

2

SUSTAINABILITY
REPORT

MELON
FASHION GROUP

Z A R I N A befree LOVE REPUBLIC sela

21

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MESSAGE FROM CHAIRMAN

DAVID
KELLERMANN

DEAR READERS,

Here is an updated sustainability report. We started with small steps, learning seemingly elementary things: separate waste collection and recycling, charity. But it is with small steps that important changes begin.

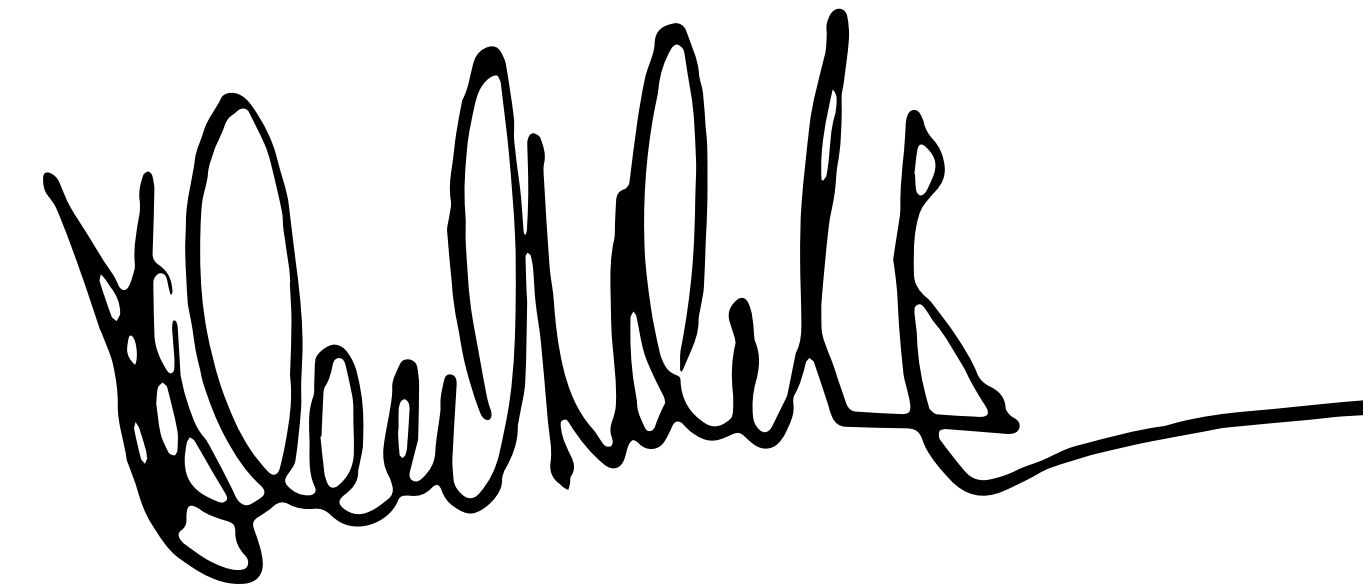
In the era of globalization, it is impossible to ignore the human impact on the environment and the future that awaits us, our loved ones and future generations, if will we not reconsider our attitude to nature and ourselves. Today, sustainable development is an integral part of our business, which is undergoing a deep transformation to reduce its impact on the environment and make the lives of people around us as comfortable as possible.

In 2021, we have made many positive steps that allow us to accelerate the development of the sustainability of our business. Audit of supply chains, verification of suppliers and their factories allowed us to realize the seriousness of our intentions and motivate us to new achievements.

The announcement of Melon Fashion Group's ESG strategy is coming. This is a great statement and a serious step. Yes, the tasks set will be difficult, long and expensive, but the ambitions of our team and the idea that we can contribute to a clear and wonderful future for the industry and our children allow me to look forward optimistically.

We understand that many of the environmental and social challenges, the serious problems facing the planet and society, cannot be dealt with alone. But we see that more and more corporations and people understand the need for sustainable development. Because only through joint efforts everything can be solved.

As I said, we are at the beginning of the path, and I know for sure: an exciting journey awaits us!

A large, stylized handwritten signature in black ink, likely belonging to David Kellermann, positioned above the printed name.

Sincerely,
David Kellermann

WORD FROM CEO

MIKHAIL
URZHUMTSEV



In 2019, we took on the challenge of embedding sustainability into our business. Then there was the Cult of Sustainability in our corporate culture and company philosophy, proclaiming that we, as a company, are responsible for our common future.

Our world has changed. Our priorities have changed. The very concept of sustainability has diversified. Now it covers not only the environmental agenda, but also the well-being of employees, gender equality, rational use of resources, and waste management. Therefore, the introduction of sustainable development into the basis of the Melon Fashion Group business is an opportunity to accelerate the pace of changes that the modern world needs.

Today, everyone is paying attention on social initiatives of brands and the issues they raise.

The modern world and its rules expect the fashion industry to take a stand on important issues that have never concerned it before. That's why ZARINA speaks loudly in its social projects about equal rights for women, and before promotes a culture of diversity and inclusion, LOVE REPUBLIC collects customers' old clothes and gives them a second life, and sela translates the ideas of mindfulness in its communications. And that's just a small part of ideas and projects that our brands can tell their audience about.

Behind the social position there is a large and meticulous work of the company at the level of all departments. This is an audit of factories, where the collections of brands are produced, quality control of supplied products, labelling of goods that protects against counterfeiting, assessment

of the supply chain, whose task is to reduce the impact of the fashion industry on the environment.

Already today, we follow responsible purchasing practices and agreements with suppliers, signing the Code of Conduct with all of them that obliges them to follow ethical and social standards and to pay special attention to environmental protection. An open dialogue with our suppliers allows us to take important steps together towards industry transparency to create a sustainable business.

It is not enough for us to be successful, it is important for us to be honest, open and sincere. Now, going through a major modification and being on the verge of announcement and implementation of the ESG strategy, we understand that new challenges are waiting for us, requiring

a rethinking of our work, new technological solutions, a new round of development of the company's business model, new processes and new experience in interacting with customers, employees, and suppliers.

We have always had a goal – to be the best in all manifestations, but today this is not enough. It is important to strive for a higher goal. We have a plan and an incredible team. This means that the upcoming projects and a powerful impulse for change will bring enormous benefits to all of us.



Your MM

WE ARE MELON FASHION GROUP

1.1.

COMPANY ACTIVITIES

Melon Fashion Group is one of the leaders of the Russian fashion retail. The company consists of four brands: ZARINA, befree, LOVE REPUBLIC, and sela.

The company was founded in 2005.

OFFICES

The headquarters of Melon Fashion Group is located in Russia (Saint Petersburg), the company's offices are also represented in Ukraine, China, and Lithuania.



2021

IN NUMBERS

→

STORES

845

* Owned and franchised
stores of Melon Fashion Group

78

OPENED

[62^{NEW} 16^{RELOCATED}]

COUNTRIES



EMPLOYEES

5 607

REVENUE, BN RUB

37,5



The company performs a full cycle of fashion business, including design, modeling, procurement, as well as distribution, promotion of clothing and accessories, logistics, and sales.

The uniqueness of Melon Fashion Group is a diversified portfolio of four completely different and recognizable brands,

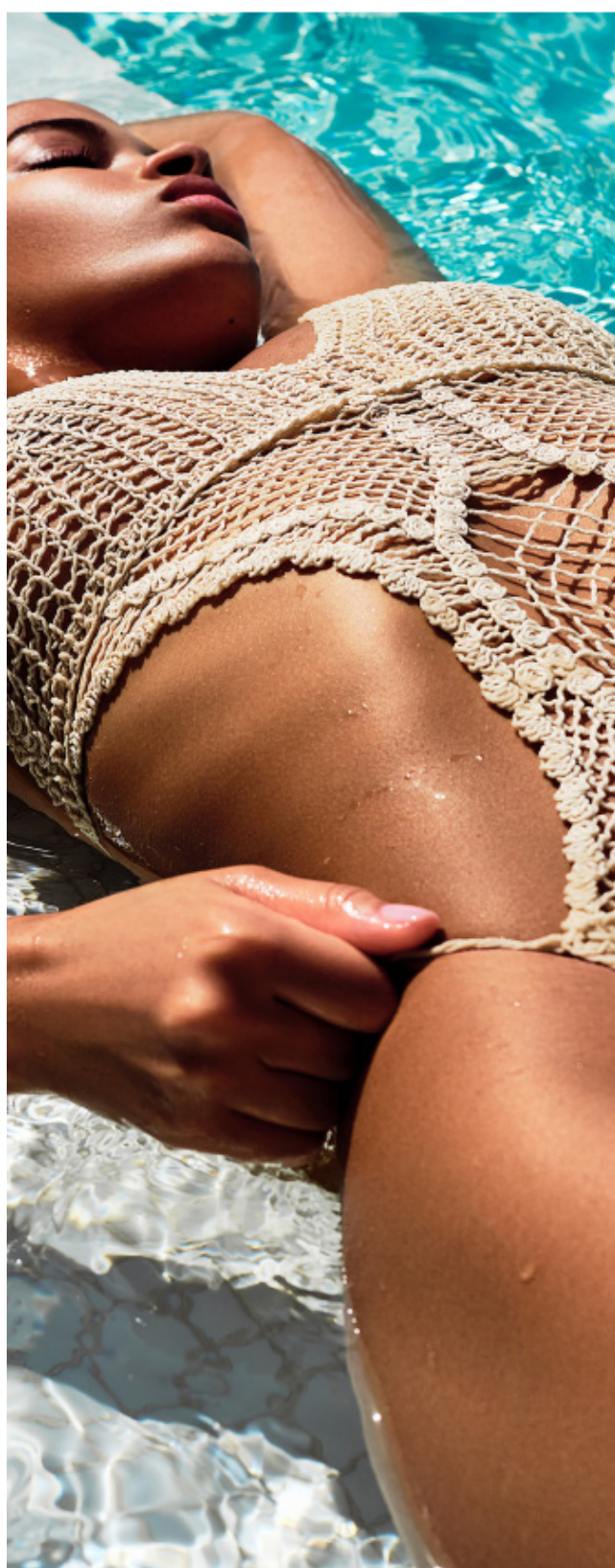
covering a wide audience in terms of a variety of styles and price preferences.



Z A R I N A



befree



LOVE REPUBLIC



sela



ZARINA

BRAND VALUES

POWER. MEANING. STYLE.

BRAND CONCEPT

MODERN CASUAL FEMININE STYLE
AT AFFORDABLE PRICE



BRAND VALUES

FASHION. INCLUSIVITY.
FUTURE. HUMANITY.

BRAND CONCEPT

YOUTH FASHION
FOR ANY AGE



LOVE REPUBLIC

BRAND VALUES

DAZZLING. BOLD.
CONFIDENT. SENSUAL.

BRAND CONCEPT

BOLD FASHION FOR CONFIDENT
WOMEN



BRAND VALUES

CONSCIOUS MOTHERHOOD.
BALANCE. ADAPTABILITY.

BRAND CONCEPT

LIFESTYLE BRAND FOR MOMS
AND THEIR BELOVED MONSTERS



THE COMPANY'S MISSION

Our goal is to be in avant-garde of fashion retail.

Our entire culture is aimed at achieving this goal. We offer a trending quality product, open beautiful retail spaces, and develop all sales channels.

OUR VALUES

The basis of our corporate culture is MelonBook, the company's philosophy, where our views and approaches to work are presented.

- C
U
L
T
S
OF
- FREEDOM
BUSINESS
COMMON SENSE
START-UP SPIRIT
LACONISM
OPENNESS
SUSTAINABILITY

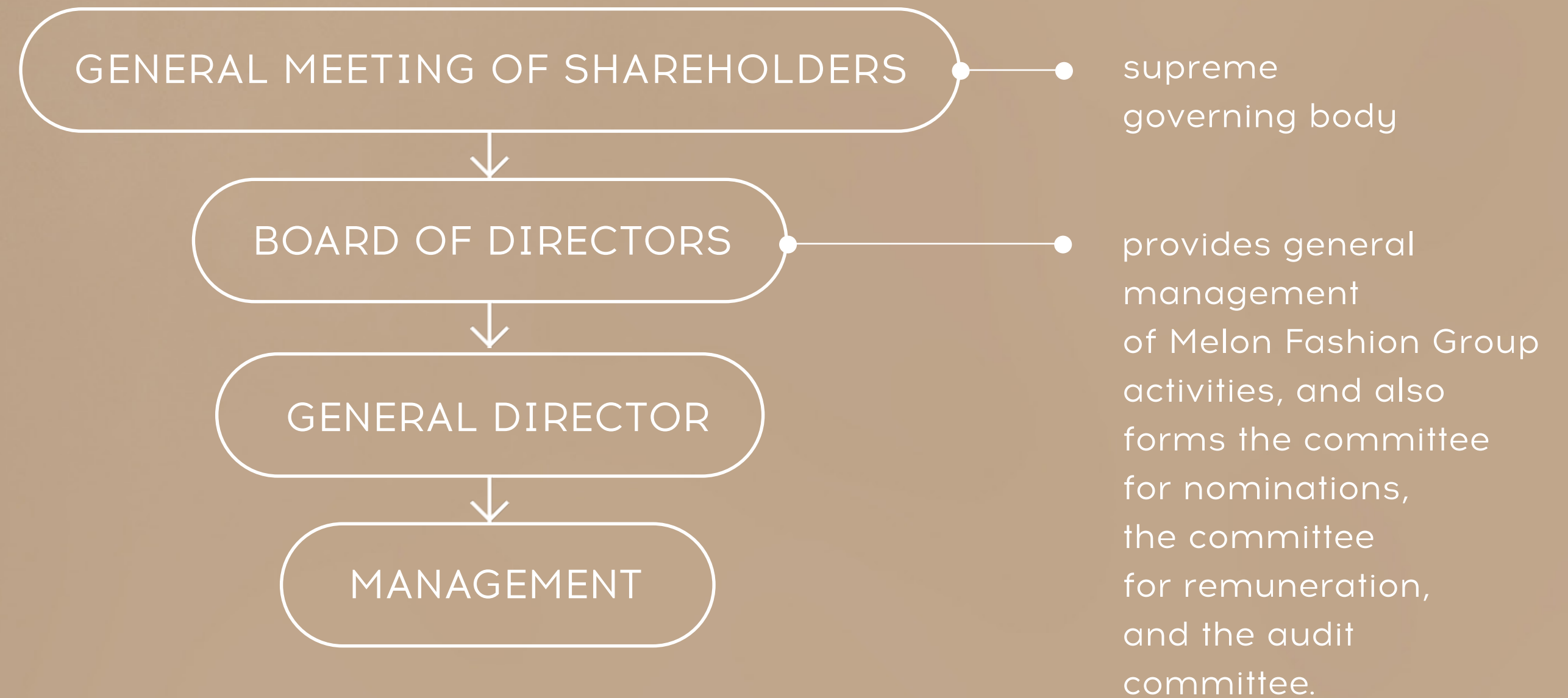


1.2.

CORPORATE GOVERNANCE

STRUCTURE

Focusing on the best Russian and international practices, Melon Fashion Group improves and optimizes its corporate governance system.



BOARD OF DIRECTORS

The Board of Directors of Melon Fashion Group is a team of strong managers with extensive experience and a broad expertise in various industries.

DAVID KELLERMANN,
representative of the company I.G.M.
Manufaktrust Limited, Sweden, born in 1951

KESTUTIS SASNAUSKAS,
General Director of Eastnine AB, Sweden,
born in 1973

MIKHAIL MIKHAILOVICH URZHUMTSEV,
General Director of Melon Fashion Group JSC,
Russia, born in 1970

SUNNY MOSKOVITS,
financial consultant and advisor. Founder
and owner of the audit company Revisum
AB, Sweden, born in 1954

JACOB GRAPENGISSER,
General Director of East Capital (Moscow)
LLC, Sweden, born in 1978.

TOP MANAGEMENT

The top management of Melon Fashion Group is a powerful tandem of creativity and consistency. The chiefs of departments ensure the smooth operation of all subdivisions and the implementation of the strategic plan within the goals and budgets set by the Board of Directors.



ANNA MAZURIK
BRAND DIRECTOR
ZARINA



TATIANA BREDIKHINA
BRAND DIRECTOR
befree



NATALIA PILYAVSKAYA
BRAND DIRECTOR
LOVE REPUBLIC



ANNA MILANOVICH
BRAND DIRECTOR
sela



NATALIA SAMUTICHEVA
CFO



ELENA KELLERMANN
CIO



POLINA BAKSHAEVA
HR DIRECTOR



IGOR MALTINSKY
EXPANSION
DIRECTOR



JULIA SHEVKALENKO
INFRASTRUCTURE
DIRECTOR



ALENA ZHELENKOVA
PRODUCTION
DIRECTOR

RISK MANAGEMENT

Melon Fashion Group has an internal control system based on the COSO organization integrated risk management model.

The Company has developed a risk register that includes a list of risks, their materiality, risk indicators, frequency of tracking, ways to prevent and respond to risk. Besides, the register contains specific risks related to sustainable development.

Periodic reassessment of risks is the responsibility of the Department of Finance and Administrative Affairs, in particular the Internal Control Service.



INFORMATION SECURITY POLICY

The company has an Information Security Policy that defines goals, objectives, basic rules, and principles of activities in the field of information security. The requirements of the Policy apply to all employees and other persons involved in a business of the company or having access to information or information systems of Melon Fashion Group. Information security activities are initiated and controlled by top management.

Actions to ensure information, physical, and economic security are carried out on the basis of clear interaction of interested subdivisions of Melon Fashion Group. The Company strives to identify, consider, and promptly respond to actual, attempted, and possible violations of information security.





PERSONAL DATA PROTECTION

When hiring employees, their personal data are sent directly to Melon Fashion Group. The company takes the required technical and organizational measures to ensure the confidentiality and integrity of personal data. A consent for processing, storage and distribution of their personal data is signed with new employees. Also, when applying for employment, employees are familiarized against signature with a set of local regulations concerning personal data protection.

In 2021, we have not received a single complaint about the leakage of personal data.

BUSINESS ETHICS AND COMPLIANCE

Conducting an honest, transparent, and open business is the main principle of Melon Fashion Group.

The company maintains high ethical standards in corporate governance and complies with all norms, relying on legislation and corporate business ethics.

Each department and the heads of all subdivisions of Melon Fashion Group are independently responsible for monitoring legislation in the relevant field and adapting business processes in accordance with changing requirements. In addition, the Legal Division of the Department for Finance and Administrative Affairs constantly monitors changes in legislation and advises business functions.

When working with contractors, we strive to make sure that our partners adhere to the **standards of the responsible business:**

- All contracts undergo a thorough legal review, and also include a mandatory anti-corruption clause.
- All transport companies and logistics service providers cooperating with Melon Fashion Group are obliged to join the Charter of Participants in the Freight Road Transport Market – the declaration of principles of fair business conduct.

Thanks to this approach, in 2021, there were no confirmed corruption violations within the company.

DIRECT LINE

For employees, partners and customers of the company there is a daily Direct Line – a unified and universal feedback channel, where everyone can apply – openly or anonymously – with suggestions, ideas or report information that affects the company's processes. Complaints and suggestions are handled by an independent consulting company that guarantees complete confidentiality.

There are two ways to contact the Direct Line:



by phone:
+7 (800) 550-75-53;



by E-mail:
mfg_directline@kpmg.ru.

In 2021, the Direct Line received seven appeals on labor issues. All requests were reviewed and processed by the company.





1.3.

SUSTAINABLE DEVELOPMENT OF MELON FASHION GROUP

We believe that in the rapidly changing global economic and climatic conditions, the responsibility of business to society and the environment is becoming one of the key factors of development.

The Human Resources and Organizational Development Department prepares the Sustainability Report, including the collection of non-financial data and its publication.

At the end of 2021, it was decided to form a Sustainable Development Group in the structure of the Department – a single coordination center for the company's activities in the field of sustainable development. The Group is responsible for strategic planning and development of initiatives in the field of sustainable development, determines priority areas for the company as a whole and individual recommendations for subdivisions.

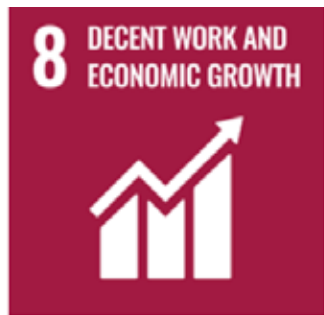
**Rethinking our own capabilities
as a responsible business
has led to the formation
of sustainability strategy.**

During its development, we studied the best global practices of companies in our industry, relevant standards and the stakeholder's expectations. The publication of the ESG strategy is scheduled for 2022.



MFG CONTRIBUTION TO ACHIEVING THE UN SUSTAINABLE DEVELOPMENT GOALS

DIRECT UN SDGS*:



SDG 8 – DECENT WORK AND ECONOMIC GROWTH

We develop our business considering our environmental impact and provide comfortable workplaces.



SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION

We implement solutions for more rational use of natural resources.



SDG 13 – CLIMATE ACTION

We promote the principles of environmental responsibility 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 employees.



SDG 9 – INDUSTRY, INNOVATION AND INFRASTRUCTURE

We work with suppliers to improve their practices in the field of environmental protection.

Read more about Melon Fashion Group's contribution to the UN SDGs in [Appendix 8.2](#).

*We understand key goals of sustainable development put forward by the United Nations as the goals attaining which, our work on sustainable development can make the utmost contribution. Apart from them, we have identified such indirect goals of sustainable development put forward by the United Nations within which we can enhance positive exchanges.

CARING FOR CUSTOMERS

Melon Fashion Group always focuses on its customers and makes a product that best meets their needs. We pay special attention to the development of a culture of responsible consumption.

We provide a high level of service and provide consumers with the opportunity to make an informed choice, improving company's own practices in the field of environmental management and social responsibility.

KEY FIGURES
FOR 2021

SOCIAL MEDIA AUDIENCE

>3.4 MLN

the total audience
of Melon Fashion Group
brands

CUSTOMERS

>13 MLN

people have made purchases
in ZARINA, befree, LOVE REPUBLIC,
and sela stores

LOYALTY PROGRAM
PARTICIPANTS

>7 MLN

people are members
of the Melon Fashion Group
brand loyalty program

STORES

66

LOVE REPUBLIC stores in 11 cities
participate in the clothes collecting
and recycling program



2.2.

PROMOTING CONSCIOUS CONSUMPTION AND INVOLVEMENT IN SOCIAL INITIATIVES

Melon Fashion Group brands actively use social networks not only as a channel of communication with customers and fans, but also as a platform for raising awareness and encouraging respect for the environment.



ZARINA

ZARINA develops initiatives aimed at supporting and protecting women's rights within the framework of brand values.

The work in this direction started with the project PROUD TO BE A WOMAN in 2020. The main message was the issue of women's realization, inspiration and disclosure of the power of their own potential.

In 2021, the project #POWERINYOU continued the direction and expanded it, focusing on the fight against stereotypes associated with women. The heroines of the special project and advertising campaign were actress and TV presenter

Ekaterina Varnava, journalist Sasha Sulim, Honored Artist of Russia and prima ballerina Maria Abashova, lawyer and human rights activist Alena Popova, oncologist Olga Smirnova – strong, creative, successful women, proving by their own example that the path of talent and sincerity has no obstacles.

The participation of Alena Popova, co-author of the law on domestic violence, allowed more people to learn about the project YouAreNotAlone, which provides psychological, legal, and informational assistance to women who have suffered from violence.





16CITIES

387GARBAGE BAGS

In 2019, befree launched the sustainability program Better Future to inform its audience of environmental issues. Twice a year, office and store teams from major Russian cities conduct large-scale street or landmark cleanups. In 2021, the action Better Future was held in 16 cities. The team collected 387 bags of waste, 215 of which went for recycling.

Promoting a conscious approach to buying things, befree launched a reuse community on the platform vk.com where fans of the brand can buy or sell their clothes to free up the wardrobe and find new owners for them.



In addition, in 2021, befree supported the city campaign "To work by bike" in Saint Petersburg, whose participants received a 20% discount on the new collection.





«FASHION MEANS DIVERSITY»

The concept of diversity has become the basis of the brand's updated philosophy, calling for self-acceptance and promoting the individuality and unconditional value of each person.

In 2021, befree released a campaign under the slogan "Fashion means diversity". The models were ordinary boys and girls with diverse appearances and an extraordinary fate.



LOVE REPUBLIC

For several years, LOVE REPUBLIC has been actively developing a program for collecting and recycling garments "LOVE 2.O: give clothes a new life". Customers can bring old clothes of any brand to special boxes installed in stores.

Clothes are sent to the "Spasibo" and "Vtoroe Dyhanie" foundations for distribution to the poor and in charity shops. The revenue from sales is transferred for charity. Unsuitable clothes are sent for recycling.



66

STORES

11

CITIES OF RUSSIA

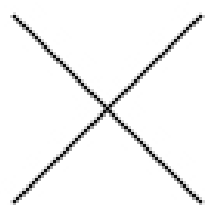
24

TONS OF CLOTHES

charitable foundations:

*data for September 2019 – December 2021





At the end of 2021, the brand held an action "Ecology Month" together with Recycle.Object – a brand of jewelry and accessories made from recycled plastic. Boxes for collecting plastic caps were installed in the brand's office and in 10 sela stores in Moscow and

Saint Petersburg. The plastic caps were then given to Recycle.Object to produce a limited edition collection of key chains with the Vigge mascot. The limited edition accessory was given to all customers who made a purchase in the brand stores for 3 thousand rubles and more.



INFORMATION ON THE PROMOTION OF THE ECO-AGENDA IN SOCIAL NETWORKS

Z A R I N A

Through social networks, ZARINA reminds that for refusing a plastic bag, the customer is awarded with a virtual loyalty card points.



befree informs the audience about the date and place of the Better future city cleaning campaign, so that fans of the brand can also join the eco-initiative. After the event, a report is published with the results of the cleanup: how much was collected, how much was sent for recycling and disposal.

LOVE REPUBLIC

To make even more customers aware of the collection and recycling program "LOVE 2.O: Give clothes a new life," LOVE REPUBLIC informs subscribers of the addresses of stores where they can drop off their clothes for recycling.



sela regularly publishes informational posts with tips for parents on how to teach a child to take care of the environment. Marketing Team of sela has released an animated video in which brand employees talked about the importance and principles of separate waste collection.

2.3.

ETHICAL AND RESPONSIBLE MARKETING

Caring for customers is a key part of our strategy. In addition to creating products with strict quality requirements, we provide reliable and up-to-date information about our products and involve customers in sustainability projects and initiatives. That's how we support our customers in taking a conscious approach to shopping and contribute to the development of a culture of responsible consumption.

Constantly developing in this area, we intend to:

- improve ways of communicating with customers, including developing feedback channels;
- consider the expectations and requests of customers in planning the activities of Melon Fashion Group;
- provide complete, reliable and up-to-date information about the company's activities and products of its brands;

- maintain a high level of service for all Melon Fashion Group customers;
- involve customers in the environmental and social agenda of the company and brands, supporting them in an effort to contribute to sustainable development.

All marketing activities are implemented based on regular analysis of the market, customers, and their own activities.

CREATION OF COLLECTIONS CONSIDERING THE PRINCIPLES OF SUSTAINABLE DEVELOPMENT

Creativity is the driver of the fashion industry and the driving force of its development. But today it is not enough to be just a creator, in the new realities, it is important to think about the future and make fashion conscious.



ZARINA

In 2021, ZARINA presented an eco-collection of recycled denim and organic cotton "Conscious Limited Collection". The choice of recycled materials is explained by the possibility of preserving natural resources, saving electricity and reducing textile waste. The collection includes dresses, shirts, hoodies, skirts, jackets.

Conscious Limited Collection allowed to demonstrate how advanced technologies and innovations in the fashion industry have made it possible to replace traditional materials with recycled alternatives.



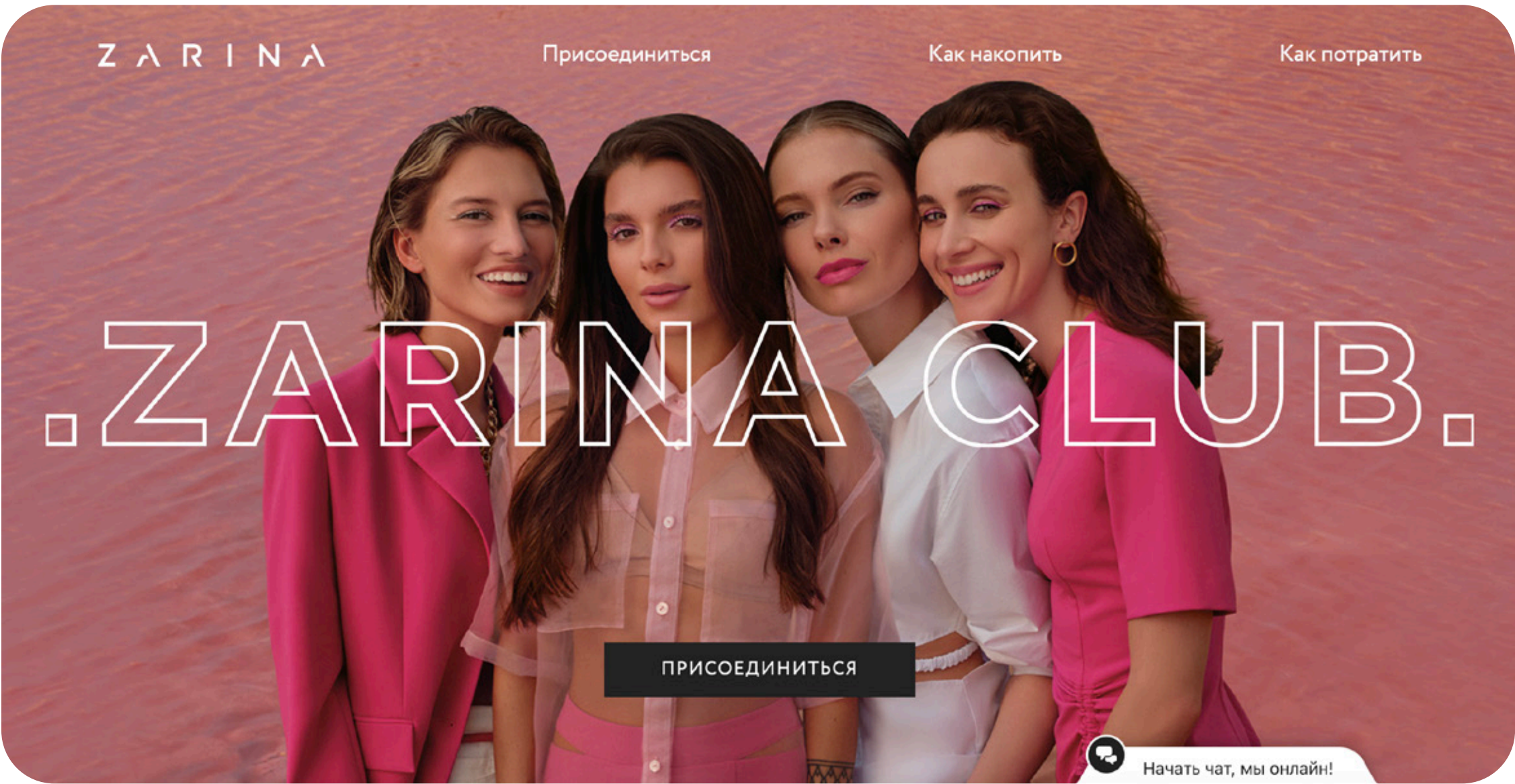


The brand regularly presents a line of basic things for women and children **sela cares**. Its feature is organic and recycled materials. In the spring and summer collection, the brand presented T-shirts, knitted and denim suits made of organic cotton, while in the autumn and winter one – hats, scarves, and children's down jackets made of recycled polyester.



To stimulate responsible consumption, brands use marketing tools and their own loyalty programs.

Thus, ZARINA awards additional 100 points to the ZARINA Club card for refusing a plastic bag. LOVE REPUBLIC awards 300 points onto the LOVE CARD for participating in the program for the transfer of old clothes to the foundations "Spasibo" and "Vtoroe Dyhanie".



Преимущества:

- 1 балл = 1 рубль
- до 30% оплата баллами
- + 10% баллами при покупке новой коллекции
- + 5% баллами при покупке товаров со скидками*
- Персональные предложения
- 300 баллов в подарок на День Рождения**

* Если не указано иного
**Проверьте в Личном Кабинете на сайте www.loverepublic.ru, верно ли указана дата рождения. 300 баллов начисляются за 1 неделю до дня рождения и имеют срок действия 14 дней.

Санкт-Петербург

НОВИНКИ

ОДЕЖДА

АКСЕССУАРЫ

SALE

Одежда / Промоакции / Скидки /

КАК ПОЛУЧИТЬ КАРТУ LOVE CARD

КАК ПОЛУЧИТЬ БАЛЛЫ

КАК ПОТРАТИТЬ БАЛЛЫ

ПОЛНЫЕ ПРАВИЛА УЧАСТИЯ В ПРОГРАММЕ ЛОЯЛЬНОСТИ

Дисконтная программа (брончайки)

Моя LOVE CARD

LOVE REPUBLIC

ВОЗМОЖНОСТИ LOVE CARD

LOVE CARD

ОПЛАЧИВАЙ ДО 30% СТОИМОСТИ СВОЕЙ ПОКУПКИ БАЛЛАМИ!

ПОЛУЧИТЬ КАРТУ

RESPECTING THE ENVIRONMENT

3.1. MANAGEMENT APPROACH

The fashion industry is one of the areas that put a serious strain on the natural resources and ecosystem of the planet. The task of businesses and manufacturers is to reduce their impact on the environment and promote the principles of conscious consumption.

3.2.

WASTE MANAGEMENT AND PACKAGING

Starting from 2019, Melon Fashion Group's headquarters has had a **"Green Office"** program, where each department has installed separate waste collection boxes with informative posters - how to properly turn in this or that fraction. In addition, the company collects the used paper and transfers it for recycling.

There are also containers for collecting batteries in the office.

In the framework of cooperation with the **"Thank you"** foundation, the office organized the collection of old clothes for reuse. In particular, sales in charity shops "Thank you", transfer to those in need or recycling.



120 KG OF WASTE PAPER

60 KG OF SPENT BATTERIES

180 KG OF CLOTHES



The head office team collects plastic bottle caps for the project "Caps of Kindness". The proceeds from the delivery of caps marked "4" and "5" go to the purchase of seedlings, from caps marked "2" – to the charity foundation "Sun", which helps children with serious illnesses.



Short videos of Sustainability news from the office management service on the corporate portal allowed to understand the issue of separate waste collection more deeply and helped employees develop useful eco-habits not only in the office, but also at home.

In 2021, a project was launched to collect plastic packaging and cardboard from parcels at the headquarters of Melon Fashion Group and at the company's warehouse – Utkina Zavod.



GREEN OFFICE

For operational interaction with suppliers, since 2020, Melon Fashion Group uses the Diadok electronic document management system. This allows not only to reduce the time, but also to abandon the use of paper. In 2021, 68% of the company's document flow passed through electronic workflow.

Together with Recycle.Objects, Melon Fashion Group released branded key chains made of recycled plastic with the slogan "Be avant-garde, be sustainable!" as New Year's gifts for suppliers and new company employees. A keychain in the form of a melon and the letter M has become not just a stylish and beautiful accessory, but also a way to spread the idea of a conscious approach to the consumption and recycling of plastic.



Biodegradable detergents are used to clean the office in Saint Petersburg. Such products do not harm human health and the environment, as they are hypoallergenic. They include surfactants of plant origin and enzymes. They do not contain chlorine, phosphates, and other harmful substances, which are dangerous in contact with skin and if inhaled.



PACKAGING



uses as packaging a transparent bag in which clothes come from suppliers, adding a corporate logo. This made it possible to abandon the production of 5.5 million plastic bags per year.

Z A R I N A

completely switched to the use of materials subject to 100% recycling for the production of paper and plastic bags.

To reduce the production of plastic bags, the company's brands offer the following alternatives:

LOVE REPUBLIC

awards additional 100 points under the loyalty program to customers who refused the bag.

The company also pays attention to packaging when transporting goods. Melon Fashion Group reuses suppliers' shipping containers, minimizing the amount of packaging.



3.3.

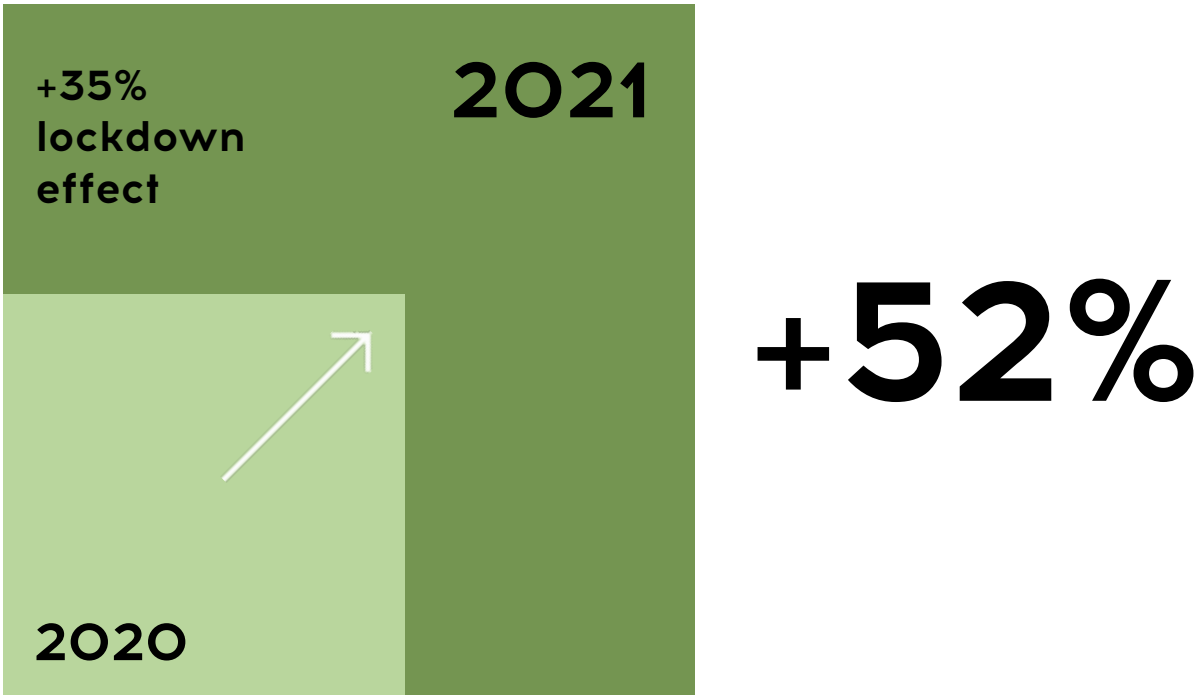
ENERGY EFFICIENCY AND REDUCTION OF GREENHOUSE GAS EMISSIONS

SCOPE 1
SCOPE 2

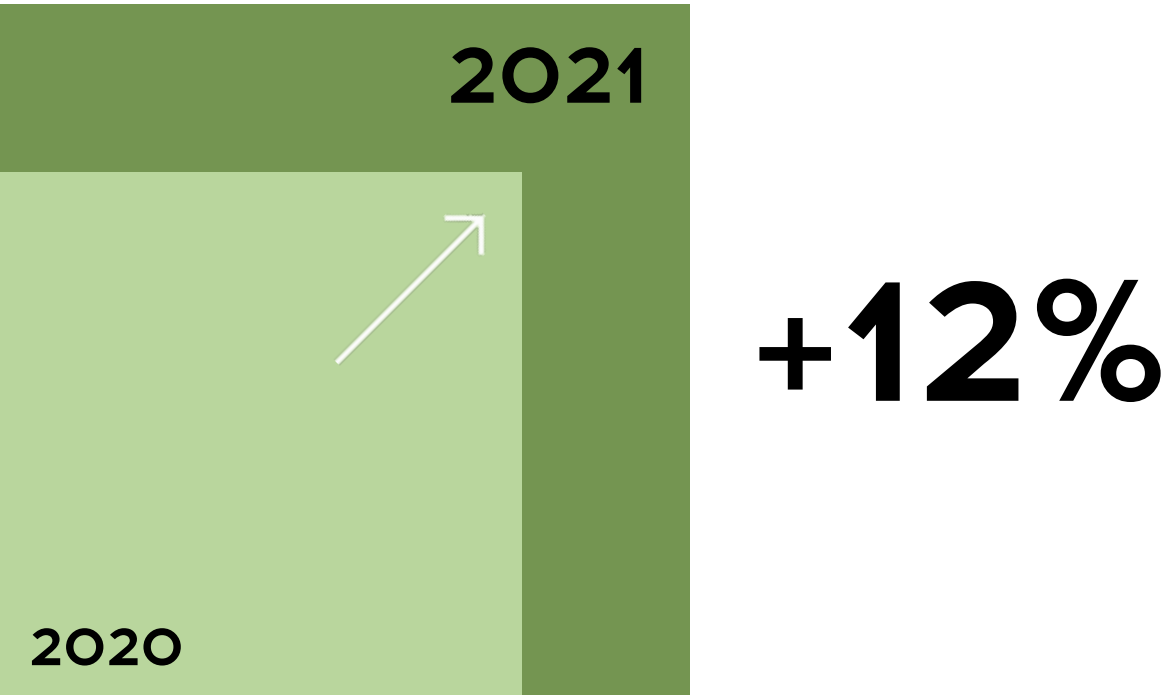
In 2021, we developed a system for collecting and analyzing energy consumption data and for the first time calculated direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions.



REVENUE



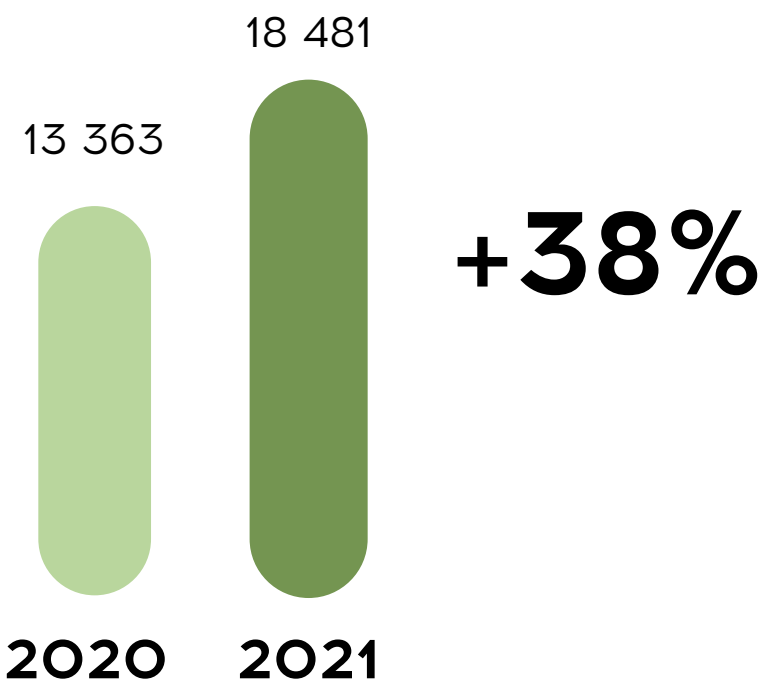
RETAIL SPACE



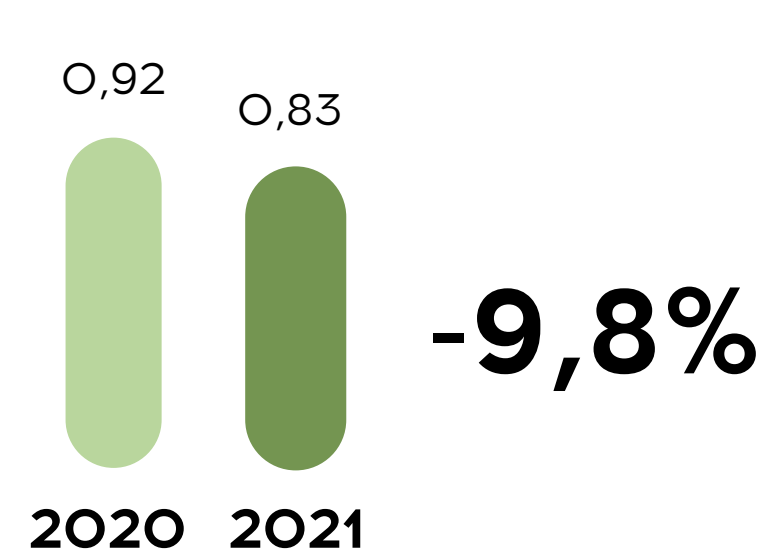
Factors of increasing GHG emissions in 2021:

- The stores were operating in full mode compared to 2020
- Increase in retail space

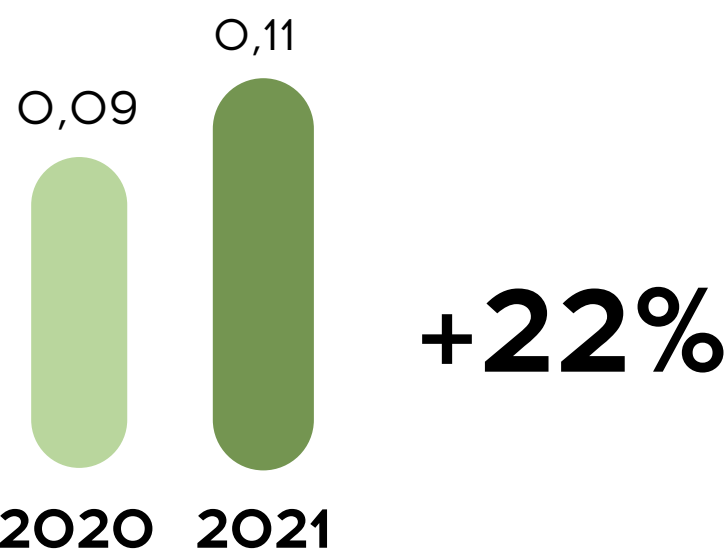
Total greenhouse gas emissions¹ (Scope 1 + Scope 2)



Specific indicators of Greenhouse gas emissions intensity (Scope 1 + Scope 2)



Total GHG Emissions (Scope 1 + Scope 2)
per revenue, t of CO₂e / RUB 1MM of revenue



Total GHG Emissions (Scope 1 + Scope 2)
per selling space, t of CO₂e / m²

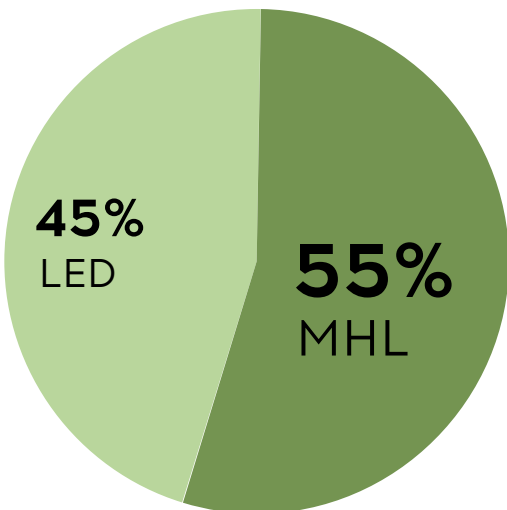
¹By the end of 2021, the dynamics of emissions growth in GHG emissions is inferior to revenue growth*, and the difference between the growth rates of total GHG emissions and GHG emissions intensity indicates higher energy efficiency of new stores.

*Revenue calculation is based on data on the sales results of the retail chain's own stores in the Russian Federation.

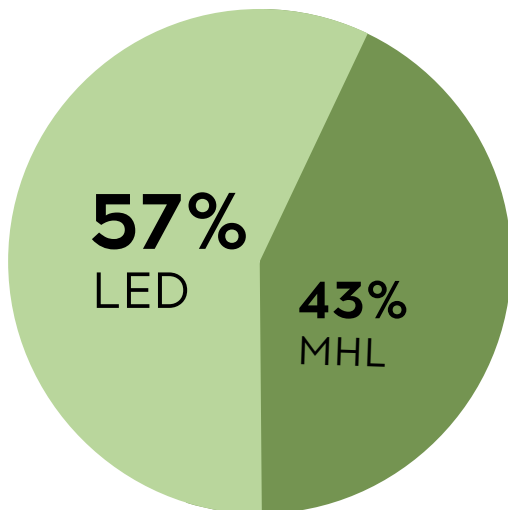
We strive to improve our business processes by implementing energy-efficient solutions and taking measures to reduce greenhouse gas emissions. One of the measures is the renovation of the network, the use of a more modern air cooling system without the use of artificial refrigerants.

Also, Melon Fashion Group is gradually moving from the use of metal halide lamps (MHL) to energy-saving LED lighting. To date, LED lamps are already used in the head and Moscow offices. The transition to LED lighting is gradually taking place in ZARINA, before LOVE REPUBLIC and sela stores as well. In 2022, we will continue working in this direction.

Switching
to LED lighting



2020



2021



CARING FOR EMPLOYEES

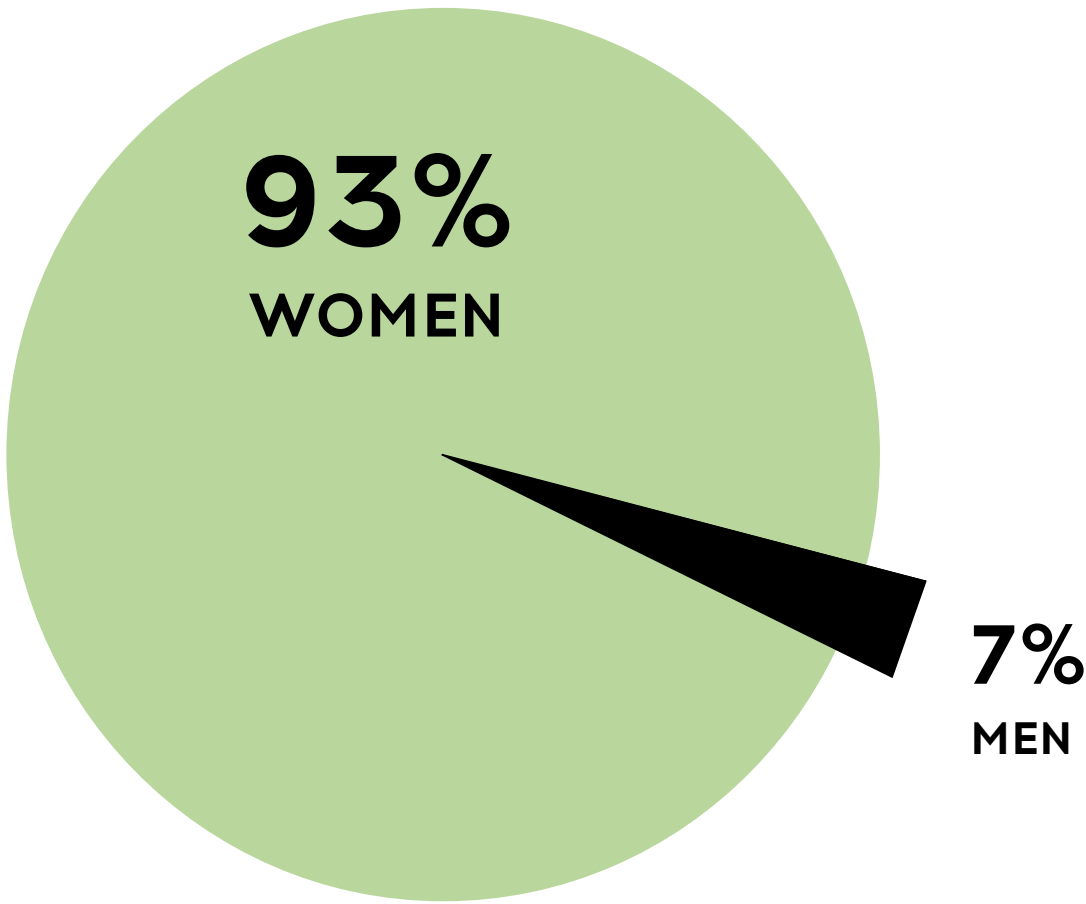
4.1.

MANAGEMENT APPROACH

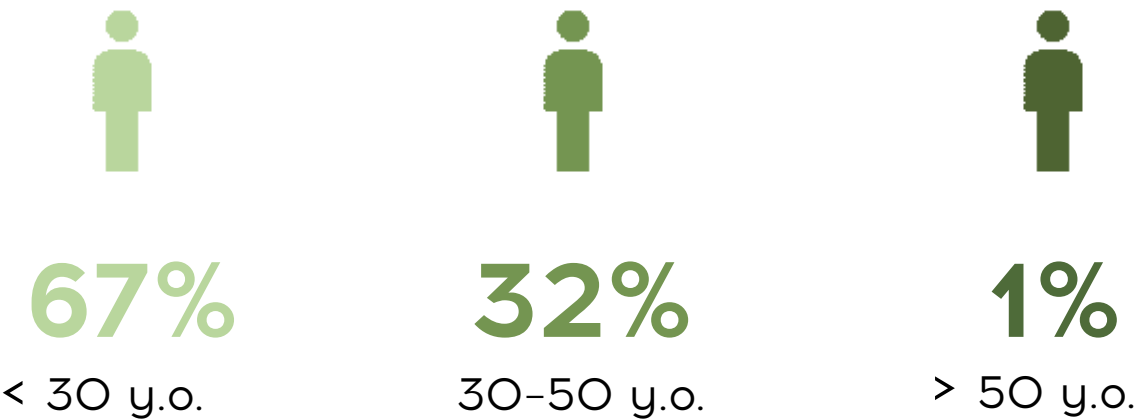
The main asset of Melon Fashion Group is its team, where everyone supports each other and helps to move forward. Our culture is based on the understanding that together we can achieve more than alone.

Each employee makes an invaluable contribution to the development of the company, which makes Melon Fashion Group one of the leaders of the fashion industry in Russia. So that employees can unleash their potential and talent, we create a comfortable working environment and atmosphere that inspires and promotes the personal development of employees.

A strong HR brand allows Melon Fashion Group to be a center of attraction for talents and professionals of different specialties in the field of fashion and retail.



5,607
MELON PEOPLE



AWARDS AND ACHIEVEMENTS

In 2021, we actively promoted HR projects, which resulted in victories in prestigious competitions.



HR BRAND

In May, Melon Fashion Group became the winner of the award "HR brand" of the leading recruiting portal HeadHunter. The company won in the special nomination of the RPI Prospects "Equal Opportunities" with the project of assisted employment created in partnership with the center "Work-I".



ASSISTED EMPLOYMENT

In June, the project of assisted employment took first place in the rating of social and environmental practices of "Business Petersburg".



ARCHITECT TODAY

Melon Fashion Group headquarters became the winner of the architecture design and construction award Architect Today in the nomination of "Implemented office space", by passing the projects of the architectural and design studios Red Line, Enter-RA and Shane'e Studio.



VISIONARIES

In November, the assisted employment project brought the company another award – the second place at the annual All-Russian award for the assessment of sustainable impact in the economics, ecology, and society "Change Management. Visionaries" in the nomination "Society. Business".



HR DEPARTMENT is a place, where professionals are gathered who are looking for the best people and do so that they like it here.

Under the direction of the Director of Human Resources and Organizational Development, the HR team is responsible for the recruitment, adaptation, training and development of office personnel, as well as HR administration, health and safety, and corporate communications.

Personnel management at ZARINA, befree, LOVE REPUBLIC, and sela retail stores is handled by HR teams in each brand. They are responsible for the selection, adaptation, training and motivation of retail staff, as well as for planning and accounting of working hours in stores.



4.2.

COMFORTABLE WORKING CONDITIONS AND WELL-BEING

The building where the Melon Fashion Group headquarters is located is inextricably linked with fashion. In the XIX century, a women's handicraft school was located here, and after that, a Soviet factory "Pervomayskaya Zarya". "To preserve the old walls is to fill them with new meanings" is the slogan under which the large-scale renovation of the headquarters took place. Today, the head office is the embodiment of bold ideas and stylish design solutions.

According to the results of the annual survey, in 2021, 87% of respondents rated the working conditions in the office as very comfortable.



FINANCIAL WELL-BEING

The company ensures timely and fair remuneration of each specialist in accordance with the qualifications, complexity of tasks performed, quantity and quality of work performed. We constantly monitor the market, promptly monitor changes and, if necessary, adapt the existing wage system. For a number of positions, there is a bonus system associated with the performance of commercial and other performance indicators.






When applying to the staff, all Melon Fashion Group employees receive an electronic MyCard, which provides a 50% discount on the entire range in ZARINA, befree, LOVE REPUBLIC, and sela stores.



FINANCIAL ASSISTANCE

Employees are the foundation of Melon Fashion Group. It is important for us to help each team member if they need financial support. The company provides financial assistance in the format of one-time payment and monthly payments.

WHEN IS ASSISTANCE PROVIDED:

-  death of a close relative;
-  serious illness of an employee or their close relative;
-  fire.



In addition, the company provides monthly support to retired former employees who worked in Melon Fashion Group and its predecessor enterprises "Pervomayskaya Zarya" and "Kurt Kellermann" for more than 20 years. In 2021, 21 people received a payment in the amount of 4.5 million rubles.

21 PERSONS

4,5 MLN RUBLES



OCCUPATIONAL SAFETY AND HEALTH CARE

Conditions for the organization of labor protection, as well as the rights and obligations of the company's employees in this area are determined by the Regulations on Labor Protection.

The company employs two occupational health and safety specialists whose responsibilities include:

- addressing health and safety issues,
- monitoring legislation,
- developing internal documentation,
- training store directors.

The store director is responsible for compliance with labor protection rules in retail stores.

All employees of offices and stores are required to undergo training on occupational health and safety when hired. The Melonia corporate portal presents **interactive instructions** on fire safety, electrical safety, and first aid rules.

Over the past year, no accidents have been recorded among employees.



SUPPORT MEASURES DURING THE COVID-19 PANDEMIC

The pandemic of the new coronavirus infection has made serious adjustments to the routine and habits of people. Taking care of the health of the staff has become a priority for Melon Fashion Group.

In 2021, the company took the following measures:



conducted 26 mobile vaccination station visits;



conducted three lectures by an immunologist; a video recording of the lectures is posted on the Melonia corporate portal for all employees;



provided offices and shops with personal protective equipment: 1.5 million masks and 3.5 thousand liters of sanitizer





VHI POLICY

It is important for us to maintain a healthy lifestyle among employees, so we take care of their health. Every two weeks, the Melon Fashion Group headquarters is visited by a general practitioner to provide qualified medical advice right in the office. All office employees who have worked for 6 months in the company receive a voluntary health insurance (VHI) policy.

PREVENTIVE MEASURES

Our employees are actively involved in the workflow. To save their time, the company conducts preventive measures in the office: annually organizes a mobile station for fluorography, the results of which can be obtained at work. Also, twice a year, the office is vaccinated against influenza, hepatitis B, tick-borne encephalitis, diphtheria, tetanus.

GYM

To maintain a healthy lifestyle, the headquarters opened its own gym in 2021, equipped with modern equipment for different muscle groups. The group exercise space has classes with professional coaches in yoga, pilates, stretching, dance, and other areas. The company pays for the work of trainers and purchases the required equipment for group classes, which take place in the morning and evening.



Melon Gym is open around the clock, 7 days a week. Employees can also visit the gym with their friends and family members on weekends.

4.3.

MOTIVATION AND ENGAGEMENT



Our cohesion and involvement allow the Melon Fashion Group team to implement the most daring projects and pass all challenges. What's the secret?

Open and transparent communication at all levels of the company.

DEVELOPMENT OF VARIOUS FORMATS OF COMMUNICATION WITH EMPLOYEES

MEETINGS WITH THE COMPANY'S MANAGEMENT

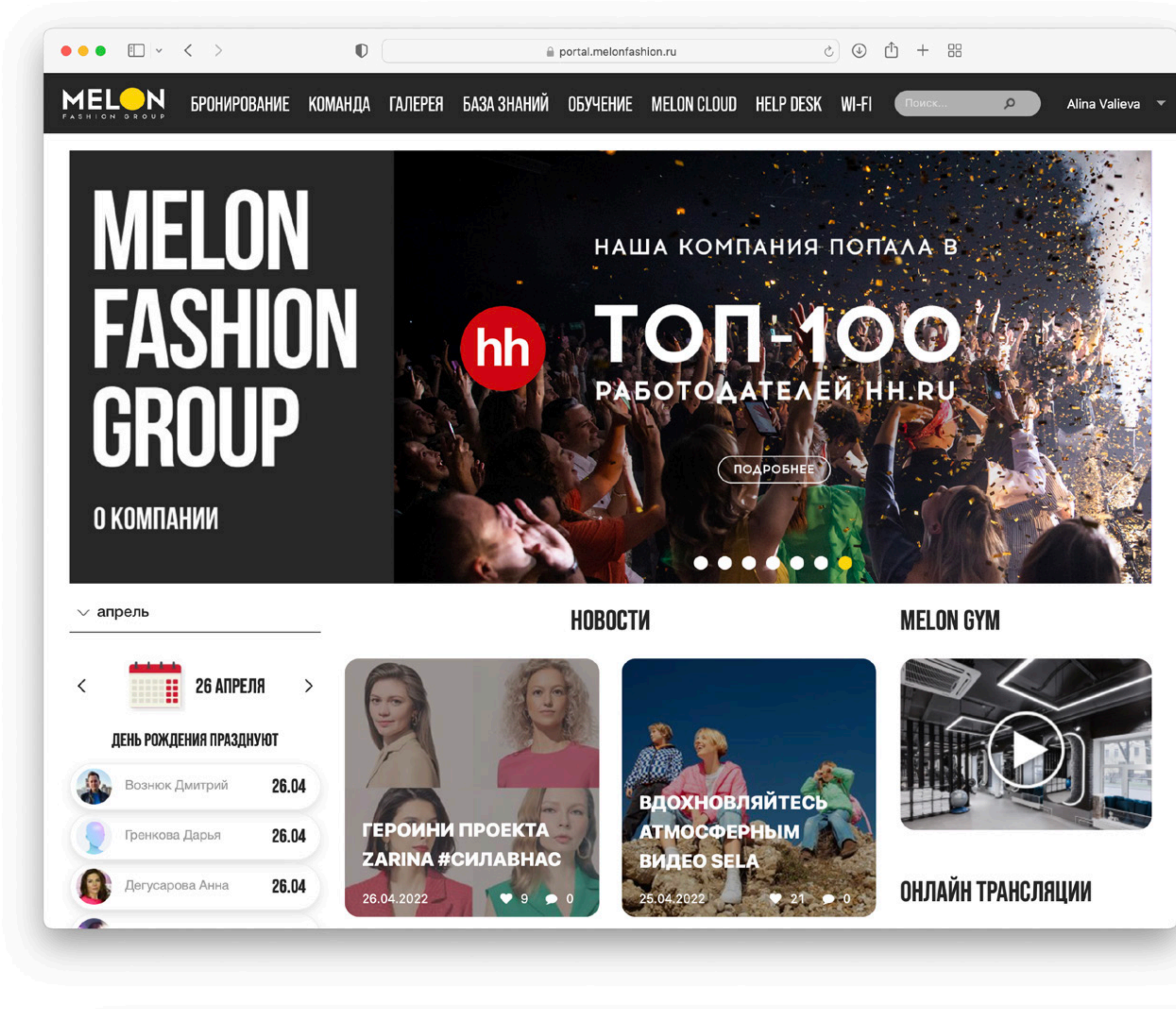
Every six months, the headquarters of Melon Fashion Group hosts a **"Beginner's Day"** to inspire new employees and immerse them in the business processes and history of the company. Top managers tell about brands, departments and the principles underlying the work, including eco-initiatives and sustainable development.

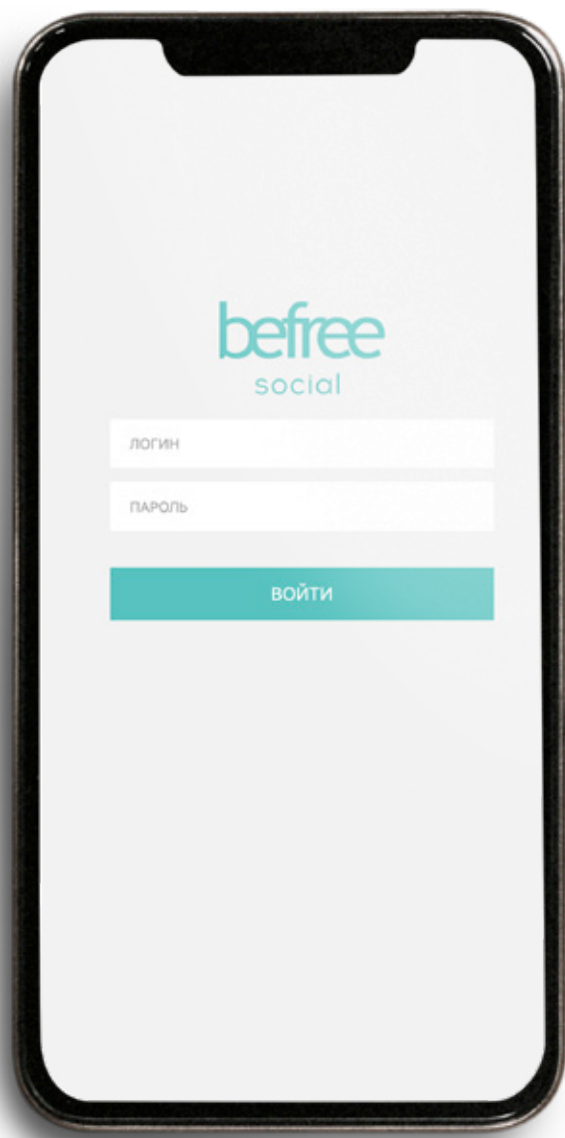
Business breakfast takes place four times a year. The CEO shares with the team the financial results of the company at the end of the trimester and development plans, and also encourages employees for impressive results and innovative projects. The meeting is streamed live on the corporate portal for employees of Moscow, Kyiv, Shanghai, Lithuania, stores, and those who are on a business trip.



BRAND COMMUNICATIONS

Each brand of Melon Fashion Group is free to express itself and independently chooses the format of communication with employees. The main platforms for interaction are the Melonia corporate portal, social networks, and messengers.





befree social

For example, befree is developing its own social network befree social. This is a unified information field for communication between brand employees and franchising partners,

located in Russia, Ukraine, Armenia, Belarus and Kazakhstan. There is a news feed, private and group chats, contacts of stores and teams, reports on merchandising, a library with the necessary documents, instructions, and interactive training.



FEEDBACK FROM EMPLOYEES

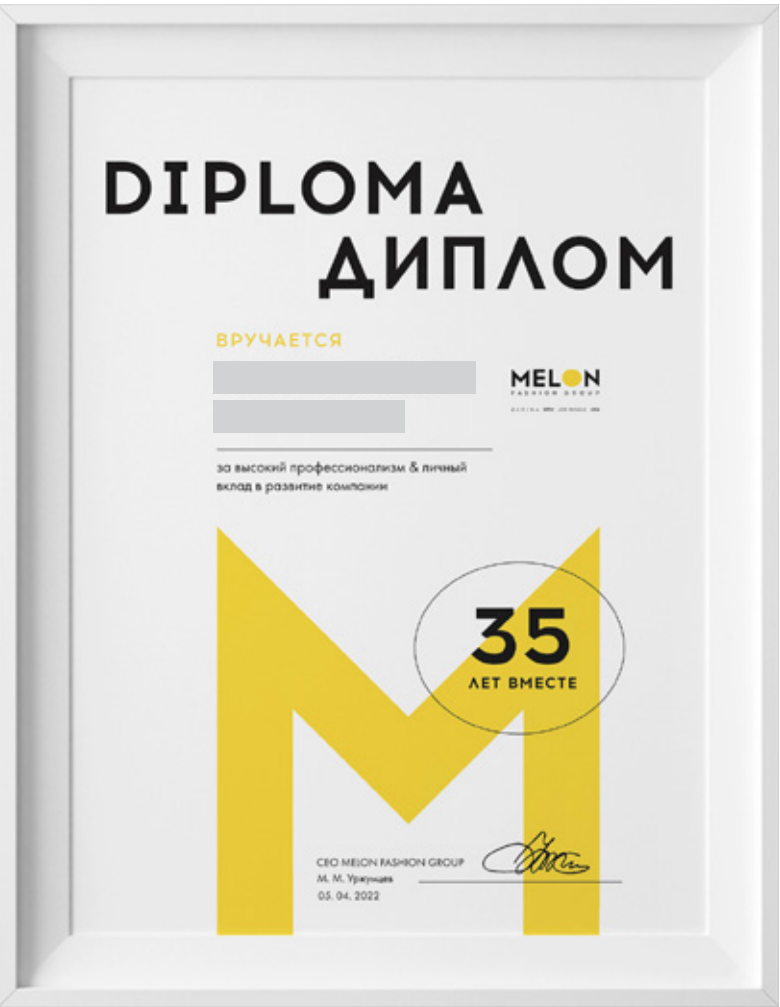
The ability to hear and listen is a skill that allows you to develop. The synergy of managers and employees makes the company advanced and highly efficient. In order to understand each other, the Melon Fashion Group practices the format of development talk meetings, where you can share feedback on personal interaction and work processes.



AWARDS AND CONTESTS FOR EMPLOYEES

Holding contests and awards within the company is an effective tool to increase staff loyalty and engagement. Melon Fashion Group has a gratitude program "**Thank You Card**". At the end of the trimester, top managers nominate those employees who showed the best results or benefited the business for the previous period. The nominees are awarded by the CEO at the Business Breakfast.

Melon Fashion Group brands hold various **contests** for store employees. For example, a contest for the longest check motivating sales consultants develop customer orientation and help customers choose related products or additional details to the look.



4.4.

PROMOTION
OF PROFESSIONAL
DEVELOPMENT

The company's priority in the field of personnel development is affordable and useful training for each employee.



ATTRACTING PROFESSIONAL STAFF

The company has formed an up-to-date database of candidates, which we continuously replenish with valuable personnel and are in constant interaction with everyone. The reserve includes representatives of different professions: designers, marketers, IT specialists, etc. An external personnel reserve allows to conduct an operational search for rare and key positions, without resorting to the help of recruitment agencies.

We also actively involve the youth for work and development in Melon Fashion Group, cooperating with leading Russian universities as part of the organization of internships for students and young professionals:





ADAPTATION

Melon Fashion Group pays great attention to the adaptation of new employees.

On the first day of work, each office employee receives an interactive **Beginner's Guide** with information about the company and brands, an office plan, an organizational structure, a Melonian dictionary, useful contacts, and much more. The brands also hold their own welcome meetings to immerse themselves in the atmosphere and brand DNA.



For a better understanding of the work of retail, beginners go on a one-day internship **Shop Day**. This enables to test in practice all the business processes of the store, take part in receiving deliveries, sorting, steaming things, as well as work in the sales floor, warehouse and cash register.

IN 2021, WE PAID ATTENTION TO:

HARD SKILLS TRAINING:

- English language courses of SkyEng
- MS Excel courses
- product trainings
- training on working with 1C, Diadok, Directum, and conducting tenders and concluding contracts.

SOFT SKILLS TRAINING:

Lectures and trainings on the development of relevant skills in an offline format with online broadcast.

We also focused on public speaking skills, communication and feedback, attention management, situational leadership, etc.



In 2021, the Talent Development Group launched a unique course on developing the leadership potential of managers "Level up Levelling Program" with invited speakers and business coaches who shared their knowledge about goal setting, mental health, emotional intelligence, storytelling for the transmission of values, trust in the team, the basics of working with conflicts, and coaching in management.

The duration of the course "Level up Levelling Program" was **36 hours**.

The company has an open platform for lectures **Mel.ON**. Within the framework of the educational project, lectures on art, psychology, fashion, cinema, and other topics have been held.



TRAINING OF STORE EMPLOYEES

In 2021, store staff was trained to strengthen skills and knowledge in sales, inventory, cash operations and OMNI. There were also trainings on merchandising and working with the Faster Payments System (FPS).

4.5.

SOCIAL PROJECTS
AND CHARITY

We believe that the synergy of business and charitable organizations allow not only to improve the quality of life of people with disabilities, but also develops each of us.

Melon Fashion Group has been supporting projects that help those who need care and attention for many years.

16 MLN

The total amount of charitable donations and social investments of Melon Fashion Group in 2021

RABOTA-I

Since 2013, the company has been implementing a project of assisted employment of people with disabilities, graduates of orphanages and remedial schools, created jointly with the Rabota-i center. This is a unique social project that allows to get the first work experience.

The company allocates a separate budget and special positions in stores for the implementation of the project: assistant storekeeper and store manager, installer of anti-theft systems, etc.



To speed up the process of adaptation of the store's team and candidates, trainings are conducted by the supervisors of the Rabota-i center. In 2021, seven trainings were held for store directors.

Average duration of the assisted employment program is **from 6 to 9 months**, in some cases the period may increase. After the project, candidates can stay in the company and get a full-time job or enter the open labor market.

Over **8 years** of cooperation, more than **200 young people** have gained their first job experience in the stores and office of Melon Fashion Group. In 2021, **52 candidates** got a job at ZARINA, befree, LOVE REPUBLIC, and sela stores. Four of them were officially employed in the company's staff. In 2021, the project was expanded: the first candidates went to work in Orel, Surgut, and Chelyabinsk.



HR-BRAND
AWARD
2020

8

YEARS
OF COOPERATION

>200

PEOPLE HAVE GAINED
EXPERIENCE OF THE FIRST
JOB OVER 8 YEARS

7

EDUCATIONAL TRAININGS
FOR DIRECTORS IN 2021

52

CANDIDATES WERE
HIRED IN 2021

OTHER CHARITY PROJECTS OF MELON FASHION GROUP



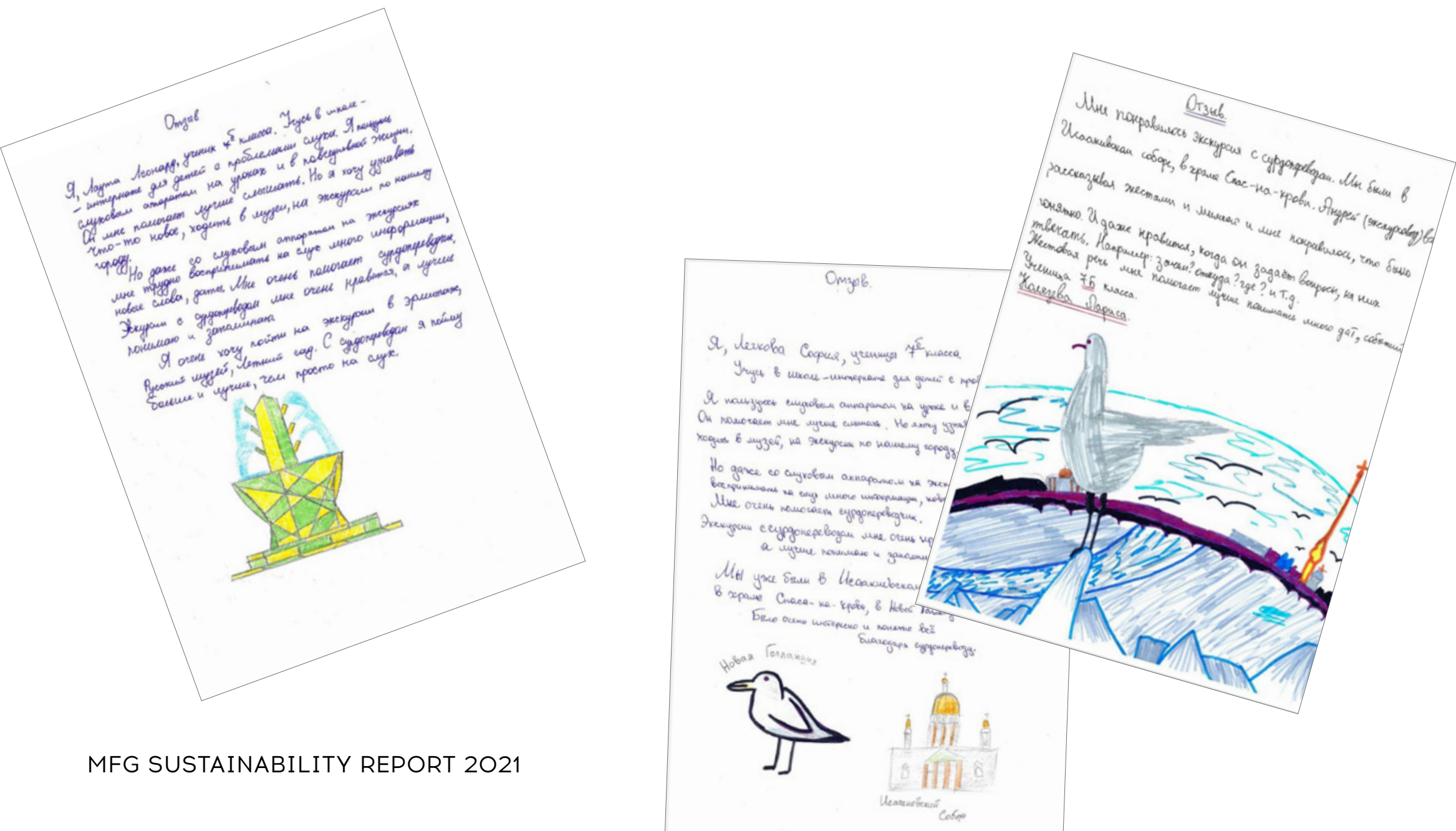
SAINT PETERSBURG PARENTS

In 2021, we increased the charitable contribution to the "Saint Petersburg parents" foundation for the organization of additional care and sweet gifts to orphans who are in hospitals on New Year's Eve.



LANGUAGES WITHOUT BORDERS FOR CHILDREN

The company sponsored the Languages Without Borders training center to organize 10 children's excursions in Russian sign language for deaf and hard of hearing children in the Church of the Savior on Spilled Blood, St. Isaac's Cathedral, the multimedia complex "Russia is my History" and the Theater Museum.



BLOOD DONATION

Two "Donor Days" were held at headquarters. The COVID-19 pandemic has seriously reduced donations and significantly depleted the stocks of blood banks. As part of the campaign, 73 employees donated almost 40 liters of blood.

73 PERSONS

40 LITERS OF BLOOD



RESPONSIBLE SUPPLY CHAIN

5.1.

MANAGEMENT APPROACH

Melon Fashion Group adheres to high standards of product quality and business ethics in its relationships with manufacturers. We oblige manufacturers to comply with the Code of Conduct for Suppliers, according to which they must follow ethical and social standards of responsible business conduct.

The current version of the Code has been adopted by all suppliers of the company with which Melon Fashion Group cooperates.

The code of conduct for suppliers implies absolute non-acceptance of:

- Forced labor;
- Child labor;
- Discrimination;
- Coercion and harassment;
- Penalties for participation in associations (trade unions).

In addition, according to the Code, suppliers must ensure that their enterprises:

- Fair, decent pay;
- Acceptable working hours;
- A safe and healthy workplace;
- Traceability of production;
- Environmental protection;
- Confidentiality of information.

The full version of the [Code of Conduct for Suppliers](#) is available on the official website of the company in the section Cooperation – Partnership.

KEY RESULTS FOR 2021:

PARTNERS

231

suppliers of clothing and accessories collaborated with Melon Fashion Group

ENVIRONMENTAL POLICY

86%

of the major surveyed suppliers have an environmental policy

ETHICAL AUDIT

15%

of the Melon Fashion Group products are manufactured in factories that have passed an ethical audit

SOCIAL POLICY

73%

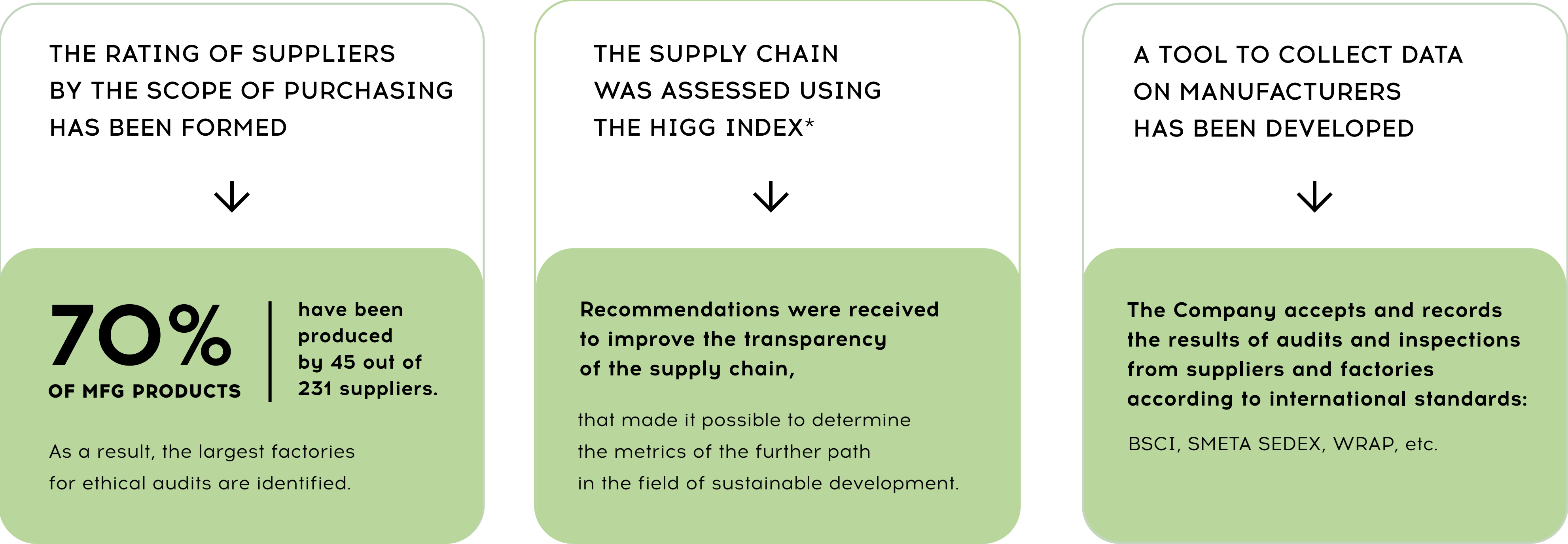
of the major surveyed suppliers of clothing and accessories have a social policy

5.2.

SUPPLY CHAIN TRANSPARENCY

Trust and transparency of interaction are at the heart of Melon Fashion Group's work with suppliers. In 2021, the company carried out a number of measures to improve the traceability of the supply chain.

RESULTS



* The Higg Index is a self-assessment standard for the clothing and footwear industry to determine the level of environmental and social sustainability throughout the supply chain.

5.3.

MONITORING OF WORKING CONDITIONS AND COMPLIANCE WITH ENVIRONMENTAL REQUIREMENTS

In 2021, Melon Fashion Group started conducting ethical audits of the largest factories it works with.

If violations are revealed, the company offers suppliers an action plan to eliminate them in order to continue cooperation.

The Company intends to further develop the practice of conducting ethical audits. For this purpose, the company's quality control staff received special training in accordance with international social and environmental standards SA8000, SMETA, BSCI, ISO14000, ISO 14001.

Aspects that are evaluated as part of the audits:

- health and safety of workers
- working hours and fair pay
- junior employee's age
- environmental protection

5.4.

PRODUCT QUALITY AND SAFETY CONTROL

Melon Fashion China Shanghai office provides an important function in the company's activities, especially in the field of sustainable development.

The team performs the following procedures:

- production audit;
- monitoring the condition of equipment in factories;
- quality control of shipped collections.

When checking the company's products, the acceptable quality level standard 2.5 AQL (Acceptable Quality Level*) is used. A team of Melon Fashion Group inspectors consisting of 30 people conducts quality checks of shipped products. For quality control activities, the company also engages third-party organizations Qima, HQTS, SGS, IRIS, and Textile Control.

*In the AQL system, an acceptable level of quality means the level of inconsistencies in product batches that ensures production and can be accepted as satisfactory.

INFORMATION ON MANDATORY CERTIFICATION

An independent organization approved by the Government of the Russian Federation strictly controls the safety and quality of products of Melon Fashion Group brands. Specialists conduct tests that reveal breathability, hygroscopicity, toxicity index, color fastness under the action of water, friction and sweat, and chemical safety of items. All Melon Fashion Group products undergo mandatory certification, according to the legislation.

PLANS FOR 2022



PLANS FOR 2022



Approval of the ESG strategy of Melon Fashion Group



Establishing a sustainability governance structure



Improvement of non-financial reporting system



Development of policies and corporate documents in the field of sustainable development



Creating an educational course on the principles of sustainable development for employees and partners



Development of targets for strategic directions in the field of sustainable development



Conducting events to involve clients into eco- and social initiatives of Melon Fashion Group and the brands of ZARINA, befree, LOVE REPUBLIC, and sela

ABOUT THE REPORT

7.1.

REPORT METHODOLOGY

The Sustainability Report of the Melon Fashion Group discloses information about the company's sustainable development performance and its interaction with customers, employees, suppliers, and other stakeholders.

The company issues sustainability reports annually. Previous Sustainability Report was published on August 10, 2021.

The reporting period is from 1 January to 31 December 2021. Quantitative data is provided as of the end of the year.

7.2.

REPORT LIMITATIONS

The information disclosed in the Report covers the activities of the Joint-Stock Company Melon Fashion Group unless otherwise specified.

The Report does not disclose information about the activities of 247 Melon Fashion Group franchised stores located in Russia, Kazakhstan, Belarus, and Armenia unless otherwise specified.

ANNEX

8.1.

PERFORMANCE RESULTS FOR THE REPORTING PERIOD


Number of employees by gender and age

	2019	2020	2021
Total number of employees at the end of the reporting period	5 425	5 467	5 607
Gender			
Women	5 095	5 094	5 197
Men	330	373	410
Age			
Under 30 years old	3 694	3 723	3 751
30–50 years old	1 658	1 679	1 791
Over 50 years old	73	65	65


*Information in this table covers whole group of companies.

8.2.

CONTRIBUTION TO THE UN SDGs

Target	Company's activities in 2021	Report section 
KEY UN SDGS		
SDG 8 – DECENT WORK AND ECONOMIC GROWTH		
8.3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services	<ul style="list-style-type: none">• Organization of coaching sessions for office staff• Conducting training for office and store employees	<u>Promotion of professional development</u>
8.5. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	<ul style="list-style-type: none">• Creating an inclusive work environment• Development of the assisted employment project	<u>Social projects and charity</u>
8.8. Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	<ul style="list-style-type: none">• Compliance with employment protection legislation• Monitoring of working conditions in key supplier factories	<u>Comfortable working conditions and well-being</u> <u>Monitoring of working conditions and compliance with environmental requirements</u>

Target	Company's activities in 2021	Report section 
SDG 12 - RESPONSIBLE CONSUMPTION AND PRODUCTION		
12.5. By 2030, significantly reduce the volume of waste by taking measures to prevent their formation, reduce them, recycle, and reuse	<ul style="list-style-type: none">• Implementation of the "Green Office" project for the collection of recyclables in an office• Launch of a project to collect plastic packaging and cardboard in the warehouse of the Utkina Zavod company	<u>Waste management and packaging</u>
SDG 13 - CLIMATE ACTION		
13.2. Integrate climate change measures into national policies, strategies and planning	<ul style="list-style-type: none">• Switching to more energy-efficient solutions in stores• Assessment of greenhouse gas emissions	<u>Energy efficiency and reduction of greenhouse gas emissions</u>
13.3. Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	<ul style="list-style-type: none">• Holding of environmental education campaigns of MFG's brands	<u>Promoting conscious consumption and involvement in social initiative</u>

Target	Company's activities in 2021	Report section 
INDIRECT UN SDGS		
SDG 3 - GOOD HEALTH AND WELL-BEING		
3.4. By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being	<ul style="list-style-type: none">• Provision of medical benefits for employees, including the organization of a doctor's appointment in the office• Providing office employees and their family members with access to the corporate gym	<u>Comfortable working conditions and well-being</u>
3.8. Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all	<ul style="list-style-type: none">• Provision of VHI to certain categories of employees	<u>Comfortable working conditions and well-being</u>
SDG 9 - INDUSTRY, INNOVATION AND INFRASTRUCTURE		
9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	<ul style="list-style-type: none">• Environmental audits of suppliers and preparation of action plans to eliminate revealed violations	<u>Monitoring of working conditions and compliance with environmental requirements</u>

8.3.

METHODOLOGY FOR CALCULATING GREENHOUSE GAS EMISSIONS

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

The calculation was carried out for the period from January 1, 2020, to December 31, 2020, and from January 1, 2021, to December 31, 2021. In accordance with the GHG Protocol, it is recommended 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 applied to calculate

the annual dynamics of emissions and determine the goals for reducing greenhouse gas emissions. Melon Fashion Group determined as the base year for these calculations the calendar year 2020, guided by Chapter 5 of the GHG Protocol.

DIRECT GHG EMISSIONS OF MELON FASHION GROUP (SCOPE 1)	2020	2021
Total direct GHG emissions, t of CO ₂ e.	126.2	119.9
Refrigerants, t of CO ₂ e.	99.7	90
Mobile fuel combustion, t of CO ₂ e.	26.5	29.9
INDIRECT ENERGY-RELATED GHG EMISSIONS OF MELON FASHION GROUP (SCOPE 2)*	2020	2021
Total indirect energy-related GHG emissions, t of CO ₂ e.	13 236,5	18 361,3
Electricity supply from grid, t of CO ₂ e.	5 397,2	9 211,4
Central heating, t of CO ₂ e.	7 839,3	9 149,9

*The location-based method has been applied for this assessment

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Questions related to this Report
and the sustainable development
of Melon Fashion Group
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