

SUSTAINABILITY REPORT



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AWORD FROM CEO

MIKHAIL URZHUMTSEV

Dear friends,

An idea is the beginning of every plan. And at the beginning of every dream is ambition. We have gone all the way and taken on the role of ESG pioneer in the Russian fashion industry: we are the first to publish an ESG strategy, launch environmental initiatives and rethink our approach to garment production and store construction. In our year of coming of age -we turned 18 in December 2023 -we updated our MelonBook philosophy with our vision of the future: a well-dressed Russia. But being fashionable and relevant today is not enough to achieve this goal. It is not a matter of appearing, but of being, of accepting the plans, of involving your customers and listening to their opinions. The Russian fashion industry has undergone perhaps the most significant transformation in decades. Not only has it become highly competitive, but it also needs to change, accelerate and scale up actions aimed at conscious consumption and ethical production.



We love fashion. It is our inspiration for the creation of unique brands and collections that help people express their individuality. In this regard, it is important for us to set a positive example to the industry that responsible management, audits of production facilities, work with customers and continuous training of suppliers and employees is a change that everyone can achieve.

And I hope that what we're doing is catching.

In keeping with tradition, I would like to mention the commitment of our team. Melonians are not only able to build effective business processes, but also to get involved in the social and environmental agenda, offer useful initiatives and be part of a global change. I have no doubt that with a team like this, all our ambitions will be rewarded. I am proud of our collective achievements. The passion of our people and their teamwork inspires and impresses me. All of this is the embodiment of our corporate cults -awareness, openness and a start-up spirit, because together we are doing tremendous work for a sustainable future. Shared values make us stronger. Thanks to all our supporters.

I would also like to thank our suppliers, who not only join us on the path to sustainability and greener business, but also independently initiate innovations to reduce environmental impact and introduce circular use of water, energy and materials. It is amazing that some of our partners have been with us since the company was founded and they change with us, keeping up with the times and its challenges, offering us new approaches and solutions. This is the true synergy.

A well-dressed Russia is not about bold statements, it is about a bright future where everyone -fashion retailers, customers, suppliers and manufacturers, logistics companies -should strive to make fashion in our country affordable, environmentally friendly and strong. And we are poised to make that happen. Together.

Mus

Your MM



A WORD FROM HEAD OF SUSTAINABLE DEVELOPMENT

YANA TROFIMOVA

DEAR READERS,

At Melon Fashion Group, sustainable development penetrates into all spheres of activities.. To sum up the results of 2023, we are pleased to be able to share our achievements with you.

In 2023, we continued to conduct ethical audits of our largest suppliers' factories and significantly increased the percentage of products manufactured in audited factories to 50%. This allows us to understand the conditions under which we produce our collections and to understand the level and capabilities of the suppliers.

We have also broadened our focus on packaging.

In addition to packaging, we have developed more sustainable options for hangtags and sewn labels in new collections. By automating processes, moving 98% of staff onto the HR e-document flow and increasing the number of contractors on the e-document flow, we have been able to save time and paper resources.

Much attention has been paid to employee training.

In courses and working sessions with experts, we have analysed various aspects of sustainable development: in products, architecture and construction, marketing and human resources.

We continued to support charitable and social initiatives, including the Rabota-I Assisted Employment programme, together with our brands.

A significant increase in store area was recorded in 2023. We have succeeded in improving our store concepts. They have become even more convenient for our customers.

After all, our first priority is taking care of them.

We also continued to expand our collection programme for used clothing in our retail stores. We doubled the amount of clothing collected for recycling and charity.

Thanks to the coordination of the Sustainable

Development Group, the well-coordinated interaction of
the Melon Fashion Group ambassadors working group and
the support of our employees, we have achieved a lot.

Despite the challenges, it is already possible to see how
the planned improvements are leading to results that have
been noted in the ratings and in the industry media.

In 2023, Melon Fashion Group improved on its previous year's performance by achieving the gold level in the overall FORBES ESG rating. Congratulations to all employees of Melon Fashion Group!

We strive for a better and more sustainable future!

Sincerely, Yana Trofimova **SECTION 1**

COMPANY ACTIVITIES

Melon Fashion Group is one of Russia's leading fashion retailers and manages the ZARINA, Befree, LOVE REPUBLIC, sela and IDOL brands. The company manages the full cycle of fashion business activities, from collection design and sourcing to logistics, distribution through sales channels and promotion to target audiences. Melon Fashion Group has a broad portfolio of brands that meet the needs of different target groups through its unique DNA and promotional strategy. Over the years, the company has successfully developed in the mass market niche. In 2023, it decided to enter a new segment for itself - affordable premium - and launched its fifth brand - IDOL.



1.2.

KEY FIGURES

2023 IN FIGURES

61.6

trade turnover, billion rubles

98%

employees switched to the HR e-document flow

50%

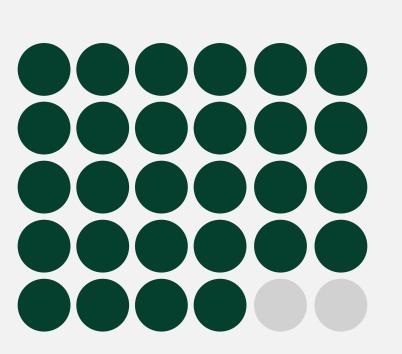
of products manufactured in ethically audited factories 76 tonnes

of clothing collected in

49 cities

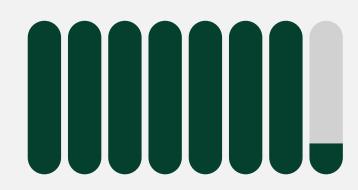
share of e-document flow

82%



8,5 tonnes

of recyclable materials collected under the "Green Office" program



40% of Melon Fashion Group branded packaging is made with the addition of recyclable materials



ZARINA

Brand values

STYLE. SENSE. POWER

Brand concept

MODERN STYLES FOR MEN AND WOMEN AT AFFORDABLE PRICES

The brand supports and develops initiatives that inspire the creation of a harmonious environment by involving influencers, celebrities and foundations with similar values and views in projects. This approach enables us to actively develop the ESG agenda and to expand the community of caring people among our customers and employees.



Befree

Brand values

CREATIVITY. FOCUS ON THE FUTURE.

HUMANITY. FREEDOM. INTELLIGENCE. INNOVATION.

Brand concept

AN INCLUSIVE YOUTH FASHION BRAND

Befree has been actively promoting an inclusive agenda in its collections and communications for a number of years. In 2023, sustainable development was included in Befree's "5 Pillars of Identity" under the "Focus on the Future" value, stating that the ESG agenda is strategically important for the future of society and the brand.



LOVE REPUBLIC

Brand values

FEMALE ENERGY. AMBITION. CONFIDENCE. HEDONISM

Brand concept

MIDDLE-MARKET WOMEN'S LIFESTYLE BRAND

LOVE REPUBLIC strives for a better future that inspires, energises and motivates. From product creation to communication, everything is infused with aesthetics through which the brand translates love for people, fashion, favourite business and the environment.





Brand values

FAMILY. CARE. COMFORT.

Brand concept

A MODERN FAMILY BRAND OF COMFORTABLE CLOTHING

As a family brand, sela actively involves all family members in the sustainable development agenda and principles. Sela aims to provide care and comfort for the whole family in everything it creates -collections, activities and urban facilities. Because caring for others is caring for everyone.





Brand values

ENERGY. LEADERSHIP. SUCCESS. VITALITY

Brand concept

PREMIUM SMART CASUAL WEAR

IDOL is the new premium brand of Melon Fashion Group. It was launched in autumn 2023. The main idea is in the title itself: I DO Life -I create my own life, myself and the environment. The brand is inspired by the energy and spirit of big cities, dynamic lifestyles and people who want to succeed.

As part of its commitment to sustainable development, IDOL develops initiatives that motivate audiences to new heights of performance and belief in themselves.

WE ARE MELON CARING FOR CUSTOMERS RESPECT FOR THE ENV

RESPECT FOR THE ENVIRONMENT CARING FOR EMPLOYEES

LOYEES CORPORATE GOVERNANCE

1.4.

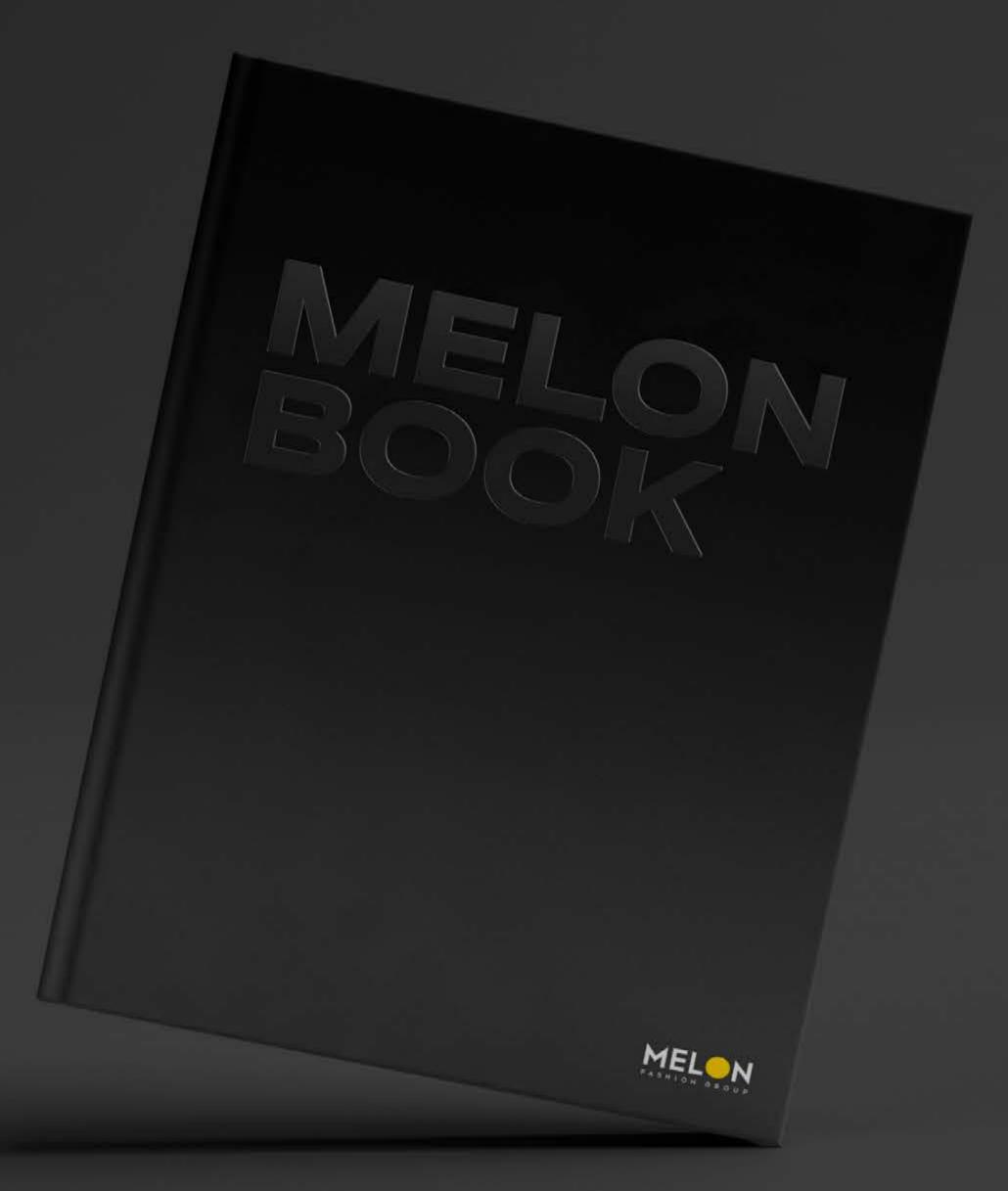
MISSION OF THE COMPANY

IN 2023, MELON FASHION GROUP PRESENTED AN UPDATED MELONBOOK CORPORATE PHILOSOPHY IN HONOUR OF ITS 18TH ANNIVERSARY. INSPIRED BY THE PRINCIPLES OF SUSTAINABLE DEVELOPMENT, THE DNA OF THE COMPANY AND ITS PEOPLE, A VISION AND A NEW MISSION EMERGED.

Fashion is a vital component of our culture and identity.

We love fashion and adapt it so that everyone can express their individuality. Feel more in tune and confident.

Reach the most ambitious goals. Get involved.



CARING FOR EMPLOYEES

AWELLDRESSED RUSSIA

OUR MISSION:

CREATION AND DEVELOPMENT OF UNIQUE BRANDS FOR EVERY OCCASION IN SOMEONE'S LIFE, STARTING WITH BIRTH

WE ARE MELON CARING FOR CUSTOMERS RESPECT FOR THE ENVIRONMENT CARING FOR EMPLOYEES CORPORATE GOVERNANCE ABOUT THE REPORT APPENDICES

DNA OF MELON FASHION GROUP

TRUST

We have faith in all people and value the trust of everyone. Reputation and transparency are paramount. It is impossible to build lasting relationships without trusting each other. Neither in life nor in the business world.

ETHICS

We believe that the observance of ethical principles in labour relations, business and communication with each other, partners and customers contributes to the creation of a harmonious and successful environment.

HUMANITY

We stand for humanity, respect and consideration for the human person.

Our thinking is based on honesty, benevolence and a desire to help others, seeing only the best in everyone.



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DNA OF THE MELONIAN

ENGAGEMENT

Melonians are passionate and inspired. They research and quickly implement new solutions. They bring knowledge, strength and emotion to work, inspiring everyone with the passion. They care about the company, sharing its mission, philosophy and strategy.

CREATIVITY

The creator in the truest sense of the word. They think outside the box and turn routine into creativity. They find unusual approaches to solving problems and are not afraid to look at solutions from a different angle.

RESISTANCE

They are able to maintain balance and stability in different situations. They are able to adapt to changing conditions and overcome difficulties. They understand that overcoming is about development.



We strive to give our customers the opportunity to express themselves with clothes, not only in terms of design, but also in terms of a conscious approach to fashion.

SECTION 2

SUSTAINABLE DEVELOPMENT IN MELON FASHION GROUP

RESPECT FOR THE ENVIRONMENT

KEY STAGES IN BUILDING A SUSTAINABLE SYSTEM

OUR JOURNEY TO SUSTAINABLE DEVELOPMENT:

In 2019, the cult of Concious development was added to the company's values. This became an important milestone in the activities of Melon Fashion Group.



CARING FOR CUSTOMERS

We carried out a market analysis, a review of the company's sustainable practices, and also looked at non-financial reporting standards and rating agency requirements.



By 2023, we had developed policies and standards, launched the sustainability section of the company's website, defined criteria for a sustainable product and promoted the ESG strategy externally.



The company has been developing and supporting various social and charitable projects for more than 10 years.



In 2021, we realised that there was a lack of consistency. We revised our approach to development and set ourselves the goal of becoming the ESG avant-garde of the Russian fashion industry.



In 2022, the ESG strategy was presented, which included the sustainable development goals and a roadmap.



Focus on continuous improvement

MANAGEMENT APPROACH

In 2023, Melon Fashion Group continued to develop its strategic priorities: respecting the environment, caring for people, building responsible supply chain. All the company's sustainable development activities are guided by the ESG strategy. The **Sustainable Development Group** co-ordinates departmental activities, is responsible for strategic planning and development of ESG initiatives, and determines recommendations for departments.

A working group of ESG ambassadors has been set up to implement the ESG strategy, with representatives from all departments and different areas of activity. Their role is to find practical solutions to problems and to promote the values and principles of sustainable development within their respective departments. Each ambassador is assigned projects and targets. At quarterly meetings, participants discuss the results of their projects and share experiences of implementing sustainable practices in their areas and departments.

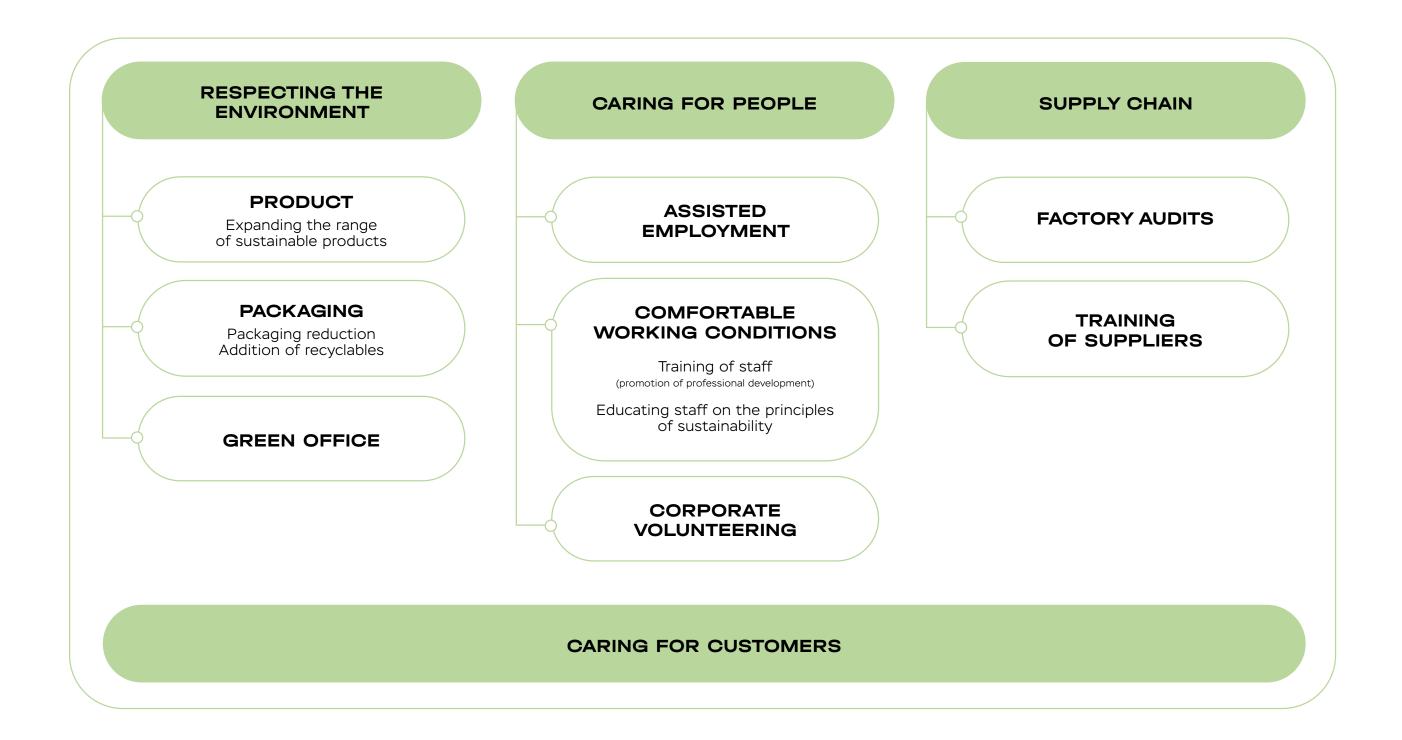


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2.3. ESG STRATEGY

In 2023, Melon Fashion Group publicly presented the ESG strategy by introducing the Melon Sustainability section on the company's official website, as well as running a campaign to promote the strategy in relevant media.

The strategy focuses on caring for customers who choose an informed approach to fashion and, together with the Melon Fashion Group brands, follow the principles of responsible consumption.



As part of the strategy, the company has identified priority areas:

- Reducing its own negative impact on the environment;
- Support and development of comfortable working conditions for its employees;
- Work on increasing transparency and traceability of the supply chain.

Key challenges for the coming years:

- Team and supplier training;
- Implementing environmentally friendly packaging solutions;
- Increasing the proportion of products made in factories that have passed an ethical audit, including products made from more sustainable materials.

A detailed description of the company's ESG strategy and brand initiatives, key documents and an archive of sustainability reports are available on the company's official website in the Sustainability section.

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SUSTAINABILITY REPORT

2.4.

DOCUMENTS

A number of documents have been adopted to effectively integrate the principles of sustainable development into all areas of the company's activities.

- Sustainable development policy
- Code of ethics and business conduct
- Anti-corruption policy
- Charity policy
- Supplier policy

All documents are <u>publicly</u> available on the company's official website and corporate portal. In 2023, all policies and internal regulations became available in the HR e-document flow.



MELON FASHION GROUP

SECTION 3

CARING FOR CUSTOMERS

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3.1.

MANAGEMENT APPROACH

Melon Fashion Group's ESG strategy is centred on caring for the customer.

In 2023, all brands significantly expanded their ranges, introducing new lines and new directions in product development.

In addition, there was an active expansion to open and relocate stores to larger areas with wide aisles and convenient signage to meet the needs of all categories of customers and make their shopping experience as convenient as possible. In addition, the company's portfolio has been expanded to include a new brand, IDOL, which offers collections of premium materials.

The developed omnichannel enables customers to shop when and where it is convenient for them, offering a wide chain of retail stores, marketplaces and online shops.

By developing a culture of conscious consumption, in 2023 the company and its brands expanded its used clothing collection programme and promoted environmentally friendly principles by refusing packaging and receipts.



ABOUT THE REPORT

COMFORTABLE SHOPPING ENVIRONMENT

In 2023, Melon Fashion Group started to implement a programme for the opening and relocation of large-format stores, the first steps of which were taken at the end of 2022.

In 2023, ZARINA's new flagship store in Saint Petersburg (Galeria Shopping Centre) became the first Russian fashion store to receive "Green Zoom Environment" gold certification by Autonomous Nonprofit Organisation "Research Institute for Sustainable Development in Construction", the national system for certifying real estate to meet sustainable development objectives.



WE ARE MELON CARING FOR CUSTOMERS RESPECT FOR THE ENVIRONMENT CARING FOR EMPLOYEES CORPORATE GOVERNANCE ABOUT THE REPORT APPENDICES

Experts from the Autonomous Non-profit Organisation "Research Institute for Sustainable Development in Construction", who evaluated the retail facilities, noted the concise spatial concept. Every detail has been designed for the comfort of the store's visitors and staff: These include the rounded shapes of furniture, lamps and walls, the use of natural materials for translucent partitions and the use of flush-mounted lighting. There is a projector in the changing room. It projects the branches of a tree with leaves onto the wall. The store has soft seating for visitors and a staff toilet. In the changing rooms there are shelves for the phone, showing that customer care is about the little things.

Local building materials are used for decoration. Much attention is paid to energy efficiency, air conditioning and climate control systems, creating comfortable conditions not only for customers but also for staff.

ZARINA



Detailed information about the facility certification system and the Green Zoom Environment rating of the flagship ZARINA is available on the company's website.

READ

THIS IS OUR COUNTRY'S FIRST EXPERIENCE OF IMPLEMENTING SUSTAINABLE DEVELOPMENT IN THE FASHION SECTOR.

AND THE RESULTS ARE INSPIRING!



Vera Burtseva,

CEO of Autonomous Non-profit Organisation "Research developer of the Green Zoom Environment national system

CARING FOR EMPLOYEES WE ARE MELON **CARING FOR CUSTOMERS** RESPECT FOR THE ENVIRONMENT CORPORATE GOVERNANCE APPENDICES ABOUT THE REPORT





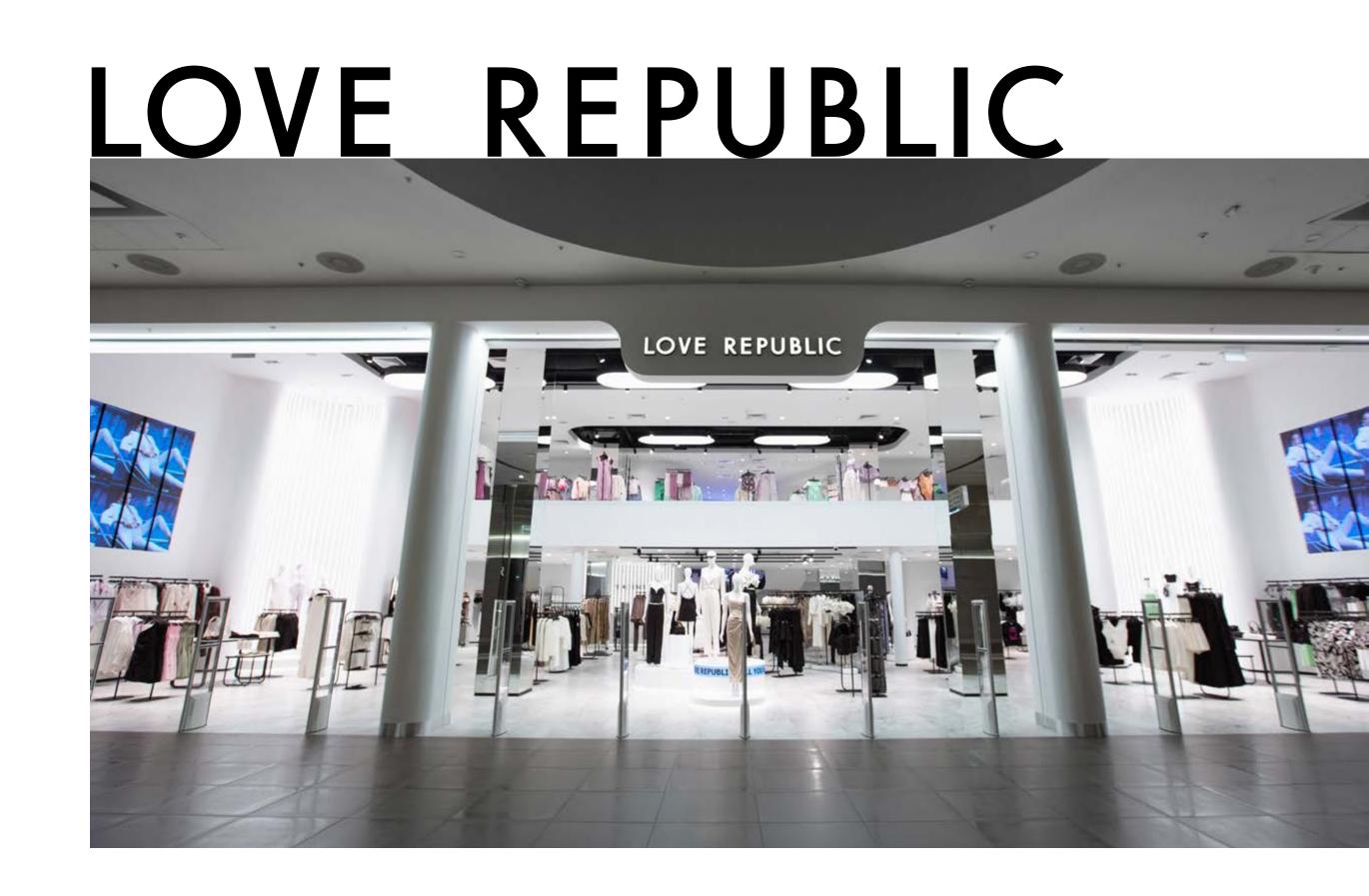


The range of Befree flagship stores has been significantly expanded. Separate areas have been created for shoes, underwear, sportswear and accessories. The new stores offer more changing rooms, wider aisles, shopping bag counters, a lounge area and a comfortable staff lounge.

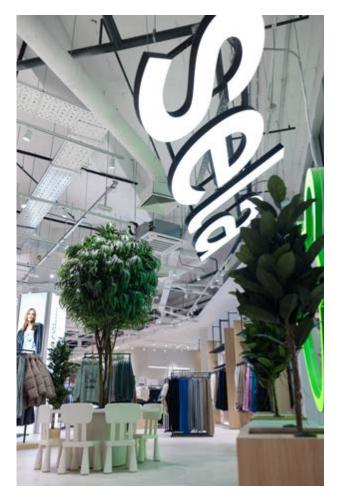
The new store at Galeria mall also features original art in the form of upcycled sofa filled with clothes. In the spring of 2023, the Befree Better Future project was launched with boxes installed in Befree stores in Moscow, Saint Petersburg and Nizhny Novgorod to collect unwanted clothing to be sent to Laut Recycling for charity or recycling.

The LOVE REPUBLIC store concept has been created with global trends in architectural design and visual merchandising in mind: fresh digital techniques, lighting solutions, aesthetics and functionality. Key design elements: bionics in architecture, seamlessness and spaciousness in lightweight equipment, the absence of sharp corners, a combination of different light sources that create a space.

In the changing rooms, new lighting principles have been used to enhance the image and shape in the mirror, and consultant call buttons have been installed in the cubicles. For a comfortable fit, the climate control system is configured to supply the calculated amount of air and cool it in the warmer seasons. There are also sofas, lightweight mobile chairs, lockers for personal belongings, tables, etc. in the staff rooms.









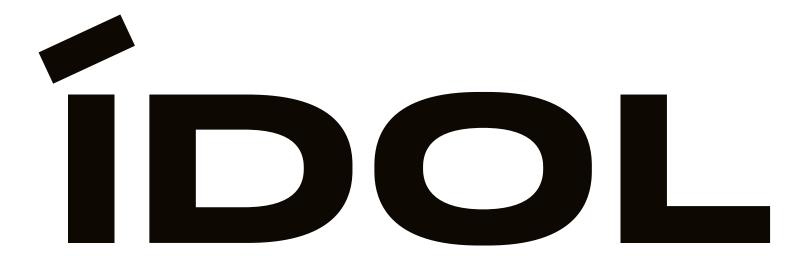




The design of sela stores uses light natural colours: beige, white, grey, green, as well as tactile materials that create an atmosphere of comfort: wood, concrete, jute. Navigation in the hall and lighting are given special attention.

The innovation of the sela moms & monsters flagship stores was the "library of iconic goods" - a separate area with basic items decorated in the form of a shelf displaying "as if at home" and "at hand" goods.

For comfortable family shopping, sela stores have children's play areas, a creativity table in the sales hall with a gallery of drawings and busyboards in the changing rooms, and spacious changing rooms for mothers with strollers. There is also a seating area for dads with comfortable chairs and partitions. In April 2023, the sela store concept was awarded the "Best Retail Concept in the Fashion Category" at the NatMall International Award. The award is presented to shopping centre developers, retail chains and technology and innovation companies for significant contributions and successful activities in the commercial property and retail sectors in Russia and the CIS.



On 1 September 2023, the company launched a new affordable premium brand IDOL. The first stores opened at the end of September. At the end of the year, 18 IDOL stores with an average area of 300-500 square metres were operating in six cities: Moscow, Saint Petersburg, Yekaterinburg, Yaroslavl, Kazan and Rostov-on-Don.

As an aroma marketing tool in IDOL stores, the Pure Sense team of blind and visually impaired perfumers has created a special fragrance composition with woody, mineral and smoky notes.

Pure Sense's mission is to create opportunities for other people to develop and express how they see the world through fragrance.









3.2.

DISSEMINATION OFTHE CONSCIOUS CONSUMPTION PRINCIPLES AND INVOLVENENTIN SOCIAL INITIATIVES

SUSTAINABILITY REPORT

CONSCIOUS CONSUMPTION

Customers' awareness of environmental impact and the amount of resources used in the production of clothing and packaging is changing their old habits and bringing them into the current agenda. The modern consumer does not want to be part of the problem, they want to be part of the solution. We engage customers in various environmental initiatives of our brands to develop informed habits. For example, refusing packaging when shopping, using electronic receipts instead of printed ones, or putting old clothes in boxes placed in branded stores for charity or textile recycling. All brands report regularly on their sustainability performance, highlighting the contribution of each customer to brand initiatives.



MELON FASHION GROUP

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COLLECTING CLOTHES

The old clothes collection programme is one of Melon Fashion Group's key sustainable development projects. This initiative helps to reduce the amount of textile waste by encouraging customers to make a conscious effort to analyse their wardrobes.

Since 2019, the LOVE REPUBLIC branded stores have been operating the LOVE 2.0 program, under which customers can donate their old clothes for charity or recycling to the "Vtoroe Dykhanie" and "Spasibo" non-profit funds. By the end of 2023, the programme operated in 35 cities and 114 branded stores. In four years, more than 78 tonnes of clothes have been collected and in 2023, the amount of clothes collected was the same as in the previous three years, confirming the loyalty and commitment of the LOVE REPUBLIC audience.

sela continued to work with the "Vtoroe Dykhanie" and "Spasibo" funds to collect clothes in the branded retail stores, with the incentive of a discount on the next purchase. In 2023, 10 more stores joined the programme. This means that 50 sela stores are involved in the programme. Last year, 35 tonnes of clothes were collected.

As part of the campaign to collect unwanted clothes in 2023, two more brands joined the programme – **ZARINA** and **Befree**, who installed recycling boxes in their stores together with processor **Laut Recycling ("Green Knight")**.















LOVE REPUBLIC stores in 35 cities

RESPECT FOR THE ENVIRONMENT

50

sela stores in Saint Petersburg and Moscow

Befree started collecting clothes and involved 18 stores in Moscow, Saint Petersburg, Nizhny Novgorod, Samara and Tula in the programme, as well as launched an advertising campaign and a website with gamification elements "Escape to Befree". **ZARINA** stores launched a collection programme in Saint Petersburg, Samara, Ivanovo and Nizhny Novgorod.

tonnes of unnecessary clothes were collected by the end of 2023

249

tonnes of unnecessary clothes were collected by the end of 2023

The Saint Petersburg branch of the Pacific-Eurasian Business Alliance (PEBA) presented Melon Fashion Group with an award in the Environmental Sustainability category for developing an in-store clothing collection programme.

In 2024, Melon Fashion Group will continue to expand the area of the recycling boxes and increase the number of garments collected.

CHARITY AND SOCIAL INITIATIVES OF BRANDS

ZARINA

Social projects for self-development are close to ZARINA. For example, the brand has an active reading club where the ambassador shares collections of interesting and useful books and reviews those that get the most votes from subscribers. A regular online training project with **Melon GYM** coach Viktoria has been set up to help maintain a healthy lifestyle.

Supporting the recycling programme, ZARINA marketing gave for recycling the decorations from the shooting of

the advertising campaign with Lyubov Aksenova for laying beds for the animals of the Moscow shelter "Vernye Druzia", as well as helped with medicines and food, repaired the roofs of the houses.

ZARINA continued its cooperation with the Eva Foundation and in autumn delivered sets of warm clothing to the elderly and poor residents of Saint Petersburg.



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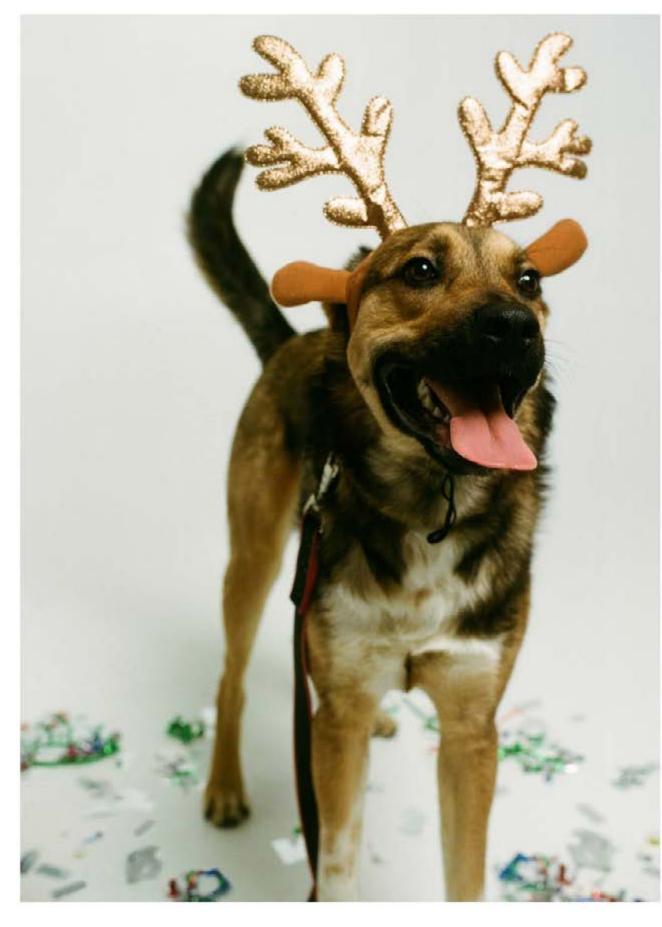
The launch of the programme to collect unwanted clothing in Befree stores was accompanied by the launch of the "Escape to Befree" advertising campaign with students from the HSE Art and Design School. Not only did the participants create an interactive website with gamification elements, but they also took part in a competition to come up with designs for recycling boxes. The three winning designs will be used for new boxes that will be installed in Befree stores and socially significant facilities: university campuses, apartment hotels, etc., in 2024. In addition, at the invitation of the HSE Art and

Design School, a lecture on textile recycling was given at the Moscow Museum Summer Camp to engage a young audience with the collection.

Befree actively cooperated with the "Prostye Veshchi" inclusive workshops, the "Sdvig" performative arts studio for the charity fair of the Ufa hospice, the "Anton tut ryadom" theatre project. As part of the Befree Co:Create Better Future project, a joint collection was also created with the latter. The brand has also become an active participant in the "Anton tut ryadom" charity festival in Sevkabel Port.



MELON FASHION GROUP SUSTAINABILITY REPORT

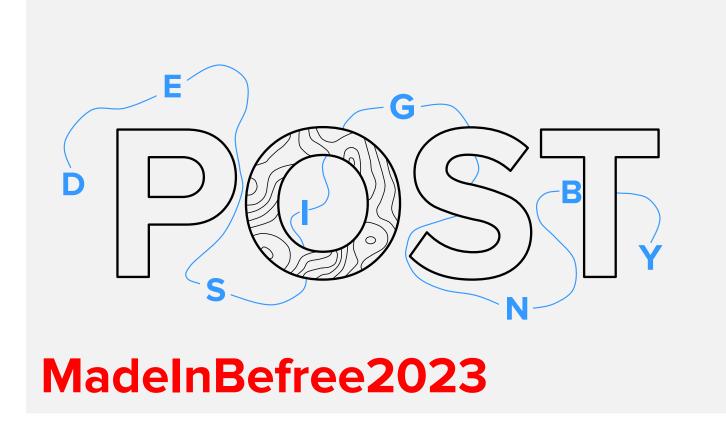






As part of its patronage of homeless animals, the brand organised a visit by the Befree team to the "Pushdomik" shelter to walk dogs, with a talk by a dog specialist. To help the homeless animals find homes, Befree also organised a photo shoot of staff with the shelter's animals.

In 2023, Befree organised a Made In Befree competition for employees of the brand's stores and offices, with the main prize - a scholarship to develop their hobby, pastime or profession that is different from their main job and in which they have a clear talent. The winner was a visual merchandising training manager who loves designing furniture and dreams of opening his own workshop.



In 2023, the Befree HR Group, together with office and retail employees in the Northwest region, organised the **fifth charity collection** of New Year's gifts for elderly single people living in social care homes.



In 2023, LOVE REPUBLIC organised a LOVE GARDEN gardening campaign and, together with friends of the brand, planted a flowering avenue in the Krasnogvardeysky Ponds area of Moscow. The Ecoplant nursery is dedicated to the care and maintenance of young trees.

RESPECT FOR THE ENVIRONMENT

In October, together with the "Dalshe" charity foundation, the brand supported the international Pink October campaign and launched a special project to educate women about the importance of breast cancer prevention. In addition, the brand will donate part of the proceeds from the sale of the LOVE REPUBLIC bra to the charity foundation. The money will be used to support women with breast cancer.

To support career development in the fashion industry,
LOVE REPUBLIC and Fashion Factory School launched
the **Content Creator course**, whose graduates were able
to complete an internship with the brand.



In 2023, sela, Raul Charitable Foundation and Rabota-i social agent launched a special project for the adaptation of mothers after maternity leave. In addition, the brand has collaborated with Rabota-i, Yandex.Practicum and hh.ru to release a game about everyday and life skills "Not from scratch", which will help in the first profession.

In 2023, the brand supported the "Deti Babochki" Foundation with a special capsule.

The capsule featured drawings of the foundation's wards. The Rare Women Foundation received a portion of the proceeds from the sale of the collection.

The **Real Moms** social project has grown even bigger: in 2023, the brand told the stories of 10 mothers. One of the participants was the mother of a child with autism spectrum disorder who is supported by the Naked Heart Foundation.

The sela team held a joint **event with the Vtoroe Dykhanie Foundation** in Moscow in July, the traditional month for environmental initiatives. It was a series of workshops for the family to make toys from recycled materials. A flash mob to collect clothes from sela audiences and "Vtoroe Dykhanie" were also launched. The brand also took part in the Saint Petersburg Eco-Festival with a **lecture** on "**Conscious Fashion**". Vigge, the brand mascot, informed subscribers on sela's social networks about important eco-habits.





2023 KEY RESULTS

million people

- total audience of social media brands

million people

are members of the brand loyalty program

177

brand publications on social topics ("S")

158

brand publications on environmental topics ("E")

586K

receipts were not printed at the ZARINA stores

987K

receipts were not printed at the sela stores

million people

total reach of publications

WE ARE MELON CARING FOR CUSTOMERS RESPECT FOR THE ENVIRONMENT CARING FOR EMPLOYEES CORPORATE GOVERNANCE ABOUT THE REPORT APPENDICES

3.3.

ETHICAL AND RESPONSIBLE MARKETING

Melon Fashion Group and its brands pay attention to the promotion of social and environmental values among employees, candidates, buyers and other observers in order to build sustainable relationships and develop a caring society.

Our basic principles:

- Honesty and transparency in communication, providing accurate and true information about products and services, their characteristics and packaging.
- **O2** Building trust and long-term relationships with customers through meaningful communication.
- Observance of consumer rights: protection of confidentiality and security of personal data.
- Conscious attitude to the environment: compliance with environmental regulations and rules, rational use of resources.

- Compliance with competitive regulations and rules: exclusion of unfair competition, use of ethical and honest methods of promoting.
- **O6** Promoting social values: supporting charitable programmes, developing corporate volunteering.
- Responsible attitude to the production process and the quality of manufactured products: compliance with product quality and safety standards.
- Building partnerships by participating in business development with partners and suppliers, respecting their interests.
- **Q9** Raising staff awareness and skills in green communications.
- **10** Consistency and focus on the future.

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SECTION 4

RESPECT FOR ENVIRONMENT

MANAGEMENT APPROACH

As a pioneer of the ESG strategy among Russian fashion retailers Melon Fashion Group continued to implement its sustainable development goals in 2023.

The main principle remains the continuous work in the field of sustainable development, the search for the best solutions to achieve the objectives of the strategy adopted by the company. Melon Fashion Group's inclusion in the League of Green Brands, the first Russian ranking of brands that meet ESG goals, has become a powerful endorsement of our efforts. The company has undergone an audit of the level of sustainable development for large companies, which takes into account the level of compliance with environmental, managerial and social criteria. Its position in the Russian Green Brands ranking shows that, in addition to building sustainable relationships, the company is doing a lot of work to reduce its negative impact on the environment, change its approach to manufacturing branded products and educate employees, buyers and suppliers.



PRODUCT AND PACKAGING

PRODUCT

An important step in 2023 was the development of the "Product Sustainability Criteria", a document that collects standards and categories of product sustainability to facilitate the classification of product brands. This solution makes it possible to systematise the data collection process and track results over time.

We are constantly researching new materials and exploring different ways of making fabrics, taking into account the responsible practices of manufacturers. For example, some suppliers have switched to renewable energy sources, started to introduce water recycling technologies, solar energy in production and the use of a laser to create a print on denim.



WE ARE MELON CARING FOR CUSTOMERS RESPECT FOR THE ENVIRONMENT CARING FOR EMPLOYEES CORPORATE GOVERNANCE ABOUT THE REPORT APPENDICES

ZARINA

ZARINA introduced recycled cotton women's and men's collections and expanded its denim line. In addition, resource-efficient washing machines are used in the production of some jeans, saving up to 50% on water and chemicals and up to 20% on electricity.

Befree

Befree used eco-friendly materials in its collections: corn fibre and bio-fluff for insulation in outerwear, organic cotton and recycled polyester. A sustainable product is marked with green Better Future labels and in-store POS materials on rails.

LOVE REPUBLIC

LOVE REPUBLIC has released a down jacket with sorona insulation made of corn fibers. The production of such a filler is more environmentally friendly than the production of nylon: 30% less energy is used and greenhouse gas emissions are reduced by 63%. At the same time, the material is technologically advanced and lightweight, retaining heat and allowing air to pass through easily.

sela

sela's collections include a regular range of environmentally friendly sela cares materials. In 2023, the brand launched an organic cotton capsule and jeans with an eco-friendly laser print. For the outer garments, a Sofeelate technological insulation made of recycled plastic has been used, which has thermostatic and thermal insulation properties and, thanks to the thinnest fibres, the Sofeelate filling jacket is practically weightless.

IDOL

IDOL uses top quality materials and works with international factories. The brand pays particular attention to quality, with 100% of goods inspected before dispatch. Some styles have international certificates: OEKO-TEX, Responsible Wool Standard, GRS, SFA Cashmere Standard.

Throughout the year, training seminars and meetings with experts were held regularly for the product team, and special courses were created to enable employees to learn about new solutions in the fashion world and to apply sustainable practices in product creation.

For more information, see the "Learning the principles of sustainable development" chapter.

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PACKAGING

The issue of replacing packaging bags with more environmentally friendly options is being systematically addressed by Melon Fashion Group. In 2023, online and offline seminars were held with an invited partner, a supplier of sustainable packaging. Its factories are located in 7 countries and have successfully completed projects for many international fashion companies. The company's brands have identified and implemented more sustainable packaging options, with a focus on using recycled materials and reducing the number of packaging elements.



IMPLEMENTING ENVIRONMENTALLY FRIENDLY PACKAGING SOLUTIONS:

Implementing the Reduce, Reuse, Recycle approach;

Implementing programmes to raise
awareness of responsible consumption
among customers and store staff;

Reducing the amount of packaging.

In addition, the area of sustainable packaging production was expanded in 2023, with samples approved in India,
Uzbekistan, Bangladesh and Vietnam, where brand collections are also produced.



CARING FOR CUSTOMERS WE ARE MELON RESPECT FOR THE ENVIRONMENT CARING FOR EMPLOYEES CORPORATE GOVERNANCE APPENDICES ABOUT THE REPORT

MINIMUM PACKAGING

Befree

Encouraging the rejection of the package at the checkout is another tool for educating the audience and encouraging changes towards environment-oriented and conscious consumption.

In our stores, the customer can refuse the package at the checkout in support of resource conservation, as well as use the option of reusing the primary package in which items come from the manufacturer. Since 2020, Befree has been actively implementing the experience of using primary packaging as packaging at the checkout, which is the embodiment of responsible consumer behaviour.

Over the past year, the brand has brought more suppliers into the project in different countries of production, with branded packaging appearing in India and Uzbekistan (18% of products).

418%

stop production of approximately

million plastic bags a year

The initiative made it possible to

By 2024, 50% of the supplier's packaging will be made from recycled materials.

50%

MELON FASHION GROUP SUSTAINABILITY REPORT 52 / 109

ZARINA

The amount of recycled plastic used in the production of ZARINA bags has increased to 30%. The programme of rewarding customers who refused the package at the checkout continues - they receive 100 points on the ZARINA CLUB electronic loyalty card.

More than 1,100,000 packages were refused by customers in ZARINA stores in 2023.



sela

Participants in the sela loyalty programme also receive additional rewards for rejecting plastic bags, paper receipts and paying using the Faster Payments System. As a result, 1,115,000 bags were rejected by customers at checkout in 2023, and 30% of receipts were sent electronically rather than on paper.



The company also pays attention to packaging when transporting goods: Melon Fashion Group reuses the cardboard boxes in which it receives products from suppliers, thus minimising the amount of packaging.

An important stage in the work on packaging was the expansion of the packaging concept. This involved revising the solutions for sewn labels and hang tags. Thanks to the joint work of the Sustainable Development Group and the Production Resource Development team, the production of sewn labels made from recycled materials will begin in 2024, and ZARINA, Befree and IDOL will feature hang tags made from recycled paper.

GREEN OFFICE

The Melon Fashion Group head office has a Green Office programme.

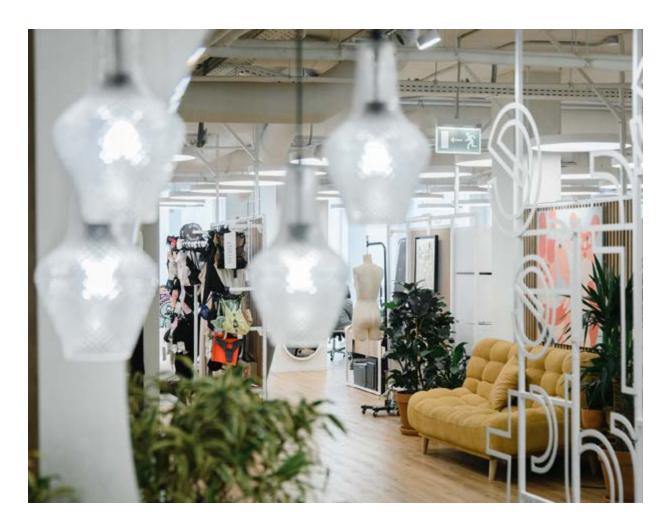
Separate waste collection is organised in the office.

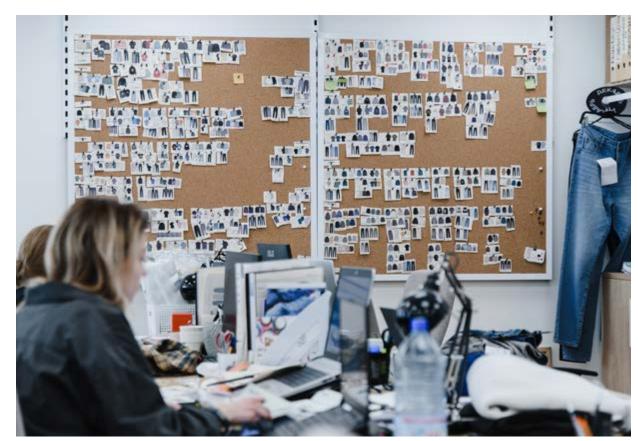
Recognising that this is a living process that can and should be adapted to maintain its effectiveness, we have optimised the number of fractions collected, eliminating those that are difficult to accumulate (metal, aluminium, glass). With the request of employees in mind, additional bins have been introduced to collect plastic cards, pens, receipts, thin cardboard and PET5 marking containers.

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

In 2023, the engineering team continued to optimise office resources by equipping offices with motion sensors to save electricity. The head office uses energy-efficient LED lighting.

Biodegradable and hypoallergenic detergents are purchased for office cleaning, and landscaping is organised under the auspices of a professional florist.



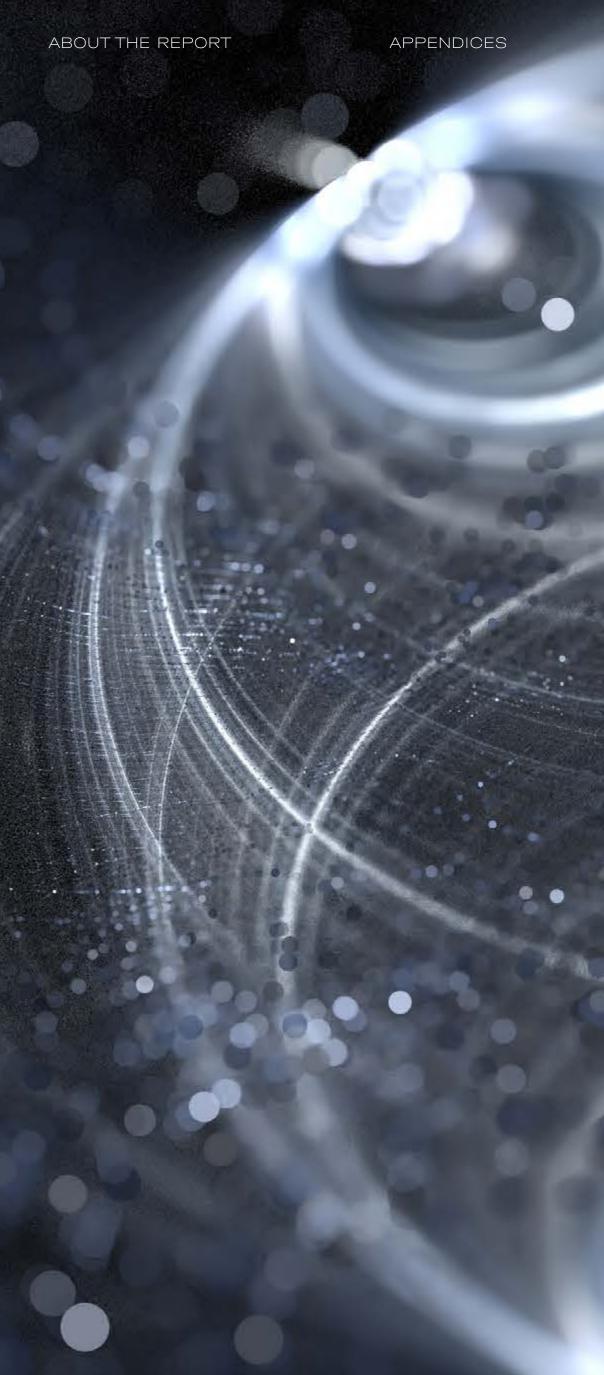


DIGITALISATION

Digitisation has been the focus of the company in recent years.

For example, by the end of 2023, the share of e-document flow had reached 82%, and the introduction of HR e-document flow on HR Tech platform by VK enabled 98% of Melon Fashion Group employees to be transferred to a secure electronic system. This not only reduces the amount of paper used, but also eliminates the possibility of employees and the company losing or destroying physical documents and, most importantly, allows the necessary processes to be coordinated with a single click.

MELON FASHION GROUP



WE ARE MELON CARING FOR CUSTOMERS CARING FOR EMPLOYEES CORPORATE GOVERNANCE ABOUT THE REPORT APPENDICES RESPECT FOR THE ENVIRONMENT

THE RESULTS OF THE 2023 OFFICE COLLECTION:

451 kg of film 5055 kg of cardboard

64 kg of batteries kg of clothes for the Spasibo fund 888

To inform and onboard new office staff, HR specialists show them the collection points for fractions during a study tour, and an interactive course on health and safety at work has been created for training purposes, which explains the collection points in detail.

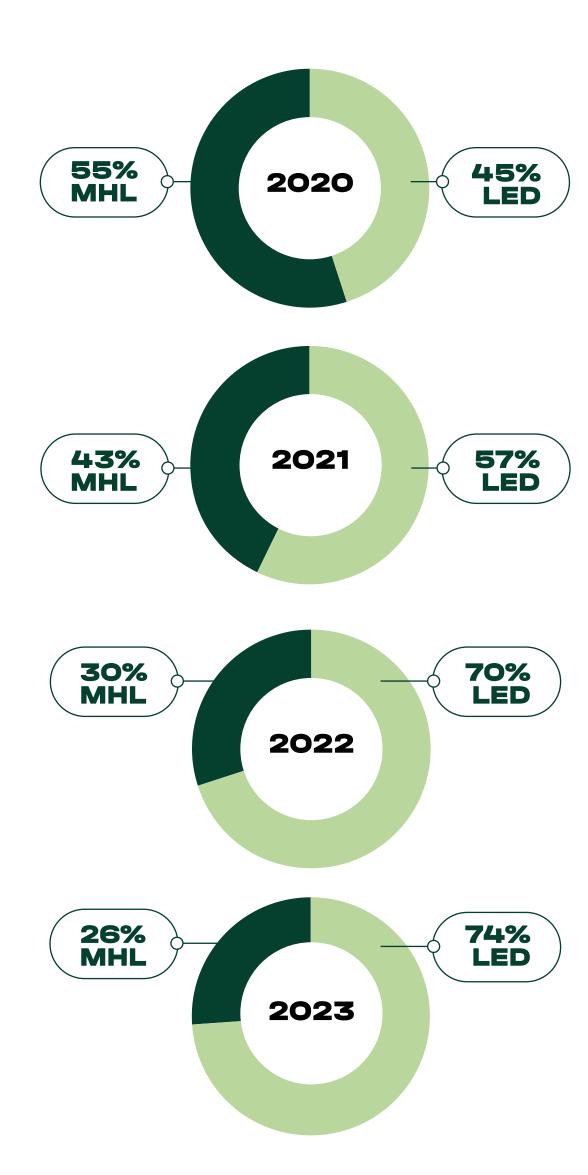
kg of waste paper

ENERGY EFFICIENCY AND CONTROL OF GREENHOUSE GAS EMISSIONS

Since 2021, the company have been recording and analysing the emissions of carbon dioxide and other harmful substances, as well as developing and implementing measures to reduce them. In 2022, we significantly improved the collection of energy consumption data, increasing the proportion of actual indicators based on meter readings. We take 2022 as the base year for calculating greenhouse gas emissions. This is the reference point for the dynamics of emissions.

When building new retail facilities, we:

- use modern air-cooling systems without the use of artificial refrigerants;
- install or replace equipment with more energy efficient equipment;
- switch from using metal halide lamps (MHL) to energy-saving LED lighting.



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SECTION 5

CARING FOR EMPLOYEES



CARING FOR CUSTOMERS RESPECT FOR THE ENVIRONMENT

CARING FOR EMPLOYEES CORPORATE GOVERNANCE ABOUT THE REPORT **APPENDICES**

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5.1.

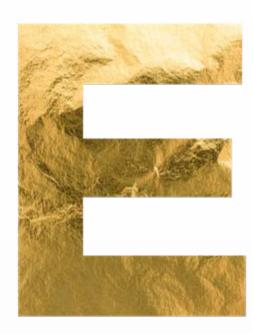
MANAGEMENT APPROACH

The Melonians are the foundation of the Melon Fashion Group. That is why their well-being - health and safety, comfortable working conditions, professional development - is a priority for the company. Melon Fashion Group exceeded 8,000 employees in 2023. In order to simplify and speed up personnel matters - creating, signing, storing and exchanging various applications and certificates - the HR e-document flow was implemented on HR Tech platform by VK. The service not only allows us to significantly reduce paper resources, but also allows us to coordinate documents between regions in real time, without wasting time delivering paper versions.



SUSTAINABILITY REPORT

gold



ECOLOGY

gold / compared to silver



EMPLOYEES AND SOCIETY



CORPORATE GOVERNANCE

platinum / highest grade

THE BEST EMPLOYER **IN RUSSIA**

RESPECT FOR THE ENVIRONMENT

In 2023, the company was included in several ratings of the best employers in Russia.

Melon Fashion Group was ranked 10th among retail companies and 2nd among fashion companies by the largest recruitment platform hh.ru. Competition has intensified with the return of foreign brands and the emergence of new players in the segment.

In the rating of the business magazine FORBES, compiled using the Kept methodology, taking into account ESG indicators, Melon Fashion Group won gold in the categories "Employees and Society" and "Ecology" (a

year earlier - silver), as well as platinum in the field of "Corporate governance" (a year earlier – gold). In the overall standings, it has a **gold status**, which reflects the positive dynamics of the company.

In addition, Melon Fashion Group joined the RBC ESG Index 2023 for the first time and was immediately placed in **category II** — above average, the only fashion company to participate in the rating. Inclusion in the index demonstrates openness and compliance with current requirements, increases consumer and counterparty confidence and emphasises the status of an active participant in the ESG agenda in Russia.

WE ARE MELON CARING FOR CUSTOMERS RESPECT FOR THE ENVIRONMENT CARING FOR EMPLOYEES CORPORATE GOVERNANCE ABOUT THE REPORT APPENDICES

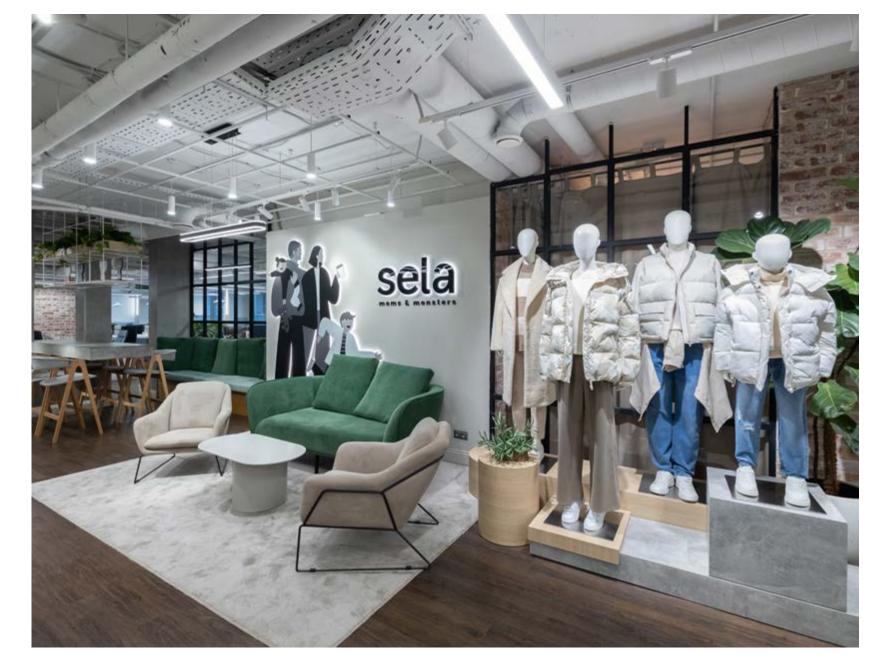
5.2.

COMFORTABLE WORKING CONDITIONS AND WELL-BEING

In 2023, the headquarters of Melon Fashion Group expanded: a new floor of the sela brand was created to house the brand's products, the ZARINA space was updated and enlarged, the office of the new IDOL brand team was created, as well as new comfortable meeting rooms named after the company's DNA - Trust, Ethics, Humanity.

Employees were involved in the design of the new office to make the space more ergonomic, comfortable and efficient to use.

According to the results of the 2023 Engagement Survey, **81%** of employees describe their working conditions as pleasant.







WE ARE MELON CARING FOR CUSTOMERS RESPECT FOR THE ENVIRONMENT CARING FOR EMPLOYEES CORPORATE GOVERNANCE ABOUT THE REPORT APPENDICES

FINANCIAL WILL-BEING



We use an integrated approach to the incentive scheme and apply the best practices in the field of remuneration, which allow an objective assessment of the performance of employees, as well as motivating them.

A 50% company discount on the entire range in ZARINA, Befree, LOVE REPUBLIC, sela and IDOL stores is an additional motivational tool for each employee. In addition, for the convenience of employees, a corporate discount was introduced in the online stores zarina.ru, sela.ru and idol.ru.

OCCUPATIONAL SAFETY AND HEALTH CARE

All employees of offices and stores undergo mandatory occupational safety training in the format of an interactive course when being hired. Additional training materials on fire safety, electrical safety and first aid are available on the Melonia corporate portal. The HR e-document flow also familiarises office staff with the necessary rules and regulations. The main conditions for the organization of labor protection, the rights and obligations of the company's employees are determined by the Regulations on Labor Protection.

Occupational safety specialists are engaged in solving labor protection issues, monitoring legislation, developing documentation and training.

Melon Fashion Group employs two specialists. In 2023, 3 minor accidents were recorded.

For the comfort and well-being of employees, Melon Fashion Group has a social package that includes voluntary health insurance for office and retail employees, financial assistance in case of illness or death of a relative, discounts on medical examinations and tests at clinics across Russia from Best Benefits service partners.

The company also provides opportunities for healthy living and exercise: the head office has its own Melon Gym, staffed by two trainers who run morning and evening group classes in pilates, stretching, circuit and strength training. The company also has a running club and football teams.

RESPECT FOR THE ENVIRONMENT

At Melon Fashion Group's head office, regular check-ups are carried out: seasonal vaccinations, X-ray fluorography, twice-monthly visits to the doctor at the office.

In 2023, the Melon Wellness online project was launched: online lectures on topical subjects are held in collaboration with clinics and specialised doctors. During the year, seven presentations were given on managing stress, the vaccination calendar, breast and ovarian cancer prevention, allergy season and other topics. Educational events raise employee awareness of preventive measures to avoid illness.



RESPECT FOR THE ENVIRONMENT

5.3.

MOTIVATION AND ENGAGEMENT

Ongoing professional development and training, improving working conditions and developing corporate culture are tools to increase employee motivation, involvement and retention.

Each year, we select the best employees and teams. We also choose the **Brand** of the Year. The company regularly highlights the successes and achievements of its divisions on its corporate portal and social networks.

In 2023, we held four business breakfasts at which CEO Mikhail Urzhumtsev and top managers shared their results and plans. Individual employees and project teams received "Thank you" cards with gift vouchers for achievements that improved business efficiency.



RESPECT FOR THE ENVIRONMENT



In addition, the company conducts an annual anonymous

My Voice engagement survey through HR tech consulting
company Ecopsy.

According to the survey results, employees are most satisfied with their relationships with colleagues and are willing to describe them as friendly and positive. The vast majority of respondents said that they trust the professionalism of their colleagues, that they turn to them for advice on difficult issues and that they can rely on them. The high level of employee awareness of Melon Fashion Group's mission and strategy was also noted. The majority of the employees believe that the strategy of the company will lead it to success.

The survey also showed that office and store employees know and understand the company's values and uphold them in their daily activities. In addition, for most employees, Melon Fashion Group's values match their personal values, which is important for maintaining motivation and team cohesion.

According to the results of 2023, 75 employees were hired through the "Bring a Friend" programme, which confirms the willingness of employees to recommend Melon Fashion Group as a reliable employer.

WE ARE MELON CARING FOR CUSTOMERS RESPECT FOR THE ENVIRONMENT CARING FOR EMPLOYEES CORPORATE GOVERNANCE ABOUT THE REPORT APPENDICES

5.4.

PROMOTION OF PROFESSIONAL DEVELOPMENT



The work of HR specialists helps to bring and retain highly effective specialists, thanks to whom the company has positive dynamics of key indicators and continuous growth.

In 2023, the Recruitment and Onboarding Group focused on:

Expanding the HR partnership function, increasing interaction and implementing individual projects within departments;

- Improving onboarding mechanisms for beginners;
- Recruiting young professionals as part of the "Young Specialists" project;
- Scaling up the "Leadership Coaching" project to create a "heat map of the unit" indicating the red and green zones of the teams, to prevent burnout of specialists and increase staff productivity.

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RECRUITING

For each department, the recruitment and onboarding group identified an HR partner to investigate the recruitment request in more detail, which significantly increased the rate of vacancy closure.

Faced with an acute shortage of staff, HR specialists at headquarters quickly assembled a team of **92 people** from scratch for the new IDOL brand. Some of the employees were recruited from the company's internal reserve.

ONBOARDING

In order to immerse new office staff in Melon Fashion Group's business processes as a fashion retailer, a monthly Shop Day is held — a working day in the store where newcomers try their hand at retail. In 2023, **147** office workers became project participants.

The **HR bot** is used as an onboarding tool, thanks to which real-time sharing of important contacts, HR news with newcomers is now possible, as also conduct of satisfaction surveys and collection of feedback after 1, 3 and 6 months.

In 2023, HR managers continued the practice of holding supportive and motivational meetings as part of the newcomer onboarding project.





UNIVERSITY RECRUITING

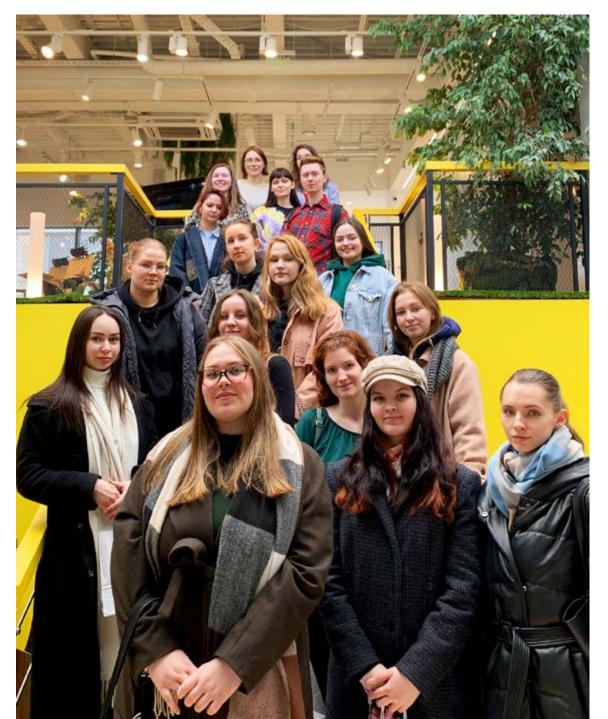
THE "YOUNG SPECIALISTS" PROJECT

By supporting the employment practice of graduates,

Melon Fashion Group is constantly expanding the pool of
educational institutions in the country whose students can
not only complete an internship, but also find their first job.

In 2023, for example, the "Young Specialists" project was launched to create a reserve of young specialists who have completed practical training.

The company signed agreements with 16 universities.



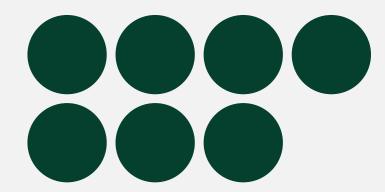




ZARINA, Befree, LOVE REPUBLIC, sela

3 departments

Infrastructure, FAD, HR



16 educational institutions

RESPECT FOR THE ENVIRONMENT

6 directions

Product, Marketing, IT, Logistics, Finance, HR

CORPORATE GOVERNANCE

40 excursions in the office

600 students **70** interns

candidates pool

13

staff employees RESPECT FOR THE ENVIRONMENT

Melon Fashion Group employees also regularly give lectures at specialised universities, helping to motivate young professionals to work and develop in the professional industry.



CORPORATE GOVERNANCE

TRAINING

In 2023, the Talent Sustainability Group focused on crossfunctionality, effectiveness and productivity, as well as team building and communication between employees. Several strategic meetings and facilitation sessions, team coaching sessions and more than 20 training sessions were developed and delivered.

In 2023, the "Muscle Factory for Leaders" programme included a section on Melon Fashion Group's ESG strategy, in which Yana Trofimova, the Head of Sustainable Development, talks about the strategy's main focuses, projects and achievements in this area. At the meeting, the role of the leader in implementing the company's strategy is discussed with the training participants.

The following projects have been implemented to help employees achieve professional and personal success:

CARING FOR EMPLOYEES

- Insiders Meetup meetings, where newcomers get to know the Melon Fashion Group structure up close;
- Mentoring system for training new employees;
- Welcome course for new employees;
- "Muscle Factory for Leader" course that immerses managers in the general context of the management cycle and provides the necessary knowledge and tools to improve managerial competencies.



2023 KEY RESULTS

total number of hours of training for office staff

1285

hours dedicated to the principles of sustainable development

55

hours of training per participant 147

people became participants of the Shop Day project 80

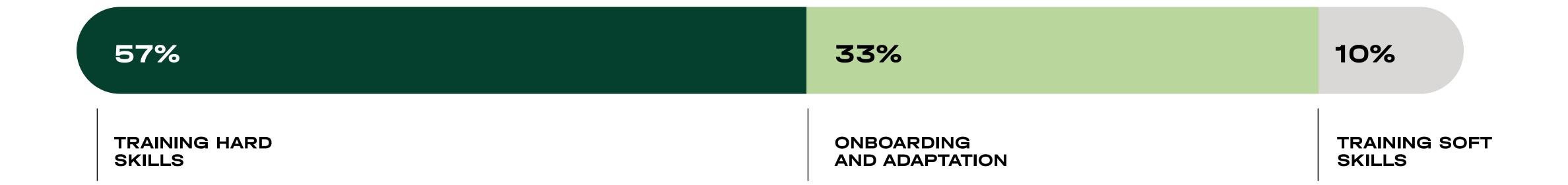
people became participants of the Insiders Meetup project

72

managers trained on Course for Leaders which lasts 3 months

hours of coaching to support managers and line specialists

TRAINING ALLOCATION:



In 2024, the company will continue to develop Melon Fashion Group's training system, help teams achieve their goals and work on employee cohesion through team coaching. In 2023, the company focused on building its sustainable development capabilities so that every employee could gain new knowledge and understanding of how everyone can contribute to the implementation of the ESG strategy.

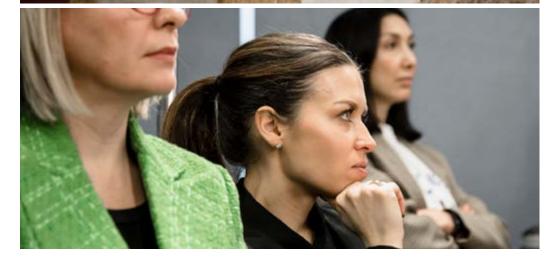
For employees who work with denim, the Sustainable Development Group has developed a course called "Sustainability in Denim", which explains the history of jeans and highlights all the production features of denim, including new technologies for washing and processing denim, which significantly reduce the use of resources. The training will enable the teams to evaluate suppliers based on their production capabilities, learn how to use resource-saving equipment, and use modern solutions to create a product. The course also included strategic sessions, brainstorming and talks for denim teams and brand marketing experts with invited denim specialists — Ksenia Sidorenko, founder of upcycle brand USEDEM, and Denis Tagiltsev, founder of slow fashion brand Miracle Apparel.



IN ADDITION, IN 2023, THE FOLLOWING EVENTS WERE HELD:







01	Workshop on eco-materials with Ksenia Veselova, a materials technologist in the light industry sector and a lecturer at the Kosygin Russian State University. During the meeting, eco-materials presented on the market were analysed, the useful features of natural eco-friendly fabrics (flax, hemp, nettle, etc.) were considered, as well as trends in the development of innovative materials - skin from mushroom mycelium, fabrics from milk, etc.).
02	Training on environmental certification of products to learn about the different types of certification for clothing, footwear and cosmetics, and to confirm the specific characteristics of the product.
03	Training on the algorithm for working with factories to improve the monitoring of data from production sites producing goods for Melon Fashion Group brands.
04	The "Conscious Behaviour: Tools for Working with Customers" seminar, which highlighted the difference between consumer awareness and consumer behaviour, and how brands can influence a customer's choice of sustainable products.
05	"Green HR Management" strategic session for HR professionals on the role of corporate culture and recruitment in sustainable business development.
06	Familiarisation with the methods of evaluating commercial real estate from the point of view of compliance with the principles of sustainable development, studying the standards of Green Zoom - the national system of sustainable development in construction.

WE ALSO IMPLEMENTED ONLINE TRAINING:

Digital Fashion Webinar on digital fashion trends and their impact on the "greening" of the industry. The Design, Art, Ecology lecture explored the interaction between the artist and nature (environmental art), the concept of regenerative design that has a positive impact on ecosystems and communities, and examples of artistic work that preserves the Earth's ecosystem (egolocial art).

In addition, the Sustainable Development Group, in collaboration with the T&D of brands, has developed courses on sustainable development for employees of the retail brands Zarina, Befree and sela. Retail training for LOVE REPUBLIC and IDOL will take place in 2024.

Going forward, we will continue to focus on key aspects of sustainable development and specialised training programmes that enable employees to put their knowledge into practice.



Save the Planet, 2021

The installation reflects on human responsibility and modern technology to reduce humans' negative impact on nature.

1 285

hours

of learning principles of sustainability;

~2,47

hours

of training per participant;

sustainability courses on the iSpring education platform, including the Conscious Fashion course, which explains the concept and key criteria of a sustainable brand, and a separate course on Melon Fashion Group's ESG The corporate portal and the company's knowledge base include a sustainable development section with brand initiatives, presentations, Policies and other important information in the field of sustainable development.



There are also regular **SusProsvet** videos dedicated to the principles of sustainable development and their practical application: careful use of resources, non-obvious eco-habits, types of eco-labels, features of denim production, etc.

In 2024, the Sustainable Development Group will continue to implement an employee training program with an emphasis on individual areas.

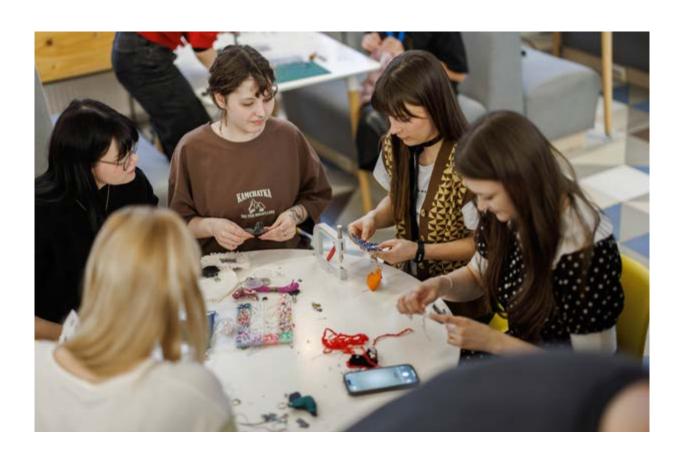
EVENTS

In addition to training, we organise events and meetings with experts and interesting people to learn about different sustainable development practices and inspire new results.



A MASTER CLASS IN THE PERSONALISATION OF OLD CLOTHES

A lecture on upcycling with a master class on customising old clothes was given by the authors of the Indivizual Clothing project in 2023. Our staff were able to learn techniques to prolong the life of their favourite items, as well as a creative approach to wardrobe analysis.



CLEAN GAMES

In the summer of 2023, employees of the Melon
Fashion Group office took part in the Clean Games team
competitions to clean up areas of rubbish and separate
waste. As a result, the shoreline of Kanonersky Island was
cleaned and 30 bags of rubbish were collected, of which
432kg were sent for recycling.



5.5.

SOCIAL PROJECTS AND CHARITY

CHARITY WORK

We are a commercial company, business is our essence.

As the largest employer and taxpayer, we recognise our responsibility to society. Through commercial success, we want to contribute to society and make the world a better place.



Total budget for social and charitable initiatives in 2023.

"RABOTA-I" AND "VSE POLYCHITSYA!"

In 2023, the programme of assisted employment for young people with disabilities and graduates of orphanages and correctional schools, previously developed in Saint Petersburg with the Rabota-i social agency, expanded its geographic footprint.

In order to transfer the Rabota-i experience to other regions, the "VSE POLYCHITSYA! (Everthing will work out)" project was launched, with the aim of extending the practice of assisted employment throughout the country by recruiting pro bono volunteers and providing a social franchise for regional non-profit organisations.

At the start of the project, 33 recruiters in Moscow were selected and trained to look for candidates with disabilities and orphan experience. The social franchise is based on the systematic transfer of tools for the technology of assisted employment and the connection of the social franchisee to the ecosystem "Vse Polychitsya!". In 2023, social franchisees were already operating in 12 cities: Surgut, Tomsk, Nizhny Novgorod, Smolensk, Astrakhan, Saratov, Kaluga, Krasnodar, Chelyabinsk, Arkhangelsk, Saint Petersburg, Rostov-on-Don.

To take part in the project, 20 mentors were trained - directors and managers of stores in Moscow and other regions where a social franchise has been introduced.

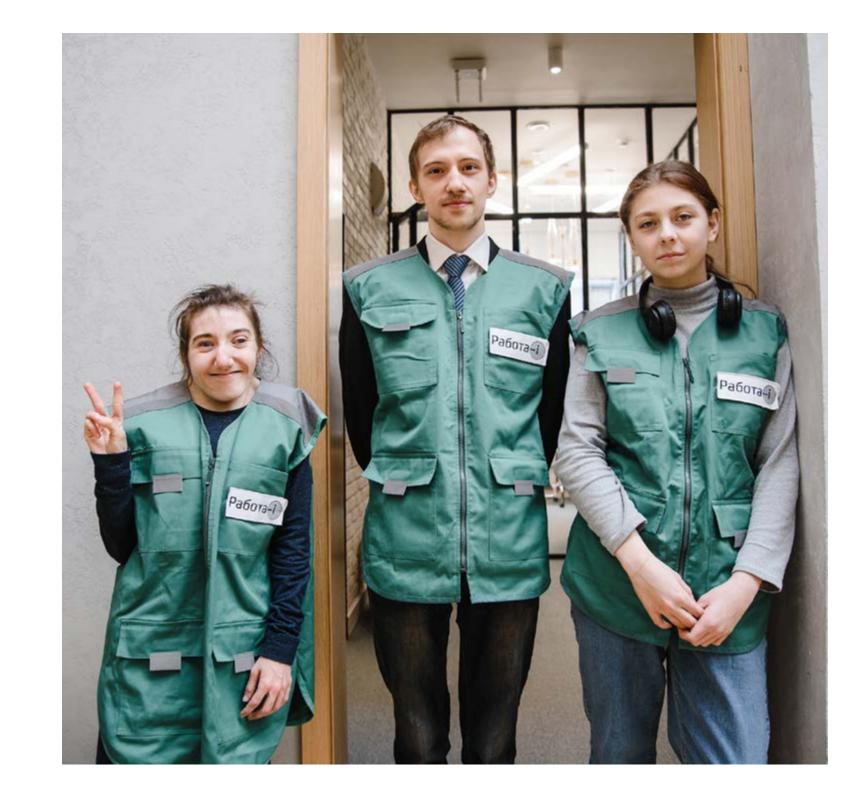
As a result, 11 candidates were able to gain their first work experience in Moscow.

In total, more than 1,000 candidates with disabilities and/or orphan experience from Saint Petersburg, Krasnodar, Surgut, Tomsk, Kazan, Orel, Veliky Novgorod, Smolensk, Kaluga took part in the "Vse Polychitsya!". More than 340 were given their first work experience. More than 70 of them got their first work experience at Melon Fashion Group.

As part of the project, candidates from 11 regions of the Russian Federation were recruited for vacancies at Melon Fashion Group: Saint Petersburg, Moscow, Khanty-Mansi Autonomous Okrug, Krasnodar Krai, Republic of Tatarstan, Oryol Region, Tomsk Region, Novgorod Region, Vologda Region, Smolensk Region, Kaluga Region.

As a result of the first employment, 4 people became full-time employees of Melon Fashion Group: in Saint. Petersburg at the Melon Fashion Group office and the ZARINA store, in Krasnodar at sela and in Moscow at the LOVE REPUBLIC store.

More than 10 people who gained their first work experience at Melon Fashion Group have found jobs in the open labour market.



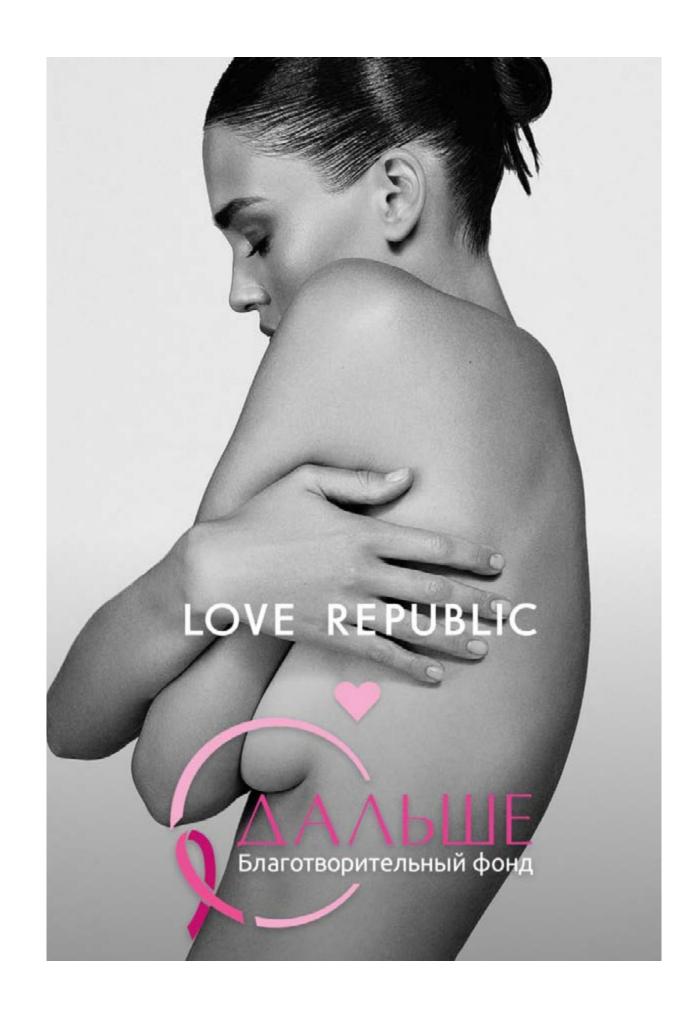
APPENDICES

SAINT PETERSBURG PARENTS

In keeping with tradition, Melon Fashion Group made a charitable donation to the Saint Petersburg Parents Foundation on New Year's Eve to provide extra care and sweets for children who remained in hospital on New Year's Eve. In 2023, the company increased the contribution amount.

PINK OCTOBER

In October, Melon Fashion Group joined the international Pink October campaign and became a partner of the Lamoda special project. As part of the awareness month, the company hosted three online lectures with a clinical psychologist and a gynaecologist/mammologist on communicating with loved ones when diagnosed with cancer, self-care and prevention of breast and ovarian cancer. The lectures were open to everyone and the videos were published on the official social networks of Melon Fashion Group. Lamoda held a wide promotional campaign.



MELON IS RIGHT HERE

In April, Melon Fashion Group joined the campaign dedicated to World Autism Awareness Month by participating in the Anton tut ryadom Foundation Inclusive Run. At the finish line, the Melonians received a medal made in an inclusive carpentry workshop.

The company also made a charitable donation as part of the campaign.



PENSIONERS SUPPORT

Inextricably linked to the history of the legendary Pervomayskaya
Zarya factory, the roots of Melon Fashion Group date back to
the 19th century. We appreciate and respect our Pervomaitsy
ancestors who stood at the origins of the world's largest fashion
retailer.

The company ran a campaign to deliver food parcels to the New Year's table of 160 grandparents as part of the development of corporate volunteering. More than 60 Melonians volunteered to deliver gifts from the company and brands.

A traditional veterans' reunion was also held in April, with a musical concert and tea party, and Pervomaitsy gift sets were taken home by the Melonians for those who were unable to attend for health or other reasons.

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. In 2023, payments were also indexed.



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DONOR DAYS

In 2023, two Donor Days were held at the Melon Fashion Group headquarters. The number of volunteer donors increases every year. As a result, 180 Melonians donated more than 80 litres of blood at the city's blood donation centre. Colleagues from the Moscow office also took part in the charity event, having independently organised a visit to the local blood donor centre.

As part of the celebration of World Blood Donor Day, the city's Blood Transfusion Station and Donation Resource Centre awarded Melon Fashion Group for its active development of the corporate volunteering and donation programme.

Melonians Melonians

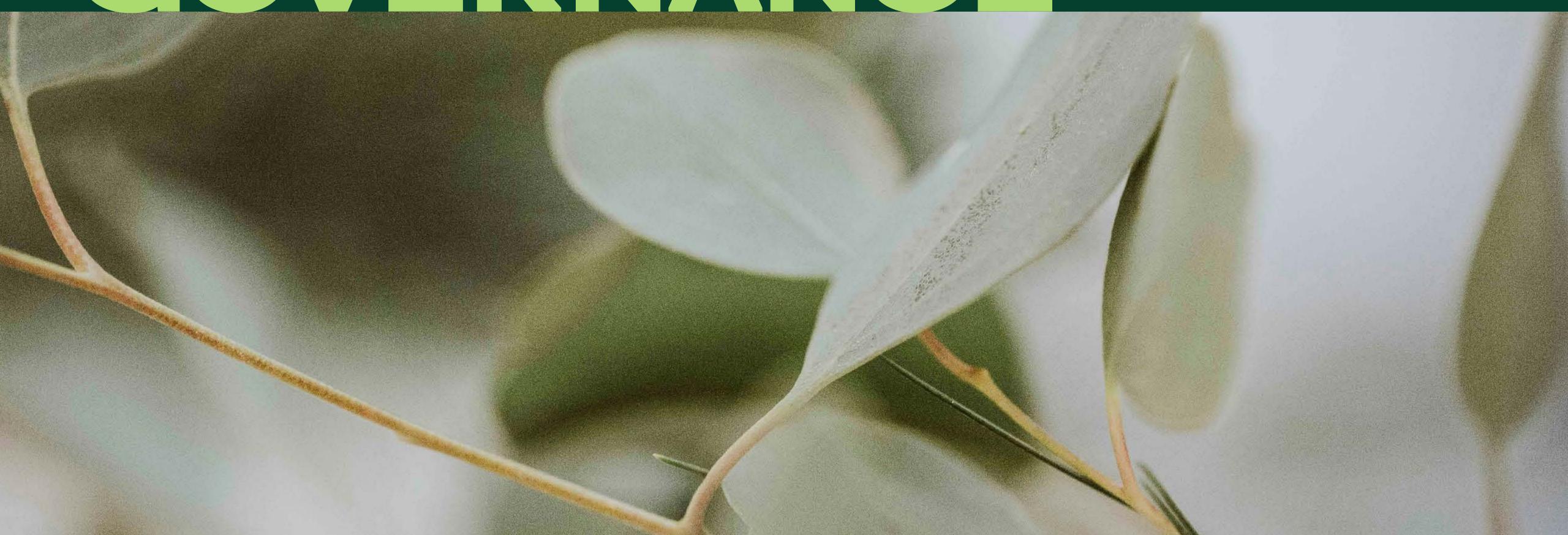
donated more than 80 liters of blood to the City's Blood Donation Centre





SECTION 6

CORPORATE GOVERNANCE



TOP MANAGEMENT:

Each department is led by a strong manager who knows how to motivate and support the team and is optimistic about the future. The stable development of Melon Fashion Group is ensured by the tandem of top managers. In 2023, Olga Verts, director of the IDOL brand, joined the management team. She was previously creative director of ZARINA.



6.1.

BUSINESS ETHICS AND COMPLIANCE

As a responsible business, we value our reputation. That is why Melon Fashion Group's DNA is based on trust, ethics and humanity, allowing us to build honest and strong relationships with shareholders, investors, partners, employees and consumers. We adhere to high business standards and strictly monitor compliance of our activities with regulatory requirements and ethics rules.

When working with partners, we strive to make sure that they, just like us, adhere to the high standards of responsible business. When concluding a cooperation agreement, lawyers must include an anti-corruption clause. In 2023, there were no confirmed corruption violations in the company.

We also pay close attention to the principles of business ethics in all areas of our business. The principles of business conduct are described in detail in the Code of Ethics, which is publicly available on the company's official website in the <u>Sustainability section</u> and on the Corporate Portal.



The Code of Ethics and Business Conduct has been developed in accordance with the requirements of legislation, recommendations of local and international regulatory authorities of the countries in which Melon Fashion Group operates, norms of international law and standards of global business practice, as well as other regulatory documents. In addition to this Code, the company has internal regulatory documents that disclose certain of its provisions.

DIRECT LINE

We have a "Direct Line" for employees, partners, clients and other parties concerned. This is a single and universal feedback channel where everyone can openly or anonymously contact with suggestions, ideas or provide information affecting the company's processes.

Complaints and suggestions are handled by the independent consulting company Kept (ex. KPMG), 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

IN 2023, THE DIRECT LINE RECEIVED 15 COMPLAINTS ON LABOUR ISSUES.

EACH REQUEST IS DEALT WITH PROMPTLY BY THE INTERNAL CONTROL SERVICE.

RISK MANAGEMENT

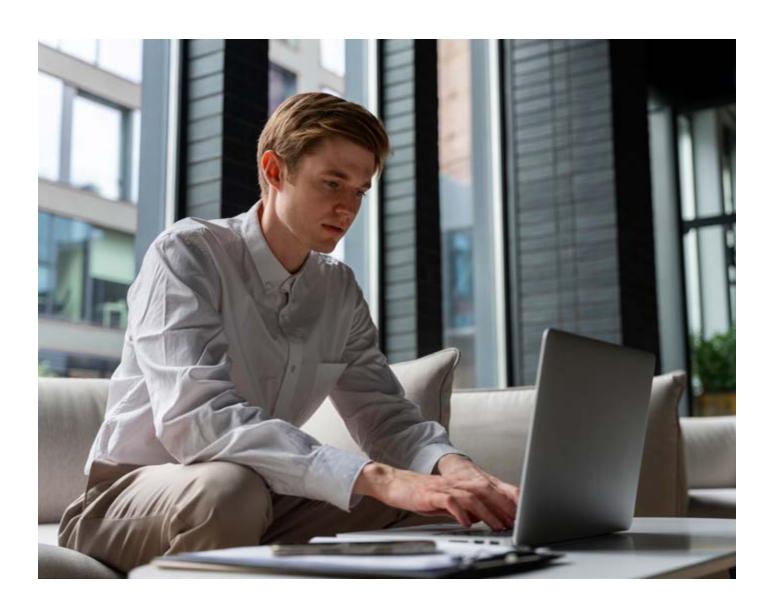
Melon Fashion Group's internal control system operates on the basis of COSO's integrated risk management model.

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

The company has developed a register, including a list of risks, materiality, risk indicators, frequency of tracking, methods of prevention and response.

6.2.

INFORMATION SECURITY



Melon Fashion Group's information security is the responsibility of individual specialists in the Infrastructure Department, who monitor compliance with the requirements of legislation on the protection of personal data and information security, as well as ensuring the security of the company's IT infrastructure and services.

In 2023, the Information Security Department was created and the staff was expanded, which made it possible to strengthen the development of projects related to information security. In 2023, information security specialists implemented an incident management system and installed additional hardware and six new information security systems.

The company has an Information Security Policy, the requirements of which apply to all employees and other persons involved in the company's business processes or who have access to Melon Fashion Group's information or information systems.

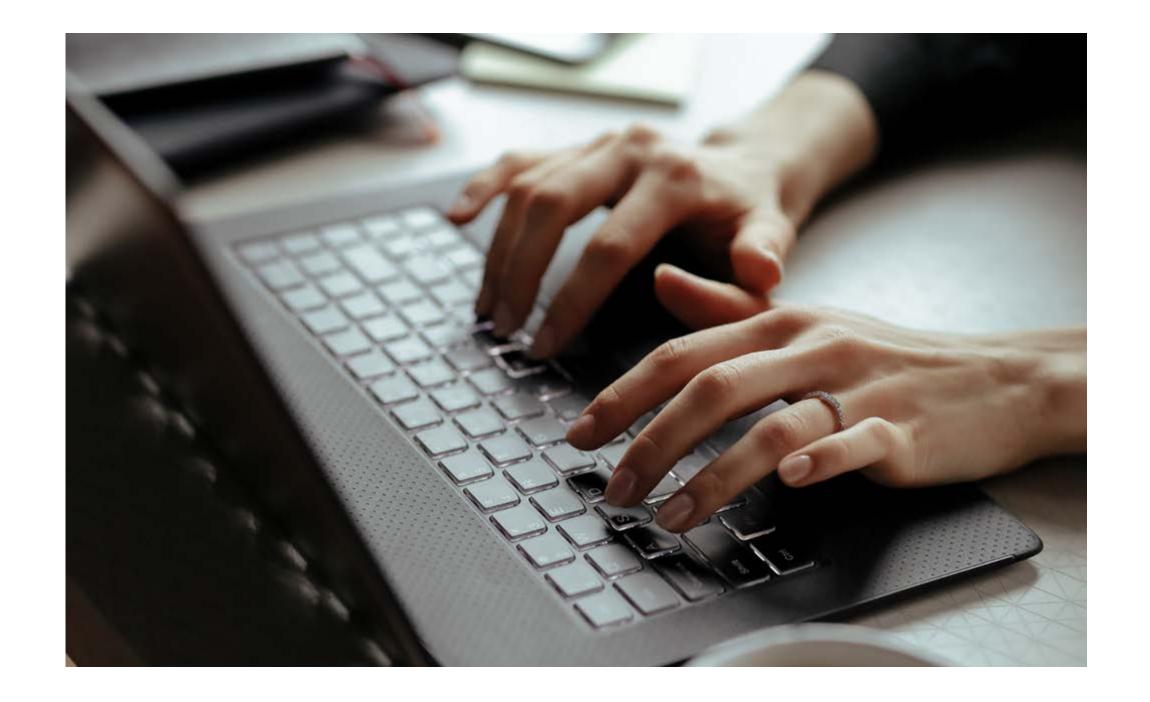
A mandatory information security course has also been introduced, which has been completed by all current and new employees. Thanks to its implementation, all employees are familiar with the Information Security Policy.

PERSONAL DATA PROTECTION

All relevant laws and regulations relating to the protection of personal data are complied with by the company and its employees. The company takes the necessary technical and organizational measures to ensure the confidentiality and integrity of personal data of employees and customers of the brands.

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

Recognising the importance of protecting the personal information of our customers and loyalty programme members, we work to protect the servers of our branded online stores from unauthorised access. The data is transmitted using the secure SSL protocol.



6.3.

RESPONSIBLE SUPPLY CHAIN



We pay high attention to working with suppliers and monitoring the production of products under the ZARINA, Befree, LOVE REPUBLIC, sela and IDOL brands in order to effectively implement Melon Fashion Group's ESG strategy.

This part of the supply chain has the greatest environmental impact and requires additional control on our part.

When we start working with suppliers, we introduce them to our values and operating principles in order to build a long-term partnership. The Sustainable Supply Chain Development project is an important part of Melon Fashion Group's ESG strategy and an important part of working on the sustainability of the company's business processes.

Detailed information on Melon Fashion Group's supplier selection criteria can be found on the company's official website in the Sustainability section, <u>Policies and Standards</u> chapter.

6.4.1.

MANAGEMENT APPROACH. PRINCIPLES

ENVIRONMENTAL ASPECTS

In 2023, Melon Fashion Group brands introduced natural, eco-friendly and recycled materials in the production of their collections, helping to reduce their negative impact on the environment. The number of factories with waste management controls, more efficient energy use and water conservation has also increased. For the production of denim, Melon Fashion Group works with factories that use Jeanologia and Tonello equipment, which makes it possible to create denim effects and scratches using a laser and to wash products with a minimum of water or even without water, using ozone. Solar panels and multi-stage wastewater treatment systems have already been installed in some factories, and water treatment plants have been built to recycle water.

SOCIAL ASPECTS

Melon Fashion Group monitors working conditions in its suppliers' factories. All of the company's suppliers accept and sign the Code of Conduct for Business Partners. We also conduct regular ethical audits of our largest suppliers' factories. In addition to examining the factory's documentation and equipment, the audit team conducts interviews with factory workers of different ages, genders and positions. Discussions with workers, both individually and in groups, cover issues such as working conditions, work experience in the audited company, timely payment of wages, and the provision of technical and fire safety training. The absence of discrimination, corruption and child labour is also part of the assessment. Specialists from the Melon Fashion Group's Sustainable Development Group conduct training for employees of the largest suppliers and factories to improve social and environmental practices.

ECONOMIC ASPECTS

To avoid risk, Melon Fashion Group diversifies its orders from suppliers. The company controls the equipment of factories and the quality of shipped collections. Also, all products of the ZARINA, Befree, LOVE REPUBLIC, sela and IDOL brands undergo mandatory certification as required by law.

In 2023, Melon Fashion Group's Sustainability The Head of Sustainable Development and the Head of sustainable supply chain project development conducted a series of seminars for the product creation teams of ZARINA, Befree, LOVE REPUBLIC, sela and IDOL to familiarise employees with the evaluation criteria for ethical auditing, factory monitoring and compliance with Melon Fashion Group's algorithm for working with factories. Sustainability team has have also implemented a number of tasks aimed at automating factory monitoring: with the help of 1C improvements, we have managed to improve the processing of production data and make the factory report more accessible to various staff functions (quality managers, supplier managers, production and procurement development specialists).

The Principles of Sustainable Development for Business
Partners were published in 2023 and became the basis for supplier seminars in offline and online formats. The aim of the training is not only for Melon Fashion Group's partners to master the principles of sustainable development, but also for these principles to be transferred throughout the supply chain.

OUR PRINCIPLES

COMPLIANCE	fair pay and avoidance of discrimination, child labour and forced labour;
	a safe, hygienic and healthy workplace;
	traceable and transparent manufacturing processes.
QUALITY	attention to each stage of production;
ASSURANCE	compliance with sanitary and technical requirements
	and all other applicable standards;
	quality control.
ENVIRONMENTAL	promotion of a conscious approach to the production of goods and the
PROTECTION	recycling of waste;
	humane treatment of animals;
	measures to preserve drinking water;
	no use of banned and dangerous chemicals in production.

WE ARE MELON CARING FOR CUSTOMERS CARING FOR EMPLOYEES **CORPORATE GOVERNANCE** RESPECT FOR THE ENVIRONMENT ABOUT THE REPORT APPENDICES

6.4.2.

TRANSPARENCY AND TRACEABILITY. MONITORING COMPLIANCE WITH STANDARDS

To achieve the target of increasing the percentage of products manufactured in ethically audited factories, Melon Fashion Group increases the number of inspections of production sites. If defects are found, a corrective action plan is provided. The company then requires factories to report on the correction of any deficiencies identified during the audits.

Following the 2023 results, there was the expansion of the geographical scope of the audits by added factories in India for verification..

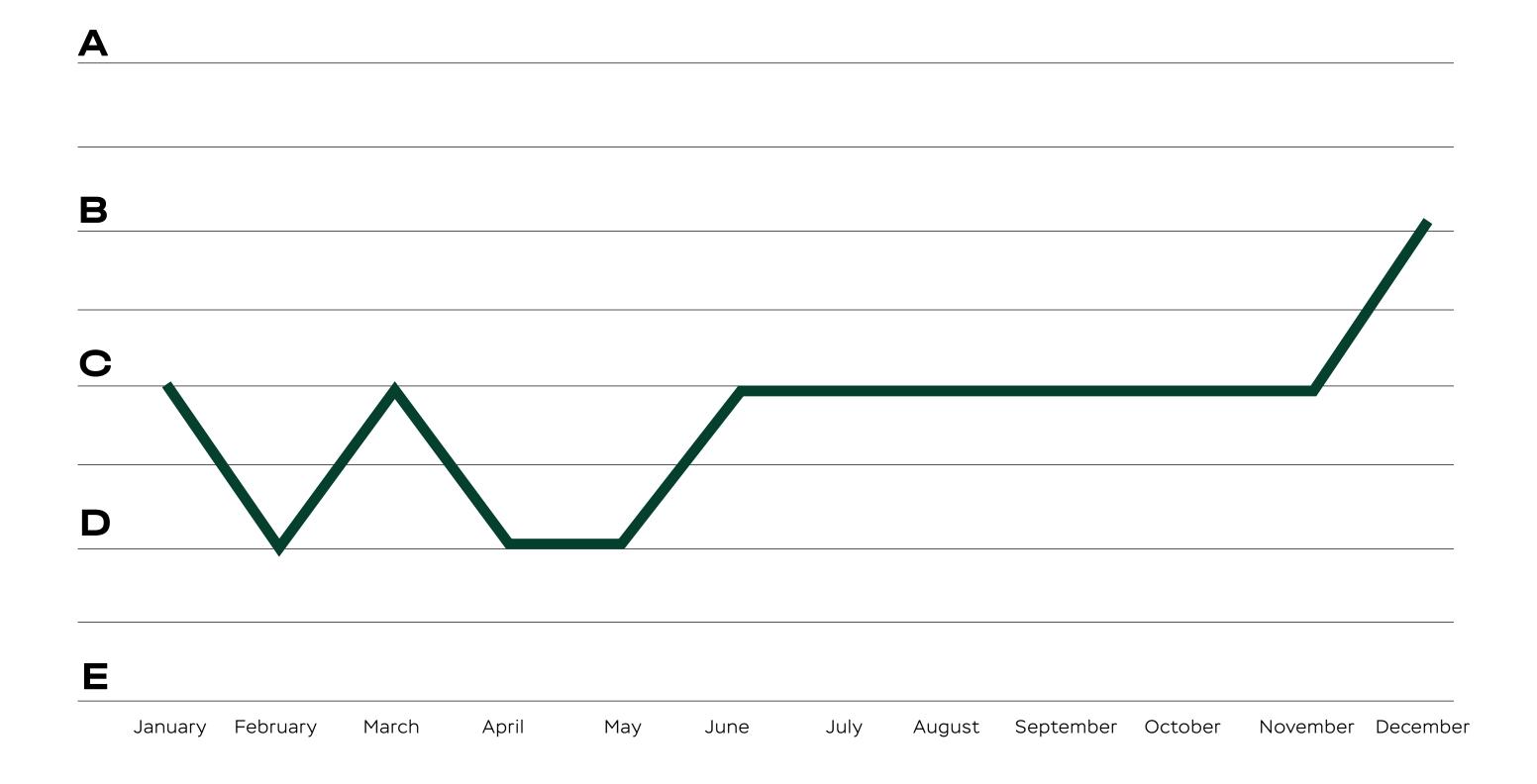


MELON FASHION GROUP

THE AVERAGE SCORE FOR ETHICAL AUDITS IS C

In 2023, an ethical audit was carried out by both outsourcing companies and accredited employees of Melon Fashion Group. The rating scale for the company's ethical audits corresponds to internationally accepted values from A to E, with A being the highest score and E being an unacceptable level. The average score for factories that passed an ethical audit in 2023 is C.

Melon Fashion Group also accepts reports on audits of WRAP, Sedex, Amfori international organizations conducted at production facilities. At the end of the external audit period, we request an updated report of the audit results and record the results in the internal system.





STRENGTHS OF AUDITED FACTORIES

WEAKNESSES OF AUDITED FACTORIES

Legitimate employment with timely payment, fire safety, concern for workers' health, absence of child labour and discrimination, willingness of management team to correct identified deficiencies in the factory. 6% of audited factories use energy and water saving equipment, waste water treatment plants before discharge into sewers, and settling water tanks for reusing clean water in production.

Insufficient monitoring of energy consumption and emissions into the atmosphere, monitoring of noise levels, low level of waste management, low number of environmental training courses.

6.4.3.

2023 PROJECT RESULTS

50%

of products are manufactured in ethically audited factories

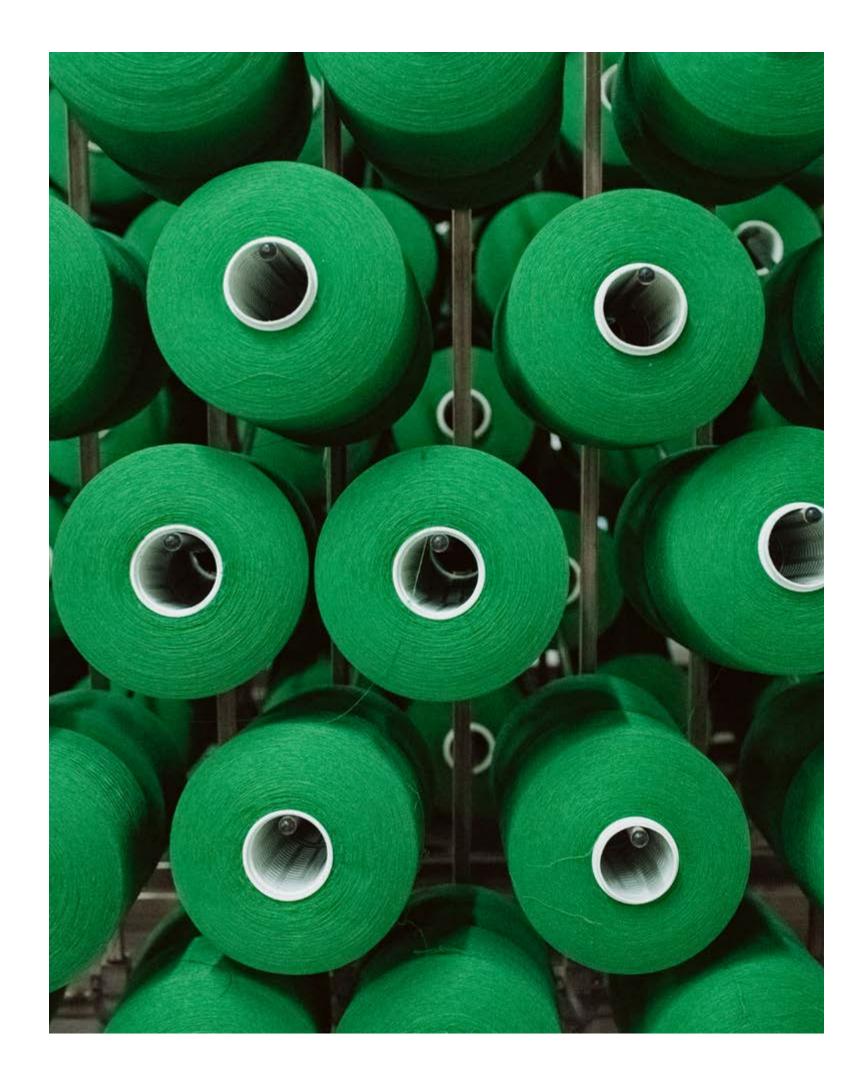
70

documents with recommendations to eliminate defects in factories

19

audited factories need to be re-ethically audited in 2024

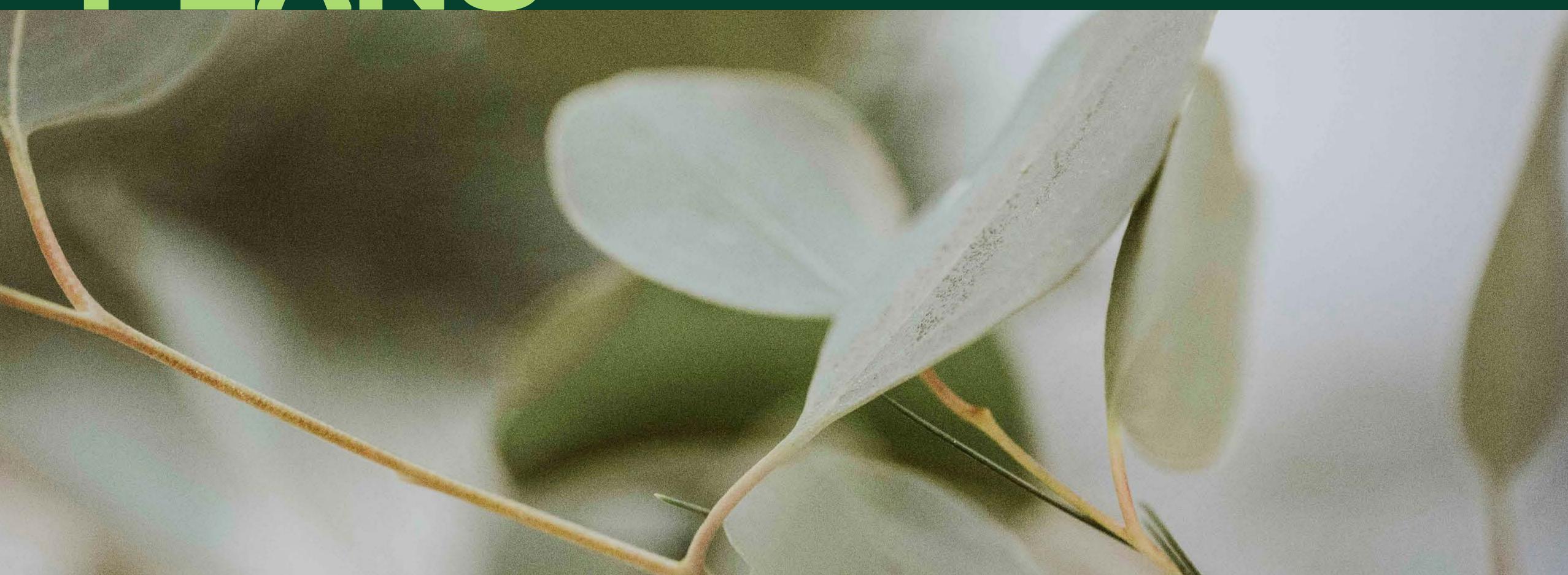
SINCE THE ADOPTION OF THE MELON FASHION GROUP ESG STRATEGY, THE OBJECTIVES OF THE SUSTAINABLE SUPPLY CHAIN PROJECT HAVE BEEN SYSTEMATICALLY ACHIEVED. THE COMPANY IS INCREASING THE NUMBER OF SOCIAL AND ENVIRONMENTAL AUDITS AND IMPROVING THE PRODUCTION MONITORING SYSTEM.



GEOGRAPHICAL SCOPE OF AUDITS AND INCREASE THE NUMBER OF ETHICAL **AUDITS IN FACTORIES AS PART OF THE** SUSTAINABLE SUPPLY CHAIN PROJECT.

SECTION 7

2024 PLANS



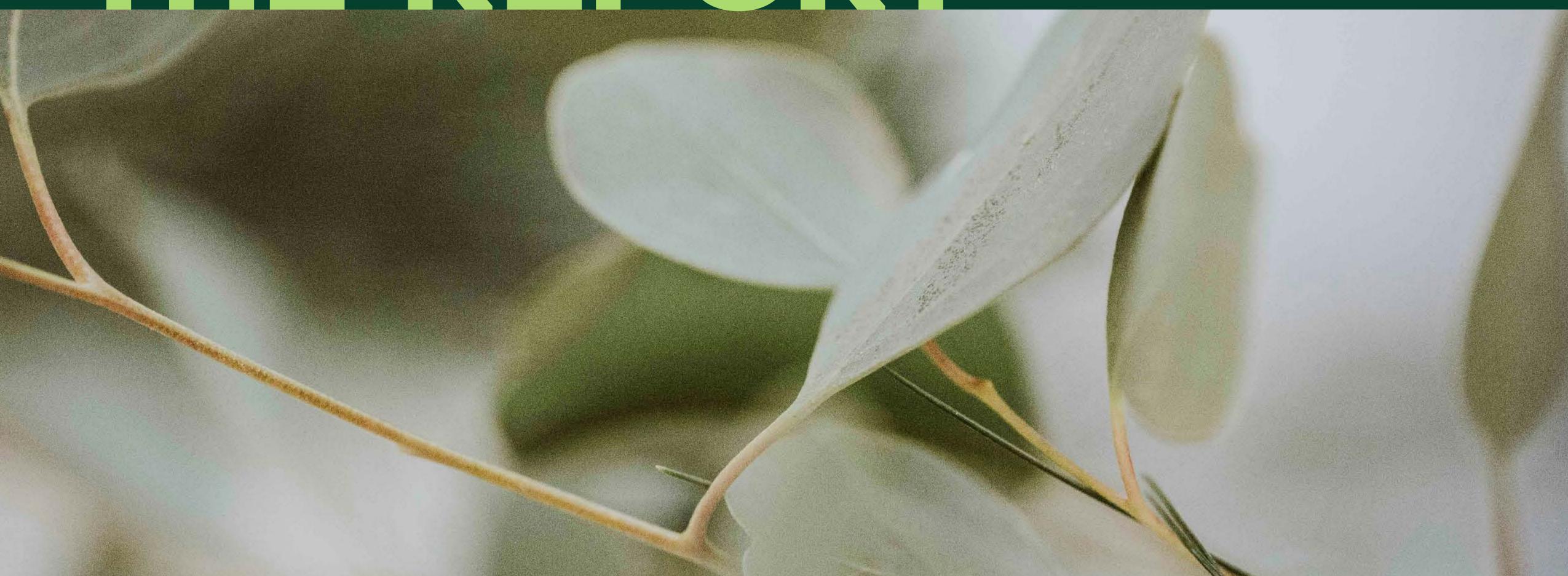
MELON FASHION GROUP WILL CONTINUE ITS SYSTEMATIC WORK IN THE FIELD OF SUSTAINABLE DEVELOPMENT, TAKING INTO ACCOUNT THE FOLLOWING ASPECTS:



01	Increase in the level of knowledge of suppliers in the field of sustainable development;
02	Increase in the share of products manufactured in ethically audited factories;
03	Implementation of eco- friendly solutions in packaging and product production;

04	Development of specialised training programmes for employees in the field of sustainable development;	
05	Expansion of the clothing collection program in the company's brand stores;	
06	Informing customers about various aspects of sustainable development and involving them in the brands' environmental and social initiatives;	
07	Development of the corporate volunteering program.	

ABOUT
THE REPORT



8.1. 8.2.

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 Department of Melon Fashion Group is engaged in the preparation of the report in the field of sustainable development, including the collection of non-financial data, as well as its publication.

The company publishes annual sustainability reports.

The previous Sustainability Report was published on 7

September 2023.

This Report covers the calendar year from 1 January 2023 through 31 December 2023.

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 on the activities of Melon Fashion Group and its brands is presented in the Annual Report for 2023, which is published on the official website melonfashion.ru in the "Shareholders and Investors" section.

REPORT LIMITATIONS

The information disclosed in the Report covers the activities of Melon Fashion Group JSC, unless otherwise indicated.

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

SECTION 9

APPENDICES



9.1.

PERFORMANCE RESULTS FOR THE REPORTING PERIOD

Number of employees by sex and age¹

	2020	2021	2022	2023	
Total number of employees at the end of the reporting period	5 467	5 607	6 934	8 522	
Sex					
Women	5 094	5 197	6 383	7 735	
Men	373	410	551	787	
Age					
Under 30 years of age	3 723	3 751	4 851	6 083	
30-50 years old	1 679	1 791	2 004	2 350	
Over 50 years old	65	65	79	89	

* ДАННЫЕ, ПРЕДСТАВЛЕННЫЕ В РАЗДЕЛЕ 7 ОХВАТЫВАЮТ АО «МЭЛОН ФЭШН ГРУП», А ТАКЖЕ ЕГО ДОЧЕРНИЕ ЮРИДИЧЕСКИЕ ЛИЦА В РОССИИ И ЗА РУБЕЖОМ

9.2.

CONTRIBUTION TO THE UN SDGS

ASSIGNMENT	COMPANY'S OPERATIONS IN 2023	REPORT SECTION
KEY UN SDGS		
SDG 8 - DECENT WORK AND ECONOMIC GROWTH	4	
8.3. To promote development-oriented policies that is ministerial to productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formal recognition and development of micro, small and medium-sized enterprises, including by providing them with access to financial services.	 Organization of coaching sessions for office staff Conducting training for office and store employees 	Promotion of professional development
8.5. 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 pay for work of equal value.	 Creating an inclusive work environment Development of the assisted employment project 	Social projects and charity
8.8. 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.	 Compliance with labor protection legislation Monitoring of working conditions at the enterprises of key supplier factories 	Comfortable working conditions and well-being Monitoring of working conditions and compliance with environmental requirements

ASSIGNMENT	COMPANY'S OPERATIONS IN 2023	REPORT SECTION			
SDG 12 - RESPONSIBLE CONSUMPTION AND PRODUCTION					
12.5. By 2030, to significantly reduce the volume of waste by taking measures to prevent their formation, reduce them, recycle and reuse	 Implementation of the "Green Office" project for the collection of recyclables in the office Launch of a project to collect plastic packaging and cardboard in the Utkina Zavod warehouse 	Waste management and packaging			
SDG 13 - COMBATING CLIMATE CHANGE					
13.2. To integrate climate change responses into policies, strategies and planning at the national level.	 Switching to more energy-efficient solutions in stores Assessing greenhouse gas emissions 	Energy efficiency and reduction of greenhouse gas emissions			
13.3. 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	· Holding educational campaigns in terms of environment by Melon Fashion Group brands	Dissemination of the principles of conscious consumption and involvement in social initiatives			

ASSIGNMENT	COMPANY'S OPERATIONS IN 2023	REPORT SECTION			
INDIRECT UN SDGS					
SDG 3 - GOOD HEALTH AND WELL-BEING					
3.4. By 2030, to reduce premature mortality from non-communicable diseases by a third through prevention and treatment and mental health and well-being maintenance.	 Providing medical assistance to 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 	Comfortable working conditions and well-being			
3.8. To ensure universal health 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.	Providing voluntary medical insurance to certain categories of employees	Comfortable working conditions and well-being			
SDG 9 - INDUSTRIALIZATION, INNOVATION AND INFRASTRUCTURE					
9.4. 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	· Environmental audits of suppliers and preparation of strategies to eliminate identified violations	Monitoring of working conditions and compliance with environmental requirements			

KEY UN SDGS:



SDG 8 - DECENT WORK AND ECONOMIC GROWTH

We strive to provide comfortable working 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 strive to minimise our negative impact on climate change and to raise customer awareness of environmental issues.

INDIRECT UN SDGS:



SDG 3 - GOOD HEALTH AND WELL-BEING

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



SDG 9 - INDUSTRIALISATION,

INNOVATION AND INFRASTRUCTURE

We want to work with factories that innovate and operate according to the principles of sustainable development.

Read more about Melon Fashion Group's contribution to the UN SDGs in Appendix 7.2.

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 2023 through 31 December 2023.

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 these calculations, being guided by the 5th chapter of the GHG Protocol. 2021 data are taken from the 2022 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. Total gross increase in emissions (Scope 1 + Scope 2) is associated with an increase in emissions according to Scope 2 - an increase in energy and heat consumption due to the growth of the MFG network.

The calculation results are given below:

VOLUME OF DIRECT EMISSIONS OF MELON FASHION GROUP (SCOPE 1)	2020	2021	2022	2023
Total direct emissions, tonnes of CO2-eq.	126,8	120,6	139,2	140,1
Refrigeration units, tonnes of CO2-eq.	99,7	90	107,2	109,4
Mobile fuel combustion, tonnes of CO2-eq.	27	30,6	32	30,7
VOLUME OF INDIRECT EMISSIONS OF MELON FASHION GROUP (SCOPE 2)				
Total indirect energy emissions, tonnes of CO2-eq.	14 172,2	19 955,2	19 454,1	24 544,4
Power consumption, tonnes of CO2-eq.	63 32,9	10 808,3	9 049,1	11 109,4
Heat consumption, tonnes of CO2-eq.	7 839,2	9 146,8	10 405	13 435
TOTAL GREENHOUSE GAS EMISSIONS1 (SCOPE 1 + SCOPE 2)				
Total emissions, tonnes of CO2-eq.	14 299	20 075,8	19 593,4	24 684,6

^{* &}quot;Greenhouse gas emissions" data are calculated based on data for Melon Fashion Group JSC offices and stores in Russia.

^{**} Greenhouse gas emissions related to electricity consumption for 2020-2022 have been recalculated due to refinement of coefficients.



SOCIAL MEDIA



www.melonfashion.ru



@melon_fashion_group



t.me/melon_fashion_group