction with parties concerned, as well as consolidating our responsibility in key areas.

**The Sustainable Development Policy** defines main approaches to responsible business operations in terms of environmental and social responsibility, effective corporate governance.

**The Code of Ethics and Business Conduct**, based on responsibility to employees, our business partners, shareholders and other parties concerned, provides information about high standards of the company. We are sure that this is one of the possible ways to develop the business and the industry on the whole.



**The Anti-Corruption Policy** is the basic document of Melon Fashion Group, defining core principles and requirements aimed at preventing corruption and observing applicable anti-corruption laws of the company by its subsidiaries and affiliates, members of their corporate bodies, employees and other persons entitled to act on behalf of the Company.

**The Charity Policy** establishes the goals, principles, directions, procedure and control over charity activities in the company. In addition, the document focuses on reducing the corruption risk for the company's charity projects.

**The personnel management policy** reflects commitment of the company and its management to high ethical standards of conducting open and honest business, designed to ensure improvement of corporate culture with the best practices of corporate governance and maintaining business reputation of the company and the employer's brand, as well as creating social security for employees.

**The Supplier policy** describes principles and responsibilities of Melon Fashion Group and organizations controlled by it regarding interaction with suppliers of goods and services.



All policies are posted on the official website of the company in the **Melon Sustainability section (chapter 1)** and on the Melonia corporate portal, where every employee can read the document.

# CARING FOR CUSTOMERS

Customer care is the core of Melon Fashion Group's ESG strategy. The company and its employees carefully monitor all stages of creating brand collections from idea to implementation in

order to offer a product that meets high customer requirements. Striving for ESG goals, the company provides customers with an opportunity to choose a conscious approach to fashion.

# LARGE STORE FORMATS

In the summer of 2022, Melon Fashion Group decided to almost double stores of all brands in order to implement strategic plans and increase market share. Not only the store space has increased, but also the product offer of all brands in order to meet the needs of customers after closure of some foreign companies.

The first openings of large-format stores took place in November 2022.





Befree opened a store with an area of more than **1,250 sq. m. in Saint Petersburg in the Raduga Shopping Center**. The store of a thousand square meters is an intermediate format for the brand; they plan opening stores of up to 2,500 sq. m.

A large-format LOVE REPUBLIC with an area of **720 sq. m. opened in Moscow in the Afimall Shopping Center**.

The first flagship ZARINA with an area of **800 sq. m.** began operations at **the Galereya Shopping Center in Minsk** (Republic of Belarus).

The opening of the first two-storey sela store with an area of **733 sq. m.** also took place in **the Morye Moll in Sochi**.

Increase in store space made it possible to expose store equipment and the product itself more efficiently, so that it is easier for customers to move between zones and find the right item, as well as to avoid congestion of people.

**The company will continue to expand the formats of its stores next year.**







## COMFORTABLE SHOPPING ENVIRONMENT

In addition to increasing the area, each brand has revised its approach to the organization and design of the trade space, paying attention to interaction of the customer with the store.

Concept renovation of the stores combined project design, interior and communication solutions taking into account brand positioning and global trends in architectural design and visual merchandising.



## ZARINA

Considering significant expansion of the product line, the ZARINA team of architects made an accent on zoning in the new concept. With the help of rack partitions and mobile screens, comfortable zones are created that can be transformed when needed. The fitting zone is connected to a spacious lounge area for relaxing and waiting. There one can charge a mobile phone or make a photo of oneself in new garments.

## Befree

The Befree team opened the first store using an inclusive concept: the architects have improved accessibility with wide aisles for disabled visitors and customers with strollers and wheelchairs. There are also spacious recreation zones.



sela stores have a separate space for children, where they can spend time under the supervision of the brand's staff while their parents are shopping. Thus, a railway, a busyboard, a drawing table appeared in the zone of fitting rooms. Some stores have a clothing mini-store in the form of a cardboard box turned upside-down, with a fitting room and a real cash-desk. Also, the new-format sela stores have a parking lot for strollers and spacious fitting rooms where a stroller can drive in.

## LOVE REPUBLIC

The key task of the new LOVE REPUBLIC concept is to give customers vivid emotions from shopping. Bionics in architecture, smooth lines and the absence of sharp corners in the interior, light monochrome tones combined with marble and metal, high ceilings create a sense of spaciousness.

## REFUSAL FROM RECEIPTS

Brands have been actively encouraging customers to switch to electronic receipts instead of printed ones. This solution allows us not only to reduce waiting time at the cash-desk (the receipt comes automatically by email), but also to contribute to reducing the volume of hard-to-process waste, since thermal paper receipts are often not recycled due to their complex composition.

**Thus, in order to promote the initiative, ZARINA and sela give additional bonuses and points to customers for refusal from a paper receipt.**

## COLLECTING CLOTHES

As the largest fashion retailer, Melon Fashion Group is interested in reducing the impact of clothing production on the environment and in prolonging the life of clothes. The clothing collection program in brand stores and the company's main office allows us to make a feasible contribution to reducing the amount of textile waste and help people who need clothes.

*\*for more information about existing programs, see Chapter 3.2 Brand Initiatives*



## MINIMUM PACKAGING

In our stores, the customer can refuse from a plastic bag at the cash-desk in support of resource preservation. They can also use a unique option of reusing the primary package in which items come from the manufacturer.

*\*for more information about existing programs, see Chapter 4.2 Brand Initiatives*

3.2.

# PROMOTING CONSCIOUS CONSUMPTION AND INVOLVEMENT IN SOCIAL INITIATIVES

# CONSCIOUS CONSUMPTION

## LOVE REPUBLIC

Since 2019, LOVE REPUBLIC has been operating the LOVE 2.0 program, under which customers can donate old clothes at the brand's stores for charity or recycling to the Vtoroe Dykhanie and Spasibo non-profit funds. Participants of the LOVE 2.0 program are awarded 300 points on the LOVECARD, which can be used to pay for future purchases.



In the summer of 2022, sela together with the Vtoroe Dykhanie and Spasibo funds launched its own clothing collection program in retail stores with an incentive in the form of a discount on the next purchase. Since sela is a family brand, the project has an additional positive effect: by handing over unnecessary clothes, the mother shows an example to the child how to take care of the environment and help those in need.

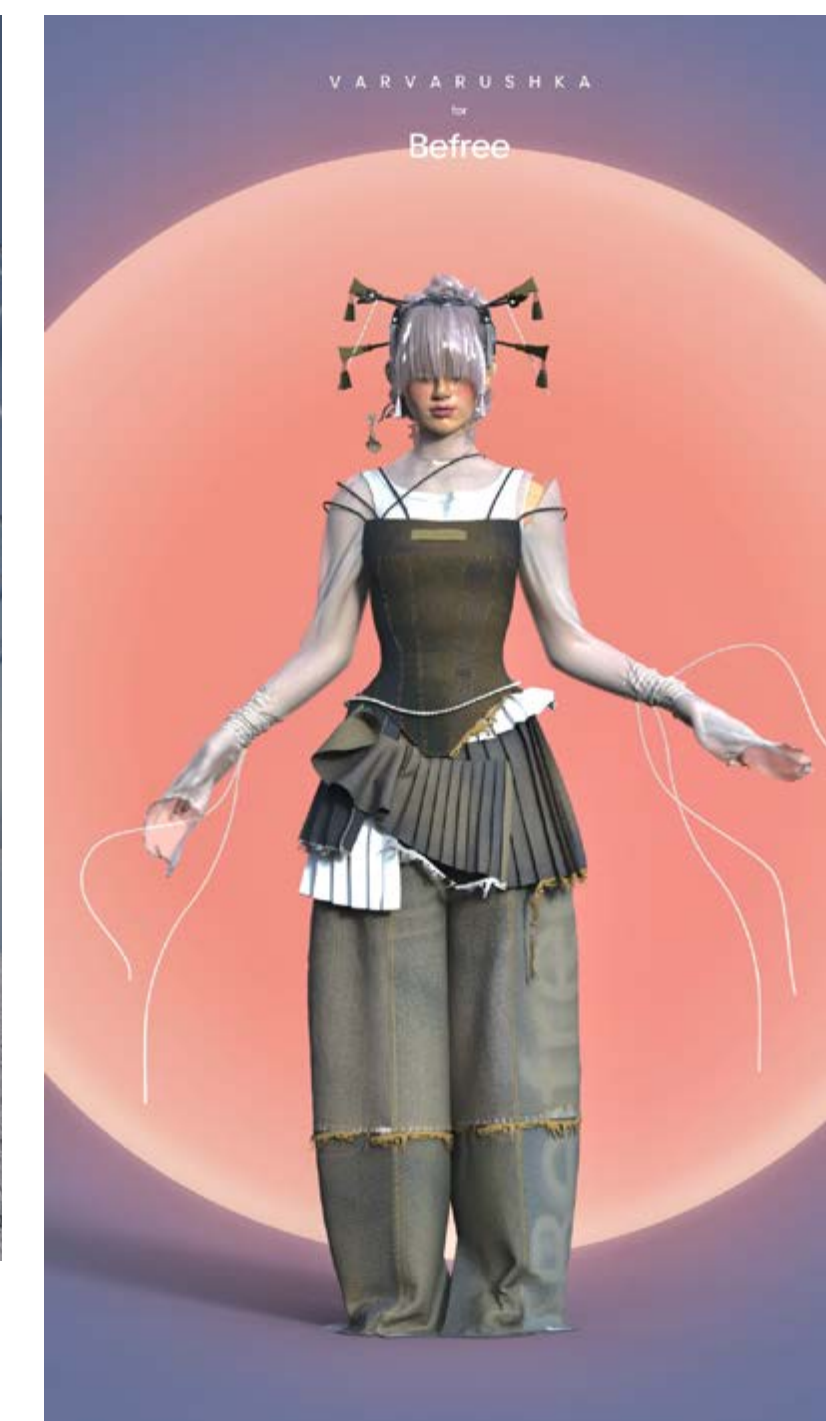


# SOCIAL INITIATIVES



In 2022, the topic of inclusivity was widely covered in Befree advertising campaigns and social networks. The brand has expanded its size range by adding several sizes to become even more suitable to all customers. To promote the idea, a photo shoot was held with a plus-size model with the "Befree - for everyone" message.

In addition, the launch of the first NFT collection took place, the characters of which were Befree birds with different appearance. The collection emphasized the idea of diversity of fashion and beauty.



# Befree

In 2022, ZARINA continued to develop the theme of female power by launching the #SILAVNAS project. It reflects the idea of unlimited opportunities to change your life and achieve success, as well as the importance of sympathy and the exchange of experience. The advertising campaign of the autumn-winter - 22 season was attended by loyal customers of the brand from different regions who took part in the brand ambassador competition. In total, **more than four thousand applications** were submitted.

In addition, as part of the charity, the brand has donated the Eva non-commercial charity entity 700 sets of clothes for poor elderly residents of Saint Petersburg. ZARINA has also provided looks for the presenters of the first movie in the Russian sign language The Trail of Alexander Nevsky, created by the Languages without Borders charity organization.





# LOVE REPUBLIC

As part of the world Breast Cancer Month, LOVE REPUBLIC and Gemotest laboratory have launched the special project "Important for you. Important for everyone" special project to draw attention to the timely prevention of breast cancer.

**During the project period, special prices for PCR and NGS tests were in effect in the Gemotest laboratories for people using the LOVE promo code.**

In addition, Melon Fashion Group has launched the Melon Wellness project. It organized an online lecture for company employees and brand customers with a gynecologist to talk about the symptoms, treatment and prevention of breast cancer. Such initiatives raise awareness of preventive measures to avoid diseases. In 2023, the company will continue the project of public lectures by doctors and other specialists.





In 2022, sela and Rabota-i, the Center for employment of graduates of orphanages and young people with disabilities created a joint career guidance project. Its main task is to help parents and their children choose a future profession while maintaining trusting relationships, as well as to draw attention to the problem of career guidance for children with low starting opportunities. The project was supported by the Head Hunter service, online schools for children and teenagers Skysmart and the Expert magazine. The project reached **more than 6 million people**.

Apart from this, the brand has donated clothes as charity aid to the RJC, the largest national Jewish non-profit organization implementing programs to support children, people with disabilities and the elderly.

sela has actively worked on eco-education of the audience. An eco-marathon was held in the brand's social networks together with Chistoman (Cleanman), a superhero who saves the planet from garbage, a blogger and an eco-warrior. As part of the marathon, participants completed practical tasks and published the results in social networks with

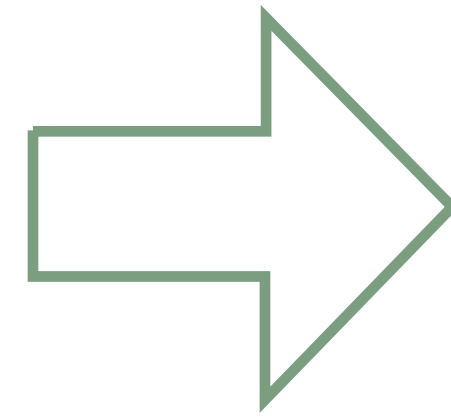
<https://selalive.ru/job/3/>

the hashtag #bereguplanetu\_s\_sela (save planet with sela). As a result, more than **300 families** joined the project.

The mascot of the brand **Vigge** became an eco-ambassador of sela: the green monster told children about important eco-habits in social networks.



# KEY RESULTS OF 2022



**>5 MILLION**

total audience of the company's social networks and all Melon Fashion Group brands

**>8 MILLION**

people are members of the Melon Fashion Group brands' loyalty program

**111**

LOVE REPUBLIC stores in 35 cities participate in collecting clothes and recycling program

**40**

sela stores in Saint Petersburg and Moscow participate in collecting clothes and recycling program

**760 000**

receipts were not printed out at Zarina stores (22% of receipt rejections)

## 3.3.

# ETHICAL AND RESPONSIBLE MARKETING

Melon Fashion Group is a customer-focused company. Our customers occupy the central place in the ESG strategy, we strive not only to provide a wide range of clothing and accessories for different target audiences, but also to build trusting relationships with customers. At the same time, we always take into account rights and interests of other market participants, including competitors, society and the environment.

## Basic principles followed by Melon Fashion Group:

1. Honesty and transparency in communication, providing accurate and true information about products or services and their characteristics.
2. Observance of consumer rights: protection of confidentiality and security of personal data.
3. Conscious attitude to the environment: compliance with environmental regulations and rules, rational use of resources.
4. Compliance with competitive regulations and rules: exclusion of unfair competition, use of ethical and honest methods of promoting goods.
5. Promotion of social values: participation and development of charity projects, corporate volunteering.
6. Responsible attitude to the production process and the quality of manufactured products: compliance with product quality and safety standards.
7. Partnering: developing business with partners and suppliers, respecting their interests.

# ENVIRONMENTAL FRIENDLINESS

## 4.1. MANAGEMENT APPROACH

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Melon Fashion Group became the first Russian fashion retailer to form an ESG strategy. It is not easy to be a pioneer, but we strive to conduct our business with attention and respect for the environment, search for eco-friendly solutions in the product and packaging, build the energy consumption control system, measure emissions, and properly dispose of waste.

ESG strategy is a guideline for projects and initiatives in all our brands.

4.2.

# PRODUCT AND PACKAGING

## PRODUCT

We carefully monitor the production process at our suppliers' factories at all stages – from development to the finished product, to ensure compliance with quality and safety standards.

Each brand seeks to produce a more environmentally friendly product. We are constantly testing and experimenting with materials, studying various methods of fabric production, considering responsible practices of manufacturers, e.g. the use of renewable energy sources in production or water recycling technologies.



## Befree

In its 2022 collections, Befree used denim, with recycled raw materials inside, washed with ozone. This method reduces the amount of chemicals in production. In addition, the manufacturer of the brand's denim assortment has a double water purification system. This device cuts water consumption per cycle, and also uses an alternative energy source – solar panels.

**Besides, Befree has released a collection of bamboo underwear “Basic. Beautiful. Bamboo”.**

Bamboo fiber is an eco-clean material, for the production of which no chemical additives are used, and the process of fabric make is based on steam treatment and boiling. Bamboo is hypoallergenic, thanks to which it is suitable for people with sensitive skin.

## ZARINA

Bamboo and recycled cotton products were also presented in the ZARINA assortment range.

## sela

sela cares line of eco-friendly materials is presented in sela collections on a regular basis. The brand offered customers women's suits made of organic cotton and accessories for women and children made of recycled polyester. 2023 plans include the line's expansion.



## PACKAGING



## Befree

The brand builds up experience in using primary packaging as bags offered at the cash-desk. This is one of the large-scale and significant projects – a manifestation of responsible consumer practice.

In 2022, Befree involved in the project even more suppliers in different countries of production. The initiative made it possible to abandon the production of about **8 million plastic bags per year**.

## ZARINA

The brand has switched to bags with 20% recycled plastic. In addition, customers who refuse from plastic bags are awarded additional 100 points on a virtual loyalty card. **800,000 ZARINA customers refused from packaging** in 2022.



sela loyalty program participants also receive 150 bonuses for refusing from a plastic bag.

## LOVE REPUBLIC

The brand will join the program in 2023.

Encouraging customers to refuse from a plastic bag is another tool for educating the audience and promoting changes towards environmentally responsible consumption.

Besides, the company is concerned with packaging during the transportation of goods. Melon Fashion Group reuses suppliers' packing in retail to minimize its amount.



## 4.3.

# "GREEN OFFICE"

In 2022, Melon Fashion Group's main office relaunched the Green Office 2.0 program of separate collection of waste.

### What has been done:

- The Kryshechki Dobrotы (Kindness Caps) box renovated
- A new box for collecting bottled PET installed
- A series of educational lectures on separate waste collection held
- Fabric waste from the MFG experimental department given to Anagar workshop in St Petersburg
- An agreement signed with the Federal Ecology Operator on handing over of spent batteries

The office continues to collect packaging made of soft plastic and cardboard from parcels, batteries, waste paper and old clothes for the Spasibo fund.

Energy-efficient LED lighting is used in the office spaces, biodegradable detergents are purchased for household needs. A professional florist takes care of green plants that abound in the main office of the company.

To minimize the use of paper, the company operates an electronic document flow.



## RESULTS OF 2022

**In 2022, the share of e-document flow was 76%. A pilot project on the transfer of personnel document flow to electronic format (personnel e-document flow) was also launched.**

In 2022, we actively developed cooperation with the Ubirator efficient waste management service. The company collects recyclables and sends the same to processing enterprises. Ubirator takes the bulk of the waste from the main office in Saint Petersburg.

350 KG

OF PET

421 KG

OF FILM

1 655 KG

OF CARDBOARD

2 098 KG

OF WASTE PAPER

44 KG

OF CAPS

3 12 KG

OF CLOTHES FOR SPASIBO FUND

4.4.

# ENERGY EFFICIENCY AND REDUCTION OF GREENHOUSE GAS EMISSIONS

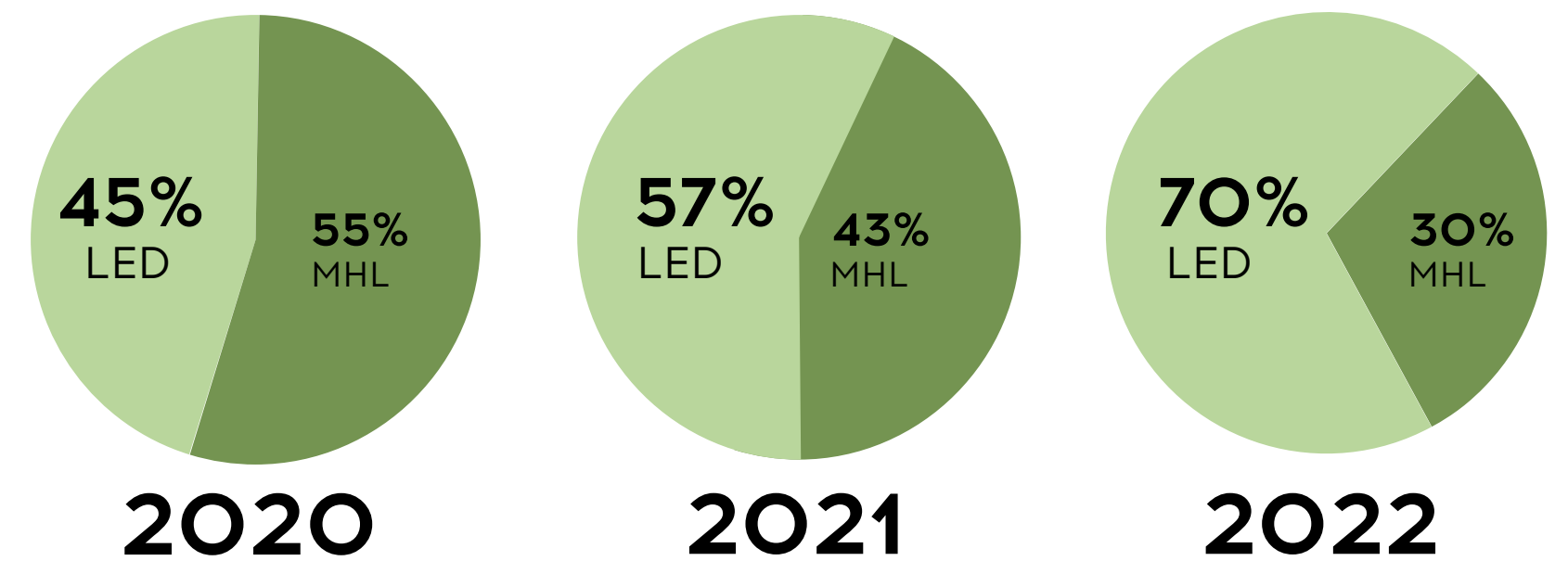
Since 2021, we have been recording and analyzing our emissions of carbon dioxide and other harmful substances, as well as developing and implementing measures to reduce them.

The company is making confident steps in the field of energy efficiency in order to cut energy consumption and introduce new technologies that reduce greenhouse gas emissions. Since the main consumer of electricity and oth-

er resources in the company are retail stores, we strive to use energy-saving equipment and the following approaches at our facilities:

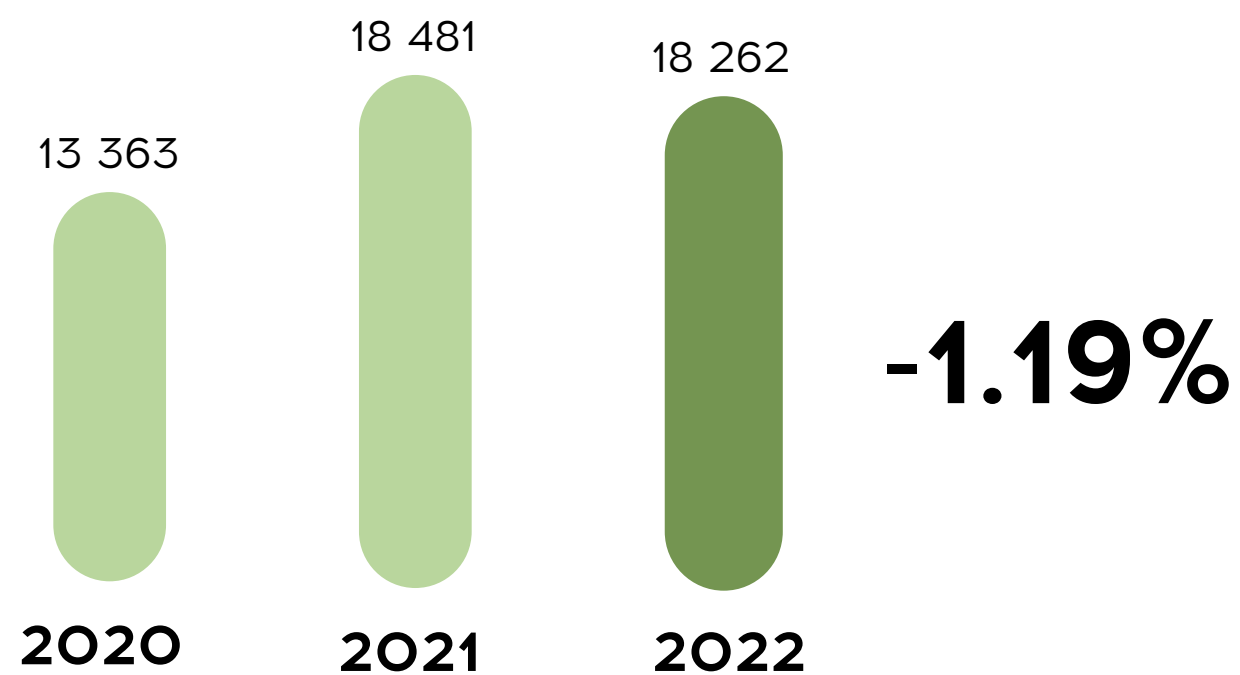
- use of a more modern air cooling system without artificial refrigerants
- replacement of equipment with that more energy efficient
- transition from the use of metal halide lamps (MHL) to energy-saving LED lighting

## Switching to LED lighting

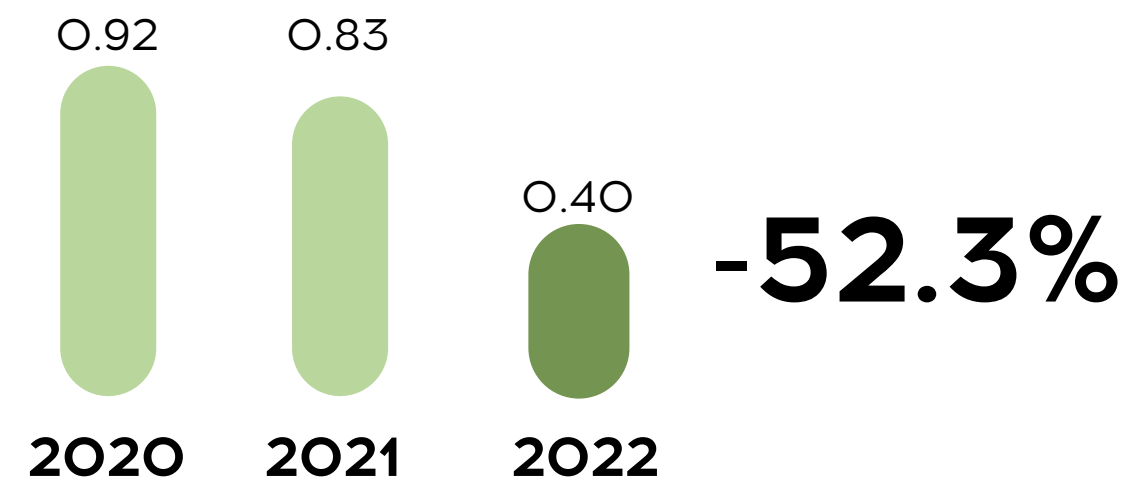


# GREENHOUSE GAS EMISSIONS

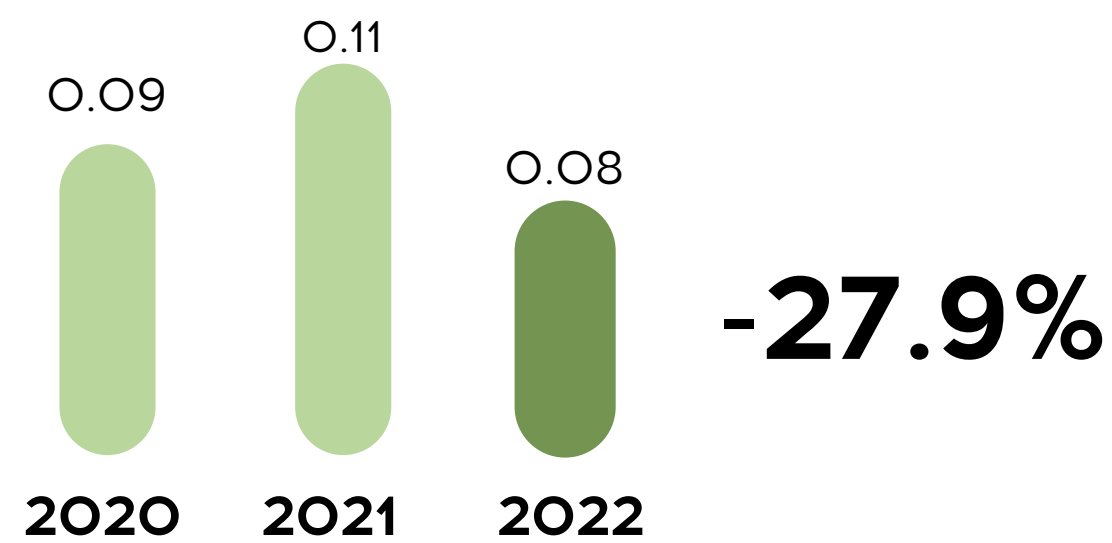
**Total greenhouse gas emissions<sup>1</sup> (Scope 1 + Scope 2)**



**Specific indicators of greenhouse gas emissions (Scope 1 + Scope 2)**



Greenhouse gas emission intensity (Scope 1 + 2) to the revenue, tons of CO2-eq. per million rubles



Greenhouse gas emission intensity (Scope 1 + 2) per retail area, tons of CO2-eq./m<sup>2</sup>

<sup>1</sup> In 2022, the company managed to improve the quality of data collection, in particular, to increase the amount of actual data on electricity consumption based on readings taken from metering devices, and therefore the volume of calculated values of electricity consumption decreased. In turn, this caused a reduction in electricity consumption compared to 2021, despite the growth of retail space.

Thus, the 2022 data became a new reference line for tracking the dynamics of greenhouse gas emissions.

\*Data on the Greenhouse gas emissions block are calculated on the basis of data for offices and stores of Melon Fashion Group JSC in Russia.

# CARE OF EMPLOYEES

5.1.

# MANAGEMENT APPROACH

The Melon Fashion Group team is the main driving force of the company, which allows us to dream of great achievements and move towards a better future every day.

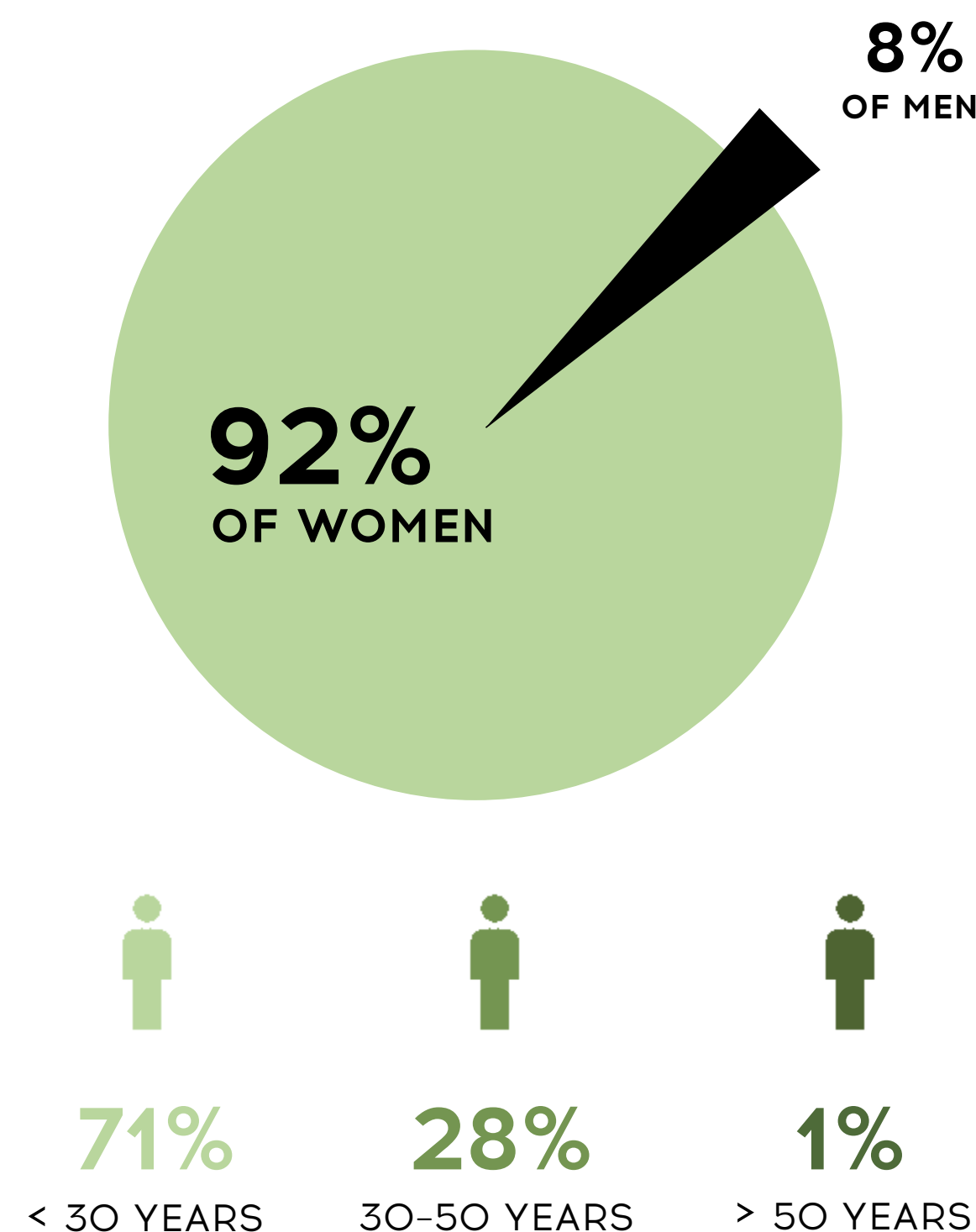
We strive to create a comfortable work atmosphere for all employees, so that people with different experience and skills contribute to business development and realization of social projects. It is important for us that every Melonian should feel support, their own value, so that they receive an adequate reward and are able to develop their own potential.

In modern world, stability of a company is largely formed due to resilience and adaptability of its employees.

In 2022, the HR department made additional steps to take care of employees in view of the geopolitical situation in the world. All departments were very much concerned with preserving stability of the team, maintaining healthy work and psychological atmosphere leading to great achievements.

# 6 934

## MELONIANS



# THE BEST EMPLOYER IN RUSSIA

As one of the leaders and biggest employers in Russia, Melon Fashion Group appeared in several prestigious ratings at once.

In 2022, we improved our performance qualitatively, taking the **6th place among representatives of retail chains** and the **1st as fashion retailer** in the HeadHunter recruiting platform rating.

In addition, in 2022, Melon Fashion Group entered for the first time the

Forbes employer rating which considers ESG indicators as well. The company won **gold** in the **Employees** and **Society** and **Corporate Governance** categories, as well as silver in the **Ecology field**. In the overall standings, the company won gold.

Melon Fashion Group was also included in the list of the largest employers according to the estimates of the editorial board of **RBC**.



Forbes



4.2.

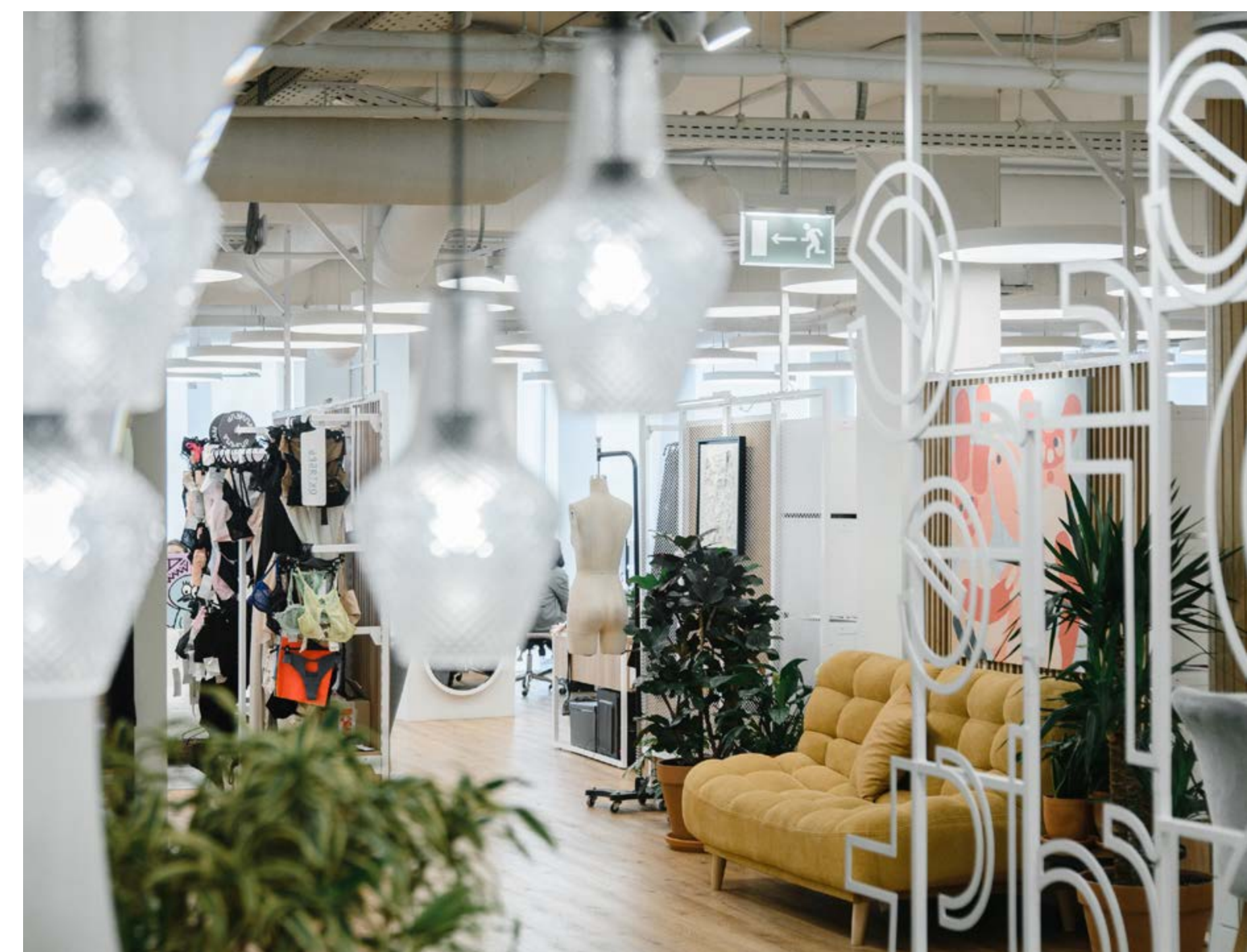
# COMFORTABLE WORKING CONDITIONS AND WELL-BEING

The heart of Melon Fashion Group is the main office located in the building of the former sewing factory Pervomayskaya Zarya. The design of the stylish office was created by the company's own architects. It is highly attractive not only for employees, but also for those who dream of becoming part of the fashion industry.

In 2022, a new floor was added to the MFG premises, to be occupied by the Befree product department. The new space has everything for comfortable work and inspiration: bright lighting, unique furniture created according

to the sketches of the brand's employees, art objects created by modern artists, ergonomic chairs, well-elaborated storage and recreation areas.

**According to the results of the annual My Voice survey, the indicator of working conditions has increased to 88%.**





# FINANCIAL WELL-BEING

Melon Fashion Group provides timely and fair remuneration for each specialist, depending on the functions performed and the degree of responsibility for making decisions in the position held.

The company uses an integrated approach to the incentive scheme, applying the best practices in the field of remuneration, which allow an objective assessment of the performance of employees, as well as motivating them to improve efficiency. A team of HR specialists constantly monitors the

market. A bonus system is provided for a number of positions related to commercial business indicators.

**An additional tool for motivating employees is a 50% corporate discount on collections of ZARINA, Befree, LOVE REPUBLIC and sela.**



# LABOUR PROTECTION AND HEALTH CARE

In the field of labor protection, Melon Fashion Group is guided by the requirements of the legislation of the Russian Federation, as well as by local regulatory documents on labor protection. The main conditions for organization of labor protection, rights and responsibilities of the company's employees are determined by the Regulations on Labor Protection.

From the start, all employees of offices and stores should attend mandatory labour protection training. Additional training materials on fire safety,

electrical safety and first aid are available on the Melonia corporate portal in open access.

Two full-time occupational safety specialists are engaged in solving labor protection issues, monitoring legislation, developing documentation and training. In 2022, 2 minor accidents were recorded.

Creating a high-quality life and working environment for staff is an integral part of improving the competitiveness of the company and its sustainability.

We provide employees with a full range of social guarantees, including voluntary medical insurance, financial assistance and corporate benefits.

In addition, employees are provided with opportunities to maintain for healthy lifestyle and sports.

Melon Fashion Group regularly takes preventive measures at the office: vaccination, fluorography, doctor's consultations.

Melon Fashion Group has its own gym at its at the main office. In 2022, we expanded the group work-outs, we have upgraded the sports equipment for even more effective training.

Melon Gym is open around the clock, 7 days a week. On days off, employees can visit the gym with relatives and friends.

To maintain team spirit and interest in a healthy lifestyle, the Corporate Communications Group organized several sports competitions.

- In June, 40 office employees took part in the Baltic Trail race. The proceeds from the race were transferred to the Baltic Sea Conservation Foundation.
- The first football tournament among Melon Fashion Group departments took place in August.
- In September, the Melon Fashion Group team of 20 people took part in the Race of Heroes cross-country obstacle race.

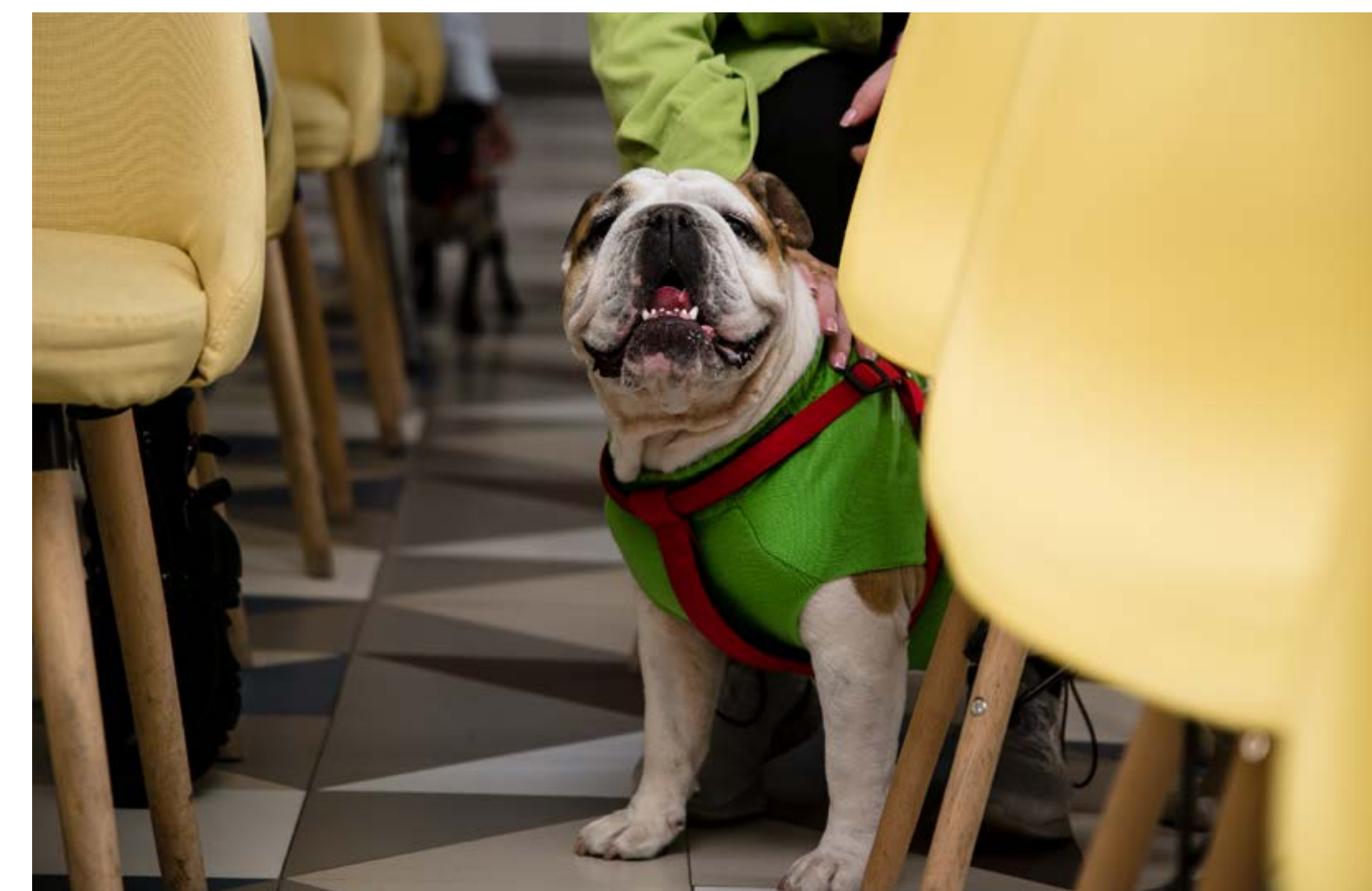




In 2022, the company paid great attention to mental health of employees and took a number of initiatives to create an atmosphere of trust and mutual understanding in the team. The Talent Development Team launched the **You are not alone** Telegram channel offering emotional antistress and antianxiety practices from a professional psychologist and similar services. There were also meetings with a psychologist to train people to overcome anxiety.

In order to develop a pet-friendly community, a Pet Day was held at the main office for the first time. On October 28, office employees were able to bring their pets to the office. Each participant received a bowl, water, food and gifts. A lecture from a veterinarian and a

quiz from Pet Shop partners were also organized. The event helped to relieve anxiety caused by external events and made the team more cohesive.



4.3.

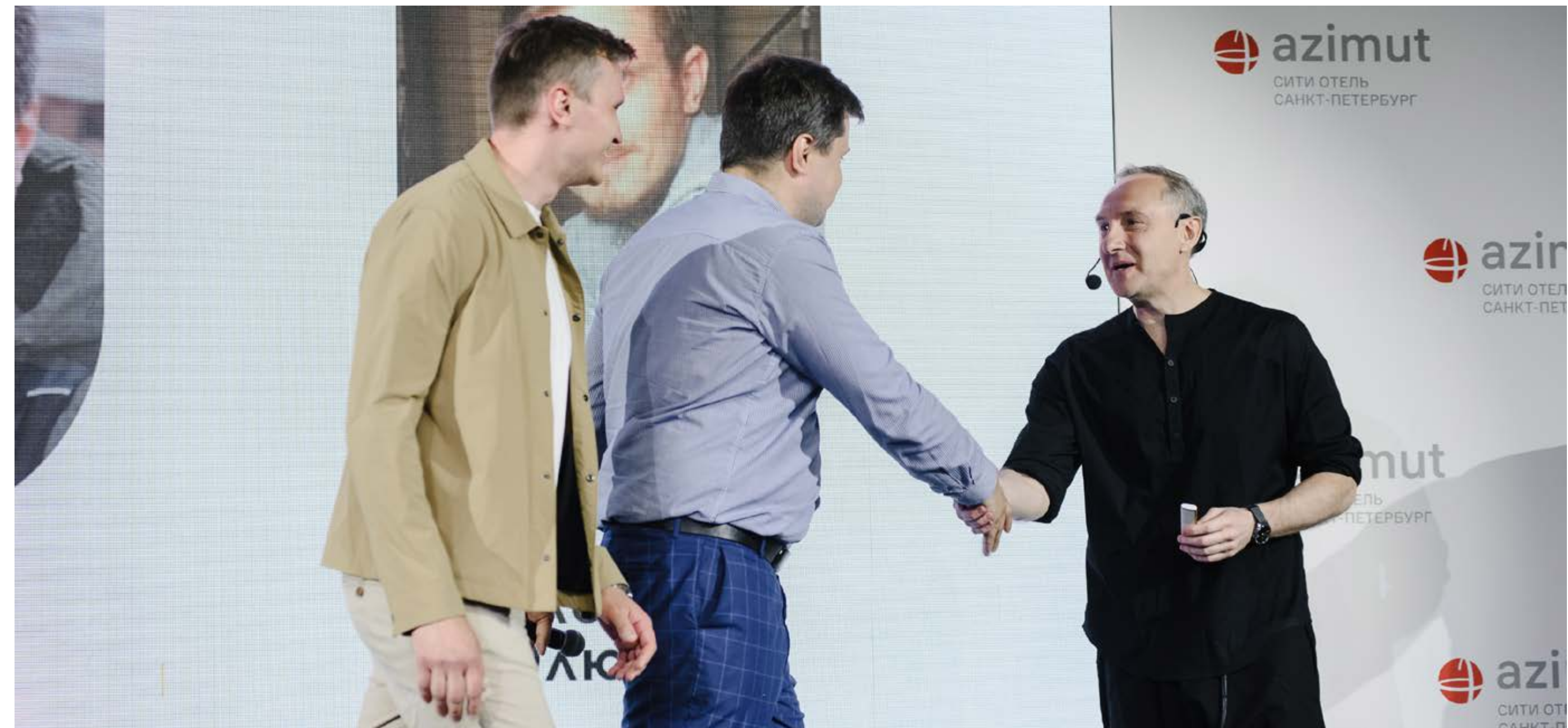
# MOTIVATION AND INVOLVEMENT



To increase motivation and involvement in the company, there are regular activities to improve and train professional skills, to make better work conditions and strengthen the corporate culture. Thus, Melon Fashion Group holds a Business breakfast with the CEO four times a year and a Newcomer's Day twice a year, with the team of top managers talking to the new audience. Shop Days are regularly held in stores, when office employees are immersed in the processes of retail.

Every trimester, the company awards employees and teams that have shown high performance with Thank you cards. At the final business breakfast, the brand of the year is awarded, evaluated by four financial indicators. All the success and achievements of the company and employees are highlighted on the corporate portal and in the social networks of Melon Fashion Group.

In addition, the company pays special attention to communications within the team. We sincerely believe that feedback is an important tool for improving the company's work and improving the efficiency of personnel management. Various surveys, development talks, group or individual coaching sessions are used to get the feedback.



**As a result of the annual My Voice involvement survey, the involvement index has increased by 5 points, reaching 71 percentage points, which is higher than the average for companies in the Russian Federation.**

4.4.

# PROMOTION OF PROFESSIONAL DEVELOPMENT

## RECRUITING

In 2022, 633 talented specialists joined the Melon Fashion Group back office team. The Recruitment and Onboarding Team identified an HR partner for each department. This allows job posting requests to be better processed and vacancies to be quickly filled.





## ONBOARDING

**The onboarding program has received a new round of development, which concerns not only beginners, but also managers.**

Thus, there appeared the guide entitled the "Normal Flight", it helps managers to provide employees with detailed and objective feedback on the results of the trial period.

In addition, the Leadership Coaching project was launched; within its framework, the HR partner holds meetings with the heads of all departments and groups in a coaching format to compile a heat map of the unit indicating the red and green zones of the teams.

This solution allows us to avoid burnout of specialists, as well as to increase the productivity of staff. The HR bot is a new onboarding tool, thanks to which it is possible to share important contacts and HR news with newcomers in real-time, to make satisfaction surveys and collect the feedback after 1, 3 and 6 months.

HR managers **have held 1,453 supportive meetings** as part of the newcomer onboarding project. To relieve the staff from anxiety caused by external events and the geopolitical situation, there were also organized meetings with psychologists, lawyers, and motivational trainings.





## TRAINING

Development of soft and hard skills allows people to achieve more both professionally and personally.

**According to the results of the year, we held 13.5 thousand hours of training attended by 5,692 employees.**

## In 2022, the Talent Development Team carried out the following projects:

- The Manager's Basic Portfolio adaptation program on the iSpring platform for new employees, as well as mandatory training in information security.
- The Melon Listens podcast aimed at pumping personal performance and the You are not alone Telegram channel, which provides antistress and antianxiety practices from a professional psychologist.



- The series of Mel.ON: get involved! workshops, dedicated to philosophies of project management, classification of personalities, time management, and other important job-related topics.
- A new Muscle Factory for Leaders format for participants with their own management skills and experience to get to different levels of training.

The course was held for 3 months, and during this time the participants received more than 30 hours of education combined with practice and individual work.

In addition, a team coaching project was actively developing, in which each team managed to identify unifying values, think over their own global goals and get closer to each other.

# TRAINING IN THE FIELD OF SUSTAINABLE DEVELOPMENT

**The Sustainable Development Group held several educational events for employees so that they could learn more about important aspects of sustainable development and how they can contribute to the implementation of the company's ESG strategy. The training was conducted in various formats and for certain departments, depending on the topic:**

## **The Sustainable design lecture**

Bulyash Todaeva, designer and founder of Zerowaste.lab, spoke about sustainable engineering and design, shared important principles and tips on what is important to consider when creating an eco-friendly product.

## **Mel.on Sustainable development**

A workshop to get acquainted with the concepts of sustainable development and ESG, the main tasks that businesses face. The speakers of the workshop were the founders of the Simple Business project, which provides professional consulting for businesses in the field of sustainable development.

## **The Product life cycle seminar**

Anastasia Varlygina, Simple Business, told the product teams about the stages of the life cycle and its comprehensive assessment to take into account possible risks and environmental impacts at the stage of creating things.

## **Workshop on sustainable materials**

A workshop on sustainable materials was held for the product teams of brands to study fabrics and accessories that apply environmental principles, and also to learn about the features of the innovative materials' production. The speaker was Anna Bikchurova, an expert on sustainable materials for creating clothes.



### Optional certification training

Albina Lappo, the project manager of the development of a sustainable supply chain at Melon Fashion Group, held a series of lectures for brands on the types of product certification and gave recommendations on choosing suppliers.

### Workshop with Lamoda

Oksana Kostiv, head of the Lamoda Sustainable Development Group, told Melonians about the Lamoda Planet project: its specific features, criteria for selection of items and how companies confirm environmental friendliness and ethics of products.

### Basics of separate collection

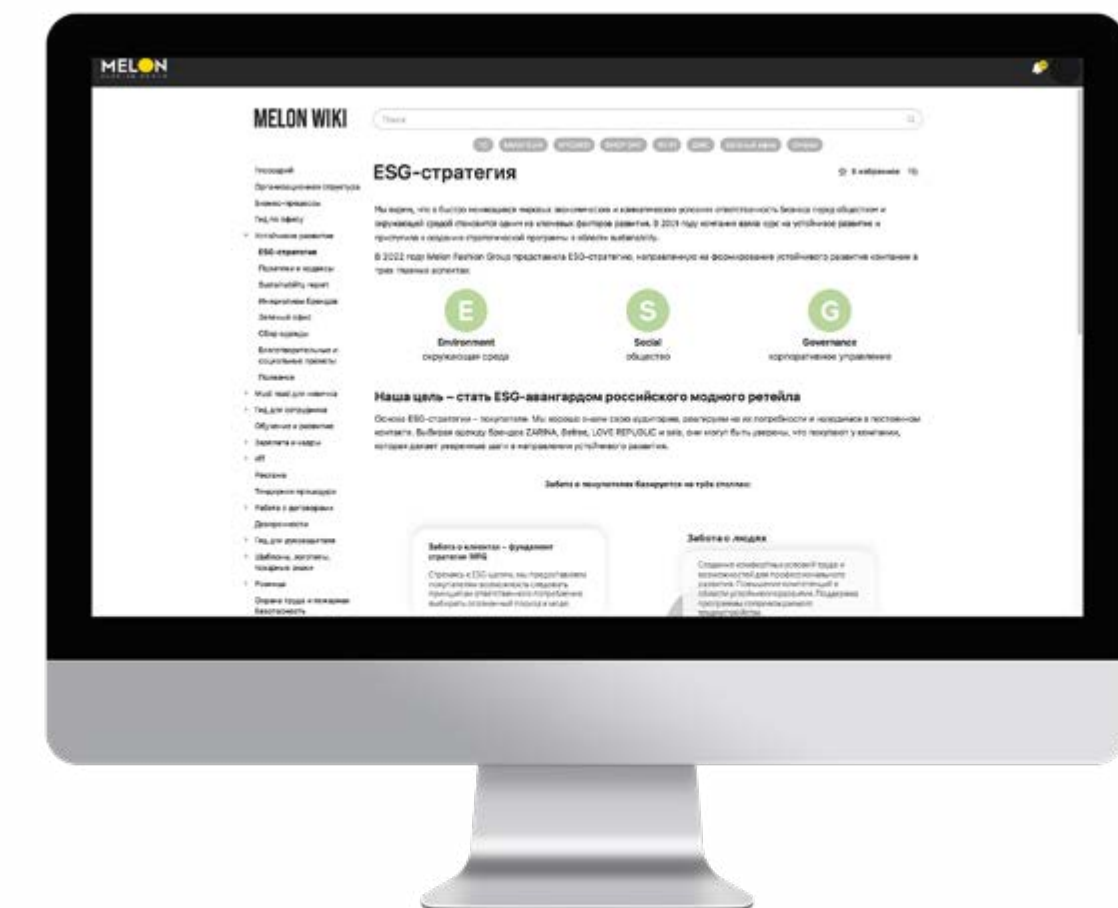
Polina Kosobokova, a coordinator of the Separate Collection environmental movement, held a lecture on the principles of separate waste collection, recycling methods and how to organize sorting of garbage at the office and at home.



**In addition, a Conscious Fashion course on the iSpring platform was created for designers, product and marketing specialists. It is about the main criteria for the development of a sustainable brand. More than 70% of the employees of product departments have completed the educational course.**

A section dedicated to sustainable development appeared in the Melon Wiki knowledge base: one can find there the ESG strategy, Policies, the archive of reports on sustainable development, useful presentations. Video lectures given by company's employees and invited speakers about careful attitude to resources, non-obvious eco-habits, types of eco-labeling, features of denim production, etc. are published there on a monthly basis.

In 2023, the Sustainable Development Group will continue the training program with an emphasis on individual areas: HR, retail, design and construction, marketing.



## ATTRACTING UNIVERSITY GRADUATES

**We are convinced that young talents are developing the Russian fashion industry together with us. In 2022, the company took part in the Competence Centers and School of Leadership federal projects. They allowed 120 students from different universities from all over the country to visit the main office of Melon Fashion Group for career guidance and consultations with HR specialists.**

In addition, **42 students** have completed internships in the product, PR and marketing departments.

In search of designer candidates, Melon Fashion Group has entered into cooperation with the Stieglitz Academy and the University of Technology and Design, as well as with the Grasser School of Cutting and Sewing, which is the only one in Saint Petersburg that trains designers.



**GRASSER**



5.5.

# SOCIAL PROJECTS AND CHARITY

## CHARITY

As a successful commercial company, we remember: achieving results, we can be useful in improving the quality of life of those who need it.

In 2022, the company kept developing and supporting charity projects that meet the need for kindness and play an important social role for each person - that of an assistant.



**20 MILLION**

TOTAL BUDGET FOR CHARITY  
AND SOCIAL INVESTMENTS  
IN 2022.

## RABOTA-I

The assisted employment program, created together with Rabota-i employment center for people with low start opportunities, continued to develop actively in 2022. The main event was the launch of the MOST pilot project in Moscow in October. There started the trial of a new model of scaling this technology: 10 vacancies became available in the stores of four brands of the company.





In 2022, 50 candidates of the Rabota-i center received their first work experience in the stores and the main office of Melon Fashion Group. 4 training sessions on the technology of interaction with employees with disabilities and young orphanage graduates were given to store managers – future mentors. 32 candidates of Rabota-i have passed preliminary training for future work at Melon Fashion Group, this helped them to adapt quicker.

Apart from that, in 2022, the main office opened for the first time and specially for them such vacancies as assistants at paperwork and HR. Both candidates were hired basing on the results of the program.



**50**

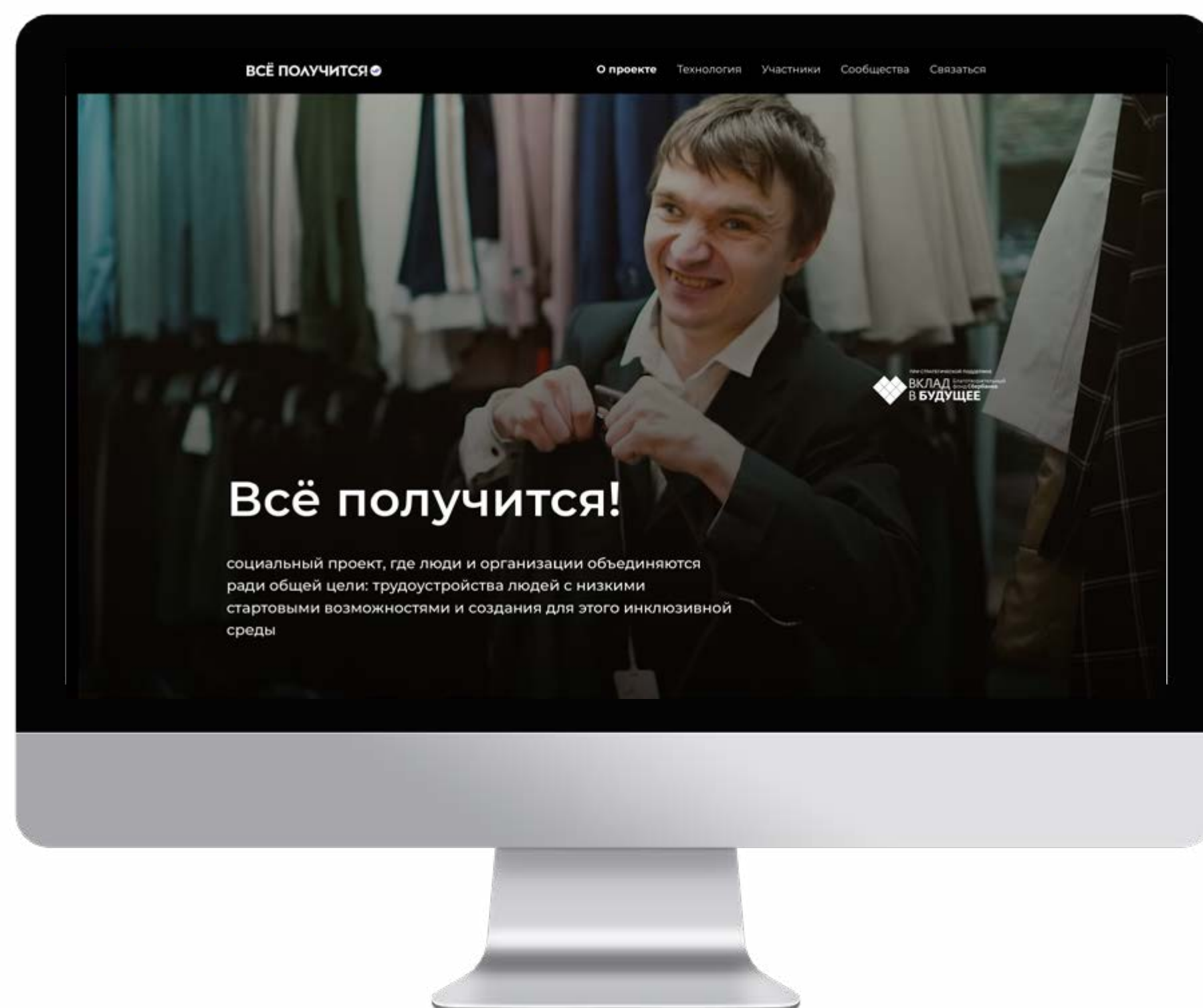
Candidates of the Rabota-i center received their first work experience in the stores and the main office of Melon Fashion Group

**4**

Training sessions on the technology of interaction with employees with disabilities and young young orphanage graduates

**32**

Candidates of Rabota-i have been pre-trained to work at Melon Fashion Group



## EVERYTHING WILL WORK OUT!

The subsidiary Everything will work out! project is aimed at finding employment for people with low start opportunities in the regions. It engaged **9 candidates** to work in six cities: Surgut, Tomsk, Krasnodar, Orel, Kazan and Nizhny Novgorod.

Within the framework of the VI International Labor Rights Forum, the program of supported employment was ranked the **1st in the HR brand** rating in the Social responsibility – formation of a socially responsible environment, involvement of employees in social projects of the city and the country category.

The case study related to the development of a supported employment model was published in the book **Business, People and Relationships** by Head Hunter Publishing.



Melon Fashion Group also shared its experience and promoted the program in the world outside. Ex-HR Director Polina Bakshaeva took part in a discussion on the issues of employment of people with disabilities within the framework of the **Saint Petersburg International Economic Forum**. The head of the corporate communications group, Yulia Bychkova, shared the results of cooperation with Rabota-i center at the **International Corporate Volunteering Forum** and in the closed HR Club for Business. This helped the center find new partners among large companies. In December, HR and Organization Director Elena Bichevaya signed the National Inclusive Agreement, which is based on development and scaling of the supported employment program.

In addition, a round table of the **Business Advisory Board on Disability (BABD)**, meetings with **GAOORDI (Association of Parents of Disabled Children)** and representatives of regional non-profit organisations were held at the main office, during which Melon Fashion Group and Rabota-i specialists talked about the model of the supported employment program.





The brands provided targeted support to the wards of the Dari Edu project by sending sets of clothes for adults and children to the regions. sela has made a collection of T-shirts with the Dari Edu logo for the volunteers of the project who deliver hot lunches for older people and low-income families every day.

Inspired by the activities of Dari Edu, Melon Fashion Group has initiated the first charity action of corporate volunteering: Melonians for Pervomaittsy. In December, 63 employees of the company delivered food packages for the New Year to 143 veterans of Pervomayskaya Zarya.

In addition, the company has fulfilled the dream of Misha, a boy with disability (the foundation's ward), and organized his visit to a football match at the Zenit stadium, arranging a comfortable transfer.

## DARI EDU (GIVE FOOD!)

Cooperation with the Dari Edu charity project is a new milestone in the history of corporate social responsibility of Melon Fashion Group.





## TY NE ODNA (YOU'RE NOT ALONE)

In 2022, Melon Fashion Group refrained from buying flowers on the 8th of March and – as a token of solidarity and support – transferred the allocated money to the You are not alone fund for the benefit of women who have suffered from violence. This contribution helped to cover the costs of lawyers and psychologists.



## SAINT PETERSBURG PARENTS

In line with the long-standing tradition, on New Year's Eve, the company transferred a contribution to the Saint Petersburg Parents Foundation, so that the children who stay in the hospital on the New Year's Eve could receive additional nursing care, as well as sweet presents and see a festive performance.





## LANGUAGES WITHOUT BORDERS

A priority of Melon Fashion Group is the development of inclusive environment and new possibilities opening for all categories of people. For several years, the company has sponsored tours for deaf and hearing-impaired children. In 2022, qualified guides of the Languages Without Borders Center conducted **10 tours for 83 children** from specialized boarding

schools, who were able to visit the Fabergé Museum, the Peterhof Museum Complex, the Theatre Museum, the Russia - My History multimedia complex, as well as take part in tours of the historic center of Saint Petersburg. The company has also supported the project of the Languages Without Borders Center, which started shooting of the first Russian travel – Russia, Mongolia and Italy – documentary for the deaf and hearing-impaired The Trail of Alexander Nevsky in the sign language in the summer of 2022. Melon Fashion Group provided the film crew with branded uniforms, while Zarina and Befree have created looks for the movie presenters.

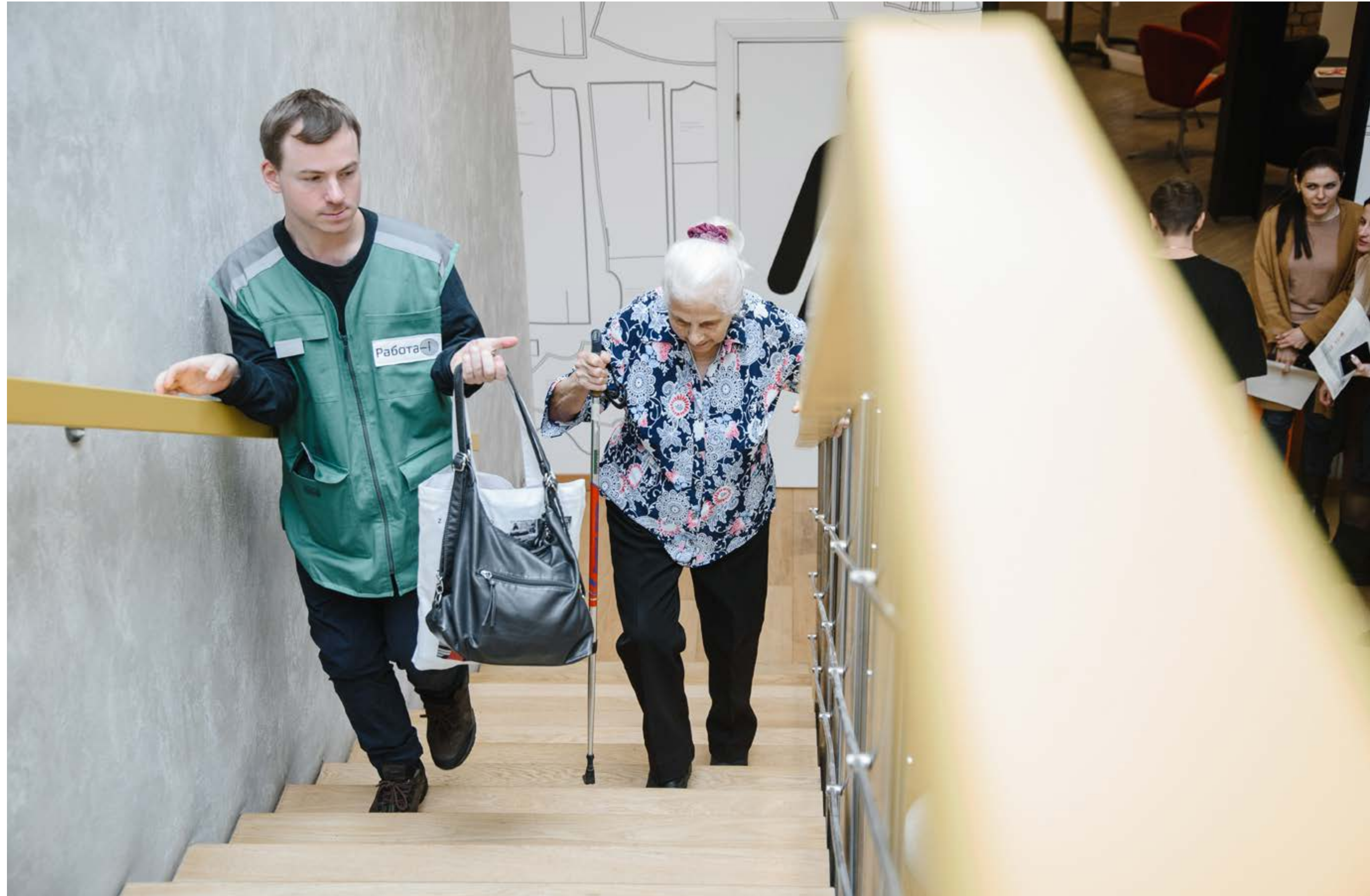
## DONOR DAYS

The increased interest in the Donor Day caused the company to hold it twice - in April and October. As a result, 120 Melonians donated 54 liters of blood to the City Blood Donation Station for Saint Petersburg hospitals. Five volunteers from the Moscow office have donated blood at their own initiative contributing to a good cause.

**120** PEOPLE

**54** LITERS OF BLOOD





## PENSIONER SUPPORT

We are proud of our roots and treat with great respect, care and attention the veterans of Pervomayskaya Zarya, the founder of Melon Fashion Group.

The company continued to pay cash benefits to employees who have worked at Pervomaiskaya Zarya, Kurt Kellermann and Melon Fashion Group for more than 20 years. The amount of payments is equal to the state pension. Also in January and July, there was indexation of payments.



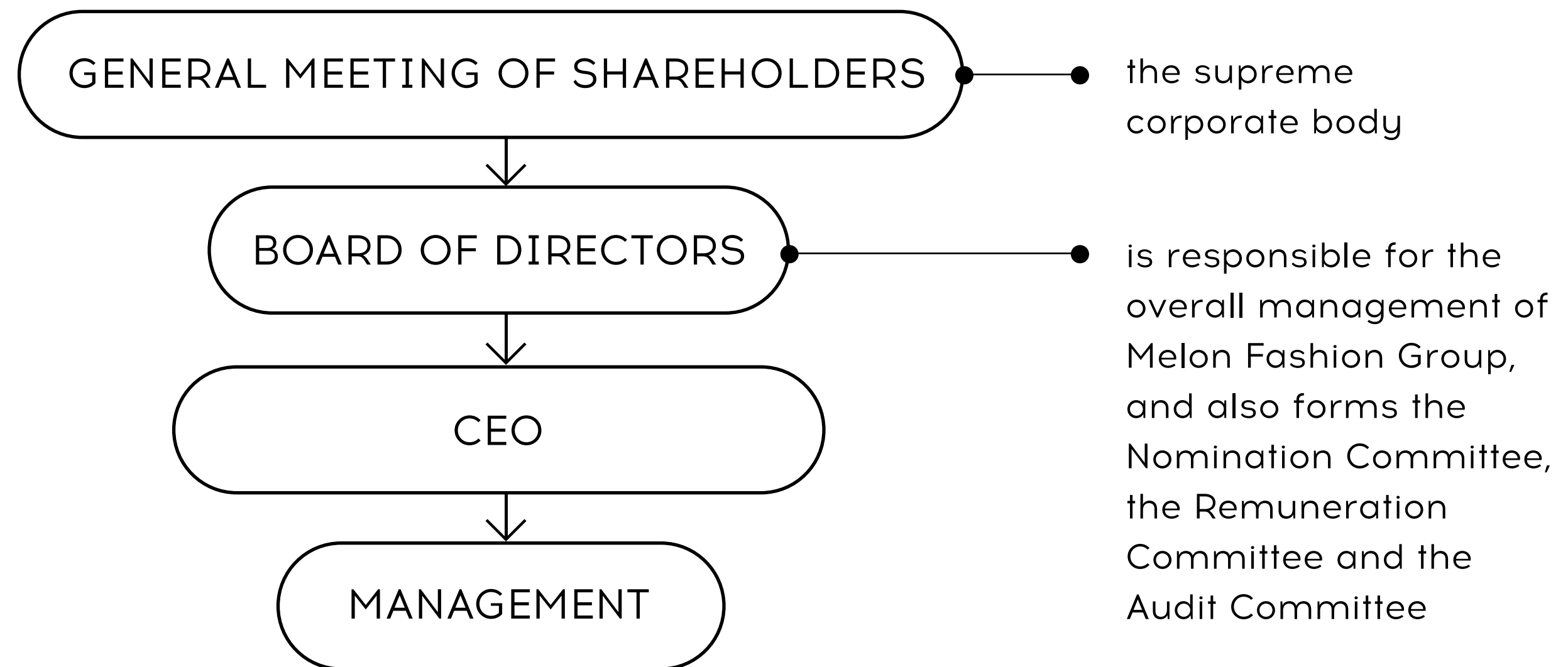
# CORPORATE GOVERNANCE

6.1.

# BOARD OF DIRECTORS

We regularly monitor the best practices in the field of corporate governance in order to improve the business model and achieve new results. The structure of Melon Fashion Group is as follows:

## STRUCTURE



# BOARD OF DIRECTORS

**The Board of Directors of Melon Fashion Group is a strong team of leaders with a unique vision and strategic thinking. The priority task of the Board is long-term planning and business development, as well as the approval of the annual budget of the company.**

**DAVID KELLERMANN,**

Chairperson of the Board of Directors and representative of I.G.M. Manufactrust Limited, Cyprus;

**MIKHAIL URZHUMTSEV,**

CEO of Melon Fashion Group JSC;

**SANNY MOSKOVITS,**

financial consultant and advisor.  
Former founder and owner of the auditing company Revisum AB, Sweden;

**KESTUTIS SASNAUSKAS,**

CEO of Eastnine AB, Sweden;

**MAGNUS LEKANDER,**

Executive Director of SFB Insurance, representative of MFG Intressenter, Sweden.

## TOP MANAGEMENT:

The top management of Melon Fashion Group is a model of leadership and motivation. They are creative and wise managers who ensure stable performance and onward growth of key business indicators.



**ANNA  
MAZURIK**

BRAND DIRECTOR  
Z A R I N A



**TATIANA  
BREDIKHINA**

BRAND DIRECTOR  
Befree



**NATALIA  
PILYAVSKAYA**

BRAND DIRECTOR  
LOVE REPUBLIC



**ANNA  
MILANOVICH**

BRAND DIRECTOR  
sela



**NATALIA  
SAMUTICHEVA**

CFO



**ELENA  
KELLERMANN**

CIO



**ELENA  
BICHEVAYA**

HR AND ORGANIZATION  
DIRECTOR



**IGOR  
MALTINSKY**

DEVELOPMENT  
DIRECTOR



**YULIA  
SHEVKALENKO**

INFRASTRUCTURE  
DIRECTOR

6.2.

# BUSINESS ETHICS AND COMPLIANCE

The operations of Melon Fashion Group are based on principles of honesty, transparency and openness. We adhere to high business standards and strictly monitor compliance with regulatory requirements and ethics rules. Running a responsible business ensures reliability and long-term relationships with customers, partners and employees.

The company's lawyers regularly monitor changes in legislation and give advice to business functions. At the same time, each department and its head are

independently responsible for monitoring legislation in their field (labor, customs legislation, etc.) and adapting business processes in accordance with changing requirements.

In 2022, the company jointly with an independent consultant conducted the internal audit to ensure control over the effectiveness of the risk management system and updated the business risk map.





In dealing with partners, we strive to make sure that they adhere to standards of responsible business:

- All agreements and contracts are thoroughly checked by lawyers and accountants to prevent risks, and also include a mandatory anti-corruption clause.
- All transport companies and logistics service providers cooperating with Melon Fashion Group are required to join the Charter for the Freight Road Transport Market Participants - the declaration of principles of fair business conduct.

Additional tools in the practice of compliance were the documents issued in 2022:

- Anticorruption policy
- Code of ethics and business conduct
- Supplier policy
- Personnel management policy

**In 2022, there were no confirmed corruption violations in the company.**



## DIRECT LINE

We have a Direct Line for employees, contractors, clients and other parties concerned. This is a single and universal feedback channel where one can openly or anonymously appeal with suggestions, ideas or provide information affecting the company's operations.

Complaints and suggestions are handled by the independent consulting company Kept, which guarantees complete confidentiality.

There are two ways to contact the Direct Line:

- by phone: +7 (800) 550-75-53
- by email:  
[mfg\\_directline@kept.ru](mailto:mfg_directline@kept.ru)

In 2022, the Direct Line received 15 appeals. The Internal Control Service promptly responds all the appeals, sends them to the persons in charge and monitors the solution of each case.

# RISK MANAGEMENT

Melon Fashion Group's internal control system operates on the basis of COSO's integrated risk management model.

The structural unit carrying out internal audit is the Internal Control Service.

The company has developed a register of risks, including their list, materiality, risk indicators, frequency of tracking, methods of prevention and response. Among other things, the register contains specific risks affecting aspects of sustainable development.





## 6.3.

# INFORMATION SECURITY

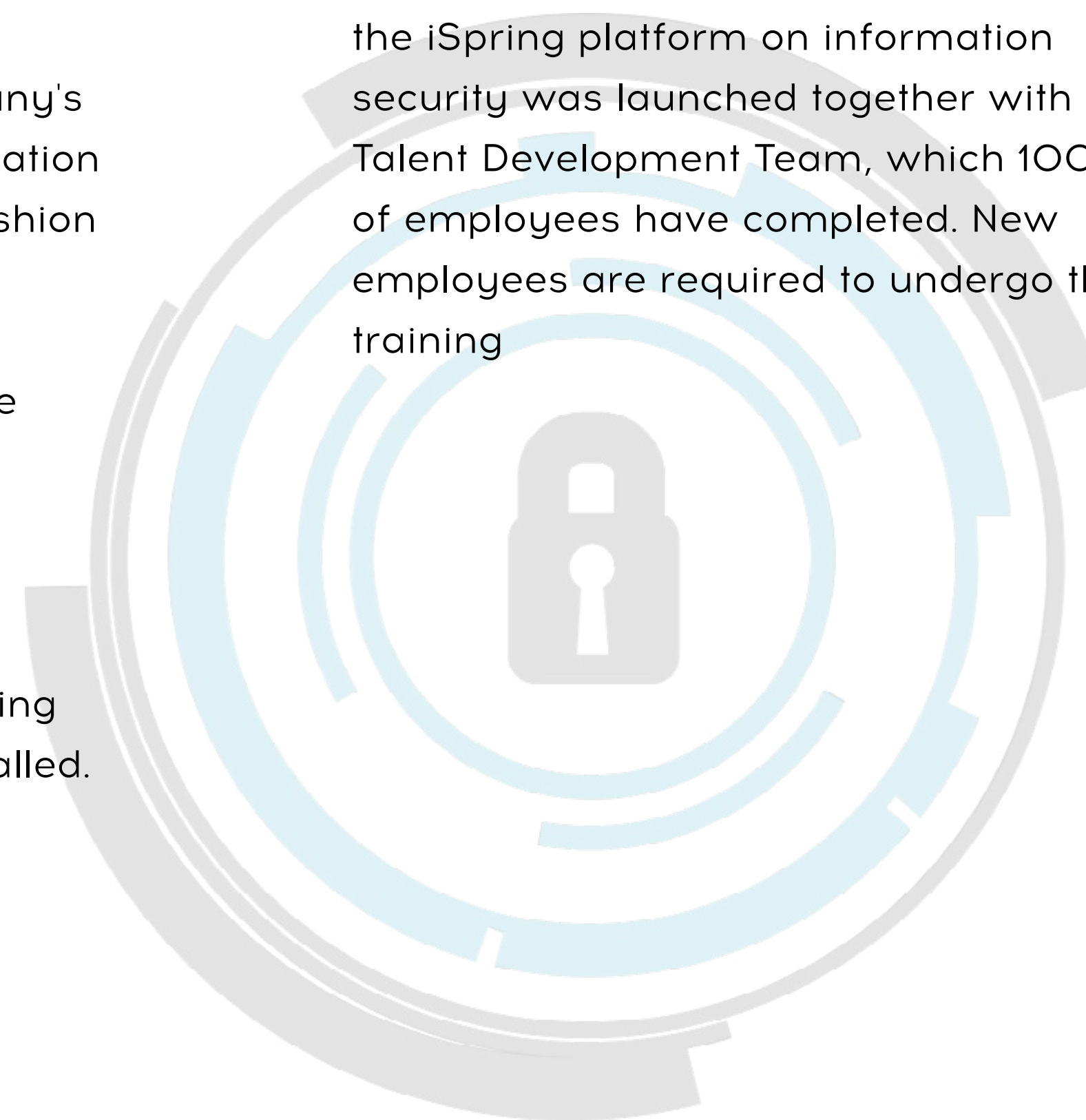
Melon Fashion Group's information security system is managed by the Infrastructure Department with the Chief information security specialist involved, who monitors compliance with the requirements of legislation in the field of personal data protection and information security, identifies and investigates incidents, and ensures the security of the company's IT infrastructure and services.

Information security activities are initiated and controlled by top management. In 2022, the company adopted an updated

Information Security Policy, which applies to all employees, as well as other persons involved in the company's business or having access to information or information systems of Melon Fashion Group.

Information security specialists have carried out all planned measures to ensure comprehensive security. In particular, an incident management system has been implemented and additional technical means of ensuring information security have been installed.

In addition, a mandatory course on the iSpring platform on information security was launched together with the Talent Development Team, which 100% of employees have completed. New employees are required to undergo this training



# PERSONAL DATA PROTECTION

We comply with all relevant laws and regulations on personal data protection. The company takes the necessary technical and organizational measures to ensure the confidentiality and integrity of personal data of employees and customers.

Consent to the processing, storage and dissemination of personal data is to be signed with each new employee, as well as a set of local regulations concerning personal data is to be read and signed.

We are aware of the importance of protecting the personal data of our

customers and participants of loyalty programs. The servers of the websites of the company and brands are protected from unauthorized access, and data is transmitted over a secure SSL protocol.

Jointly with our consultants, we have carried out a project on implementation of the best practices of personal data

management. It identified priorities for the storage and dissemination of personal data, and also developed a number of measures for a higher level of security.

In 2022, we did not receive a single complaint about the leakage of personal data.



## 6.4.

# SUPPLY CHAIN

Melon Fashion Group uses an integrated approach in dealing with suppliers. Each partner is checked for the product quality, production capacity, legal and financial aspects of cooperation.

The company carries out production audits, controls the equipment of factories and the quality of shipped collections.

The 2.5 AQL standard (Acceptable Quality level)\* is used to check the product. Also, all products of ZARINA, Befree, LOVE REPUBLIC and sela undergo mandatory certification as required by law. Specialists of independent certification bodies

check the product for air permeability, hygroscopy, toxicity index, color fastness when exposed to water, friction and sweat, as well as chemical safety of items.

The Melon Fashion Group Code of Conduct for Business Partners sets out the principles that suppliers must follow. The requirements are based on internationally approved standards: the Universal Declaration of Human Rights, the United Nations Convention on the Rights of the Child and applicable ILO conventions, as well as national legislation.

**The Code is published on the official website of the company: [melonfashion.ru](https://melonfashion.ru).**



## TRANSPARENT SUPPLY CHAIN: 2022 ACHIEVEMENTS

As part of the development of the sustainable supply chain project, we take measures to protect and respect the people who produce our products, in order to achieve the greatest transparency and traceability. Melon Fashion Group pays special attention to conducting a comprehensive assessment and monitoring system of the largest supplier factories.

Thus, the company initiates social and environmental audits of production sites. If defects are found, a corrective action plan is provided. In 2022, more than 20 documents were issued with recommendations for the elimination of problem areas at production facilities that need to be eliminated during the year. We strive to motivate suppliers not only to meet our standards, but also to continuously improve internal processes. Together, we can achieve a greater impact on safe, inclusive, responsible workplaces.

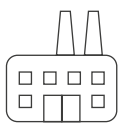
In order to expand the ethical audit program in 2022, Melon Fashion Group developed its own form of social and environmental audit based on international standards. Employees of the Shanghai office of Melon Fashion Group,

who have completed advanced training, also conduct ethical audits.

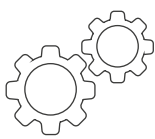


# DURING THE AUDIT, THE FACTORY IS EVALUATED ACCORDING TO THE FOLLOWING PARAMETERS:

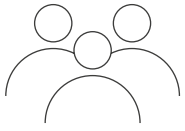
## General information about the factory



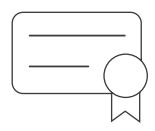
LOCATION AND CONDITION OF THE BUILDING



PRODUCTION CAPACITY




NUMBER AND COMPOSITION OF EMPLOYEES

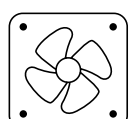


CERTIFICATION

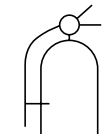
## Health, safety, hygiene




SAFETY TRAINING OF PERSONNEL



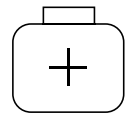
VENTILATION, LIGHTING, AIR TEMPERATURE




FIRE SAFETY



ELECTRICITY INSULATION



AVAILABILITY OF FIRST AID KITS OR A MEDICAL CENTER



EATING AREA

## Environmental parameters

- Employee awareness
- Proper storage of hazardous substances and waste
- Control and monitoring of emissions
- Separate garbage collection
- Accounting of water and electricity consumption
- Waste disposal

## Working hours



REMUNERATION OF LABOR



COMPLIANCE WITH WORKING HOURS



SOCIAL INSURANCE

## Working practice and child labor



AVAILABILITY OF AN EMPLOYMENT AGREEMENT



NO DISCRIMINATION



ABSENCE OF CHILD LABOR



OPPORTUNITY TO JOIN TRADE UNIONS



FREEDOM OF MOVEMENT

## 2022 RESULTS

Melon Fashion Group initiates audits independently, and also accepts reports on audits of WRAP, Sedex, Amfori international organizations made at production facilities.

After the expiration of the audit period made by third-party companies, we contact the factories to request the latest report and corrective action plan.

# 30 %

ETHICAL AUDIT\*

# 285

PARTNERS

# 70 %

OF PRODUCTS MANUFACTURED  
BY 56 OUT OF 285 SUPPLIERS

In 2022, the geography of factory audits significantly expanded. In addition to China, being the main market of Melon Fashion Group production, ethical audits were conducted at factories in Uzbekistan, Bangladesh, Vietnam and Turkey.

The company plans to carry out further work in this direction, increasing the checks of suppliers in terms of social and environmental parameters.



SECTION 7

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# PLANS FOR 2023



# PLANS FOR 2023

Main focuses for 2023:



### Training

We plan to create specialized training programs for employees in the field of sustainable development;



### Collecting clothes

We plan to collect more clothes from customers in the company's brand stores;



### Factory audit

We will continue to increase the share of products manufactured by ethically audited factories;



### Corporate volunteering

We strive to develop volunteering and offer employees various options.

Melon Fashion Group plans not to stop at this stage, but improve existing projects to achieve the best results. We will also continue to search for eco-friendly solutions in product manufacture and packaging, and to inspire and to involve customers in the environmental and social initiatives of Melon Fashion Group and ZARINA, Befree, LOVE REPUBLIC and sela.



# ABOUT THE REPORT

**8.1.**

## APPROACH TO THE REPORT PREPARATION

In this Report, Melon Fashion Group discloses information about the company's activities in the field of sustainable development and its interaction with customers, employees, suppliers and other parties concerned.

The HR and Organization Department has been responsible for preparation of the Report in the field of sustainable development, including the collection of non-financial data, as well as its publication.

The company issues sustainability reports on an annual basis. The previous Sustainability

**8.2.**

## REPORT FRAMEWORK

Report was published on 24 June 2022. This Report covers the calendar year from 1 January 2022 through 31 December 2022. Quantitative data are given as of the end of the year. In preparing the Report, we used the best practices of market leaders and international standards and guidelines, including the GRI and the UN SDGs. Additional information about the ownership structure and financial statements can be found in the 2022 Annual Report of Melon Fashion Group, published on the official website melonfashion.ru in the Shareholders and Investors section.

Information disclosed in the Report covers – unless otherwise indicated – JSC Melon Fashion Group's business operations.

The Report does not disclose information – unless otherwise indicated – about operations of Melon Fashion Group's franchise stores located in Russia, Kazakhstan, Belarus and Armenia.

SECTION 9

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# ANNEX

9.1.

# PERFORMANCE RESULTS FOR THE REPORTING PERIOD


Number of employees by sex and age


	2019	2020	2021	2022
Total number of employees at the end of the reporting period	5 425	5 467	5 607	6 934
Gender				
Women	5 095	5 094	5 197	6 383
Men	330	373	410	551
Age				
Under 30 years of age	3 694	3 723	3 751	4 851
30-50 years old	1 658	1 679	1 791	2 004
Over 50 years old	73	65	65	79


\*The data presented in Section 9.1 covers Melon Fashion Group JSC, as well as its subsidiaries in Russia and abroad

9.2.

# CONTRIBUTION TO THE UN SDGS

Assignment	Company's operations in 2022	Report section 
<b>KEY UN SDGS</b>		
<b>SDG 8 - DECENT WORK AND ECONOMIC GROWTH</b>		
<p><b>8.3.</b> To promote development-oriented policies enhancing production operations, creation of worthy workplaces, entrepreneurship, creativity and innovation, and encourage formal recognition and development of micro, small and medium-sized enterprises, including their access to financial services.</p>	<ul style="list-style-type: none"> <li>• Organization of coaching sessions for office staff</li> <li>• Conducting training for office and store employees</li> </ul>	<p><u>Promotion of professional development</u></p>
<p><b>8.5.</b> By 2030, to ensure full and productive employment and decent work for all women and men, including young people and people with disabilities, and equal remuneration for work of equal value.</p>	<ul style="list-style-type: none"> <li>• Creating an inclusive work environment</li> <li>• Development of the assisted employment project</li> </ul>	<p><u>Social projects and charity</u></p>
<p><b>8.8.</b> To protect labour rights and promote safe and secure working conditions for all employees, including migrant workers, especially migrant women, and those without stable employment.</p>	<ul style="list-style-type: none"> <li>• Compliance with labor protection legislation</li> <li>• Monitoring of working conditions at the enterprises of key supplier factories</li> </ul>	<p><u>Comfortable working conditions and well-being</u></p> <p><u>Control of work conditions and compliance with environmental requirements</u></p>

Assignment	Company's operations in 2022	Report section 
<b>SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION</b>		
<p><b>12.5.</b> By 2030, to significantly reduce the volume of waste by taking measures to prevent their formation, reduce them, recycle and reuse</p>	<ul style="list-style-type: none"> <li>• Implementation of the Green Office project for the collection of recyclables in the office</li> <li>• Launch of a project to collect plastic packaging and cardboard in the Utkina Zavod warehouse</li> </ul>	<p><u><a href="#">Waste management and packaging</a></u></p>
<b>SDG 13 – COMBATING CLIMATE CHANGE</b>		
<p><b>13.2.</b> To integrate climate change responses into policies, strategies and planning at the national level.</p>	<ul style="list-style-type: none"> <li>• Switching to more energy-efficient solutions in stores</li> <li>• Assessment of greenhouse gas emissions</li> </ul>	<p><u><a href="#">Energy efficiency and reduction of greenhouse gas emissions</a></u></p>
<p><b>13.3.</b> To improve education, dissemination of information and the capacity of people and institutions to mitigate the effects of climate change, adaptation to them and early prevention</p>	<ul style="list-style-type: none"> <li>• Holding educational campaigns in terms of environment by Melon Fashion Group brands</li> </ul>	<p><u><a href="#">Dissemination of the principles of conscious consumption and involvement in social initiatives</a></u></p>

Assignment	Company's operations in 2022	Report section 
<b>INDIRECT UN SDGS</b>		
<b>SDG 3 - GOOD HEALTH AND WELL-BEING</b>		
<p><b>3.4.</b> By 2030, to reduce premature mortality from non-infectious diseases by 1/3 through profylaxis, treatment and maintenance of mental health and well-being.</p>	<ul style="list-style-type: none"> <li>• Provision of medical to employees, including regular doctor's consulting visits to the office</li> <li>• Providing office employees and their family members with access to the corporate gym</li> </ul>	<p><a href="#"><u>Comfortable working conditions and well-being</u></a></p>
<p><b>3.8.</b> To ensure universal medical service coverage, including protection from financial risks, access to quality basic health services and access to safe, effective, high-quality and affordable essential medicines and vaccines for everyone.</p>	<ul style="list-style-type: none"> <li>• Provision of voluntary medical insurance to certain categories of employees</li> </ul>	<p><a href="#"><u>Comfortable working conditions and well-being</u></a></p>
<b>SDG 9 - INDUSTRIALIZATION, INNOVATION AND INFRASTRUCTURE</b>		
<p><b>9.4.</b> By 2030, to update infrastructure and re-equip industrial enterprises, making them sustainable by increasing the efficiency of resource use and wider use of clean and environmentally friendly technologies and industrial processes, with the involvement of all countries in accordance with their individual capabilities</p>	<ul style="list-style-type: none"> <li>• Environmental audits of suppliers and preparation of strategies to eliminate identified violations</li> </ul>	<p><a href="#"><u>Control of working conditions and compliance with environmental requirements</u></a></p>



## 9.3.

# METHODOLOGY FOR CALCULATING GREENHOUSE GAS EMISSIONS

When calculating greenhouse gas volumes, we used the methodology of The GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition). The calculation included the offices and stores of Melon Fashion Group JSC in Russia. Stores operating under the franchise were not counted.

The calculation was carried out for the period from 1 January 2022 through 31 December 2022.

The GHG Protocol recommends to determine the base year for tracking the dynamics and calculate emissions for the first time in at least two years. The base year is used to calculate the annual dynamics of emissions and determine the goals for reducing greenhouse gas emissions. Melon Fashion Group has defined the calendar year 2022 as the base year for further calculations, being guided by

the 5th chapter of the GHG Protocol. 2021 data are taken from the 2021 Sustainability Report.

The total and specific volumes presented in the report were calculated based on the calculation of direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions.

The calculation results are given below:

<b>VOLUME OF DIRECT EMISSIONS OF MELON FASHION GROUP (SCOPE 1) 2020-2021</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Total direct emissions, tons of CO <sub>2</sub> -eq.	126.2	119.9	139.2
Refrigeration units, tons of CO <sub>2</sub> -eq.	99.7	90	107.2
Mobile fuel combustion, tons of CO <sub>2</sub> -eq.	26.5	29.9	32
<b>VOLUME OF INDIRECT EMISSIONS OF MELON FASHION GROUP (SCOPE 2)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Total indirect energy emissions, tons of CO <sub>2</sub> -eq.	13 236,5	18 361,3	18 123
Power consumption, tons of CO <sub>2</sub> -eq.	5 397,2	9 211,4	7 714,6
Heat consumption, tons of CO <sub>2</sub> -eq.	7 839,3	9 149,9	10 408,4

\*The calculation was performed subject to the regional method

# CONTACT INFORMATION

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Please refer issues related  
to this Report and the sustainable  
development of Melon Fashion  
Group to:



[ESG@melonfashion.com](mailto:ESG@melonfashion.com)

# NETWORK



[www.melonfashion.ru](http://www.melonfashion.ru)



[@melon\\_fashion\\_group](https://vk.com/melon_fashion_group)



[t.me/melon\\_fashion\\_group](https://t.me/melon_fashion_group)